北京汽車股份有限公司
BAIC MOTOR CORPORATION LIMITED*

(A joint stock limited company Incorporated in The People's Republic of China with limited liability)

Stock code : 1958

Global Offering

Joint Sponsors

HSBC　中信証券國際 CITIC Securities International　Deutsche Bank Group　UBS

Joint Global Coordinators (In alphabetical order)

Deutsche Bank Group　HSBC　Morgan Stanley

Joint Bookrunners and Joint Lead Managers (In no particular order)

Deutsche Bank Group　HSBC　Morgan Stanley　CLSA　CMS 招商证券　UBS

Joint Lead Managers

中信建投國際 China Securities International　BOC INTERNATIONAL

* For identification purpose only.

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

北京汽车
BAIC MOTOR

北 京 汽 車 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)

Number of Offer Shares under the Global Offering	:	1,238,820,000 H Shares (comprising 1,126,200,000 H Shares to be offered by the Company and 112,620,000 Sale Shares to be offered by the Selling Shareholders, subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	61,941,000 H Shares (subject to adjustment)
Number of International Offer Shares	:	1,176,879,000 H Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	:	HK$9.80 per H Share (payable in full on application in Hong Kong dollars and subject to refund on final pricing), plus brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%
Nominal value	:	RMB1.00 per H Share
Stock code	:	1958

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong. The Securities and Futures Commission of Hong Kong ("SFC") and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between our Company, BAIC Group (for itself and on behalf of the other Selling Shareholders), the Joint Global Coordinators, the Joint Bookrunners and the Underwriters on the Price Determination Date or such later date as may be agreed by our Company, BAIC Group (for itself and on behalf of the other Selling Shareholders) and the Joint Global Coordinators, the Joint Bookrunners and the Underwriters but in any event no later than Monday, December 15, 2014. The Offer Price will be not more than HK$9.80 per Offer Share and is expected to be not less than HK$7.60 per Offer Share. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK$9.80 for each Hong Kong Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price should be lower than HK$9.80. The Joint Global Coordinators, the Joint Bookrunners and the Underwriters, with the consent of our Company and BAIC Group (for itself and on behalf of the other Selling Shareholders) may reduce the number of Hong Kong Offer Shares being offered under the Global Offering and/or the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of the reduction of the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Such notices will also be available at the website of the Hong Kong Stock Exchange at www.hkex.com.hk and our Company's website at www.baicmotor.com. If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, in the event that the number of Offer Shares and/or the indicative Offer Price range is so reduced, such applications can subsequently be withdrawn. Details of the arrangement will then be announced by our Company as soon as practicable. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus.

If, for any reason, the Offer Price is not agreed between our Company, BAIC Group (for itself and on behalf of the other Selling Shareholders), the Joint Global Coordinators, the Joint Bookrunners and the Underwriters on or before Monday, December 15, 2014, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

We are incorporated, and substantially all of our businesses are located, in the PRC. Potential investors should be aware of the differences in legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investments in PRC-incorporated companies. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of our Shares. Such differences and risk factors are set out in the section headed "Risk Factors" and in "Appendix IV—Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions" and "Appendix V—Summary of the Articles of Association" in this prospectus. Prior to making an investment decision, potential investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" beginning on page 32 of this prospectus.

Pursuant to the Underwriting Agreements, the Joint Global Coordinators, the Joint Bookrunners and the Underwriters have the right in certain circumstances to terminate the obligations of the Underwriters pursuant to the Underwriting Agreements at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of such circumstances are set out in the section headed "Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Hong Kong Underwriting Agreement—Grounds for termination" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and may not be offered, sold, pledged or transferred within the United States except that Offer Shares may be offered, sold or delivered in the United States to qualified institutional buyers in reliance on Rule 144A or another exemption from registration under the Securities Act and outside the United States in offshore transactions in reliance on Regulation S.

December 9, 2014

* *For identification purpose only.*

Date[1]	
Latest time for completing electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[2]	11:30 a.m. on Friday, December 12, 2014
Application lists open[3]	11:45 a.m. on Friday, December 12, 2014
Latest time for (i) lodging **WHITE** and **YELLOW** Application Forms, (ii) completing payment for **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (iii) giving **electronic application instructions** to HKSCC[4]	12:00 noon on Friday, December 12, 2014
Application lists close[3]	12:00 noon on Friday, December 12, 2014
Expected Price Determination Date[5]	Friday, December 12, 2014
(1) Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before	Thursday, December 18, 2014
(2) Results of allocations (with successful applicants' identification document numbers where appropriate) in the Hong Kong Public Offering to be available through a variety of channels as described in "How to Apply for the Hong Kong Offer Shares—Publication of Results" from	Thursday, December 18, 2014
(3) Announcement containing (1) and (2) above to be published on the websites of the Company and the Stock Exchange at **www.baicmotor.com**[6] and **www.hkexnews.hk**[7], respectively, from	Thursday, December 18, 2014
Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** with a "search by ID" function	Thursday, December 18, 2014
Despatch of H Share certificates or deposit of the H Share certificates into CCASS in respect of wholly or partially successful applications on or before[8]	Thursday, December 18, 2014
Despatch of White Form e-Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications on or before[8&9]	Thursday, December 18, 2014
Dealings in the H Shares on the Stock Exchange expected to commence on	Friday, December 19, 2014

Notes:

(1) All dates and times refer to Hong Kong dates and times except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

(2) You will not be permitted to submit your application to the **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of the application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, December 12, 2014, the application lists will not open and close on that day. Please see "How to Apply for the Hong Kong Offer Shares—Effect of Bad Weather on the Opening of the Application Lists" for further details.

(4) Applicants who apply by giving electronic application instructions to HKSCC should refer to the section headed "How to Apply for the Hong Kong Offer Shares—Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus.

(5) The Price Determination Date is expected to be on or about Friday, December 12, 2014, and, in any event, not later than Monday, December 15, 2014. If, for any reason, the Offer Price is not agreed among our Company, BAIC Group (for itself and on behalf of the other Selling Shareholders), the Joint Global Coordinators, the Joint Bookrunners and the Underwriters on or before Monday, December 15, 2014, the Global Offering will not become unconditional and will lapse.

(6) None of the website or any of the information contained on the website forms part of this prospectus.

(7) The announcement will be available for viewing on the Hong Kong Stock Exchange's website at www.hkexnews.hk.

(8) Applicants who apply for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering on **WHITE** Application Forms and have provided all required information may collect refund cheque(s) and/or share certificate(s) in person from our Company's H Share Registrar, from 9:00 a.m. to 1:00 p.m. on Thursday, December 18, 2014. Applicants being individuals who are eligible for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who are applying for 1,000,000 Hong Kong Offer Shares or more and eligible for personal collection must attend by their authorized representatives bearing letters of authorization from their corporations stamped with the corporation's chop. Identification and (where applicable) authorization documents acceptable to our Company's H Share Registrar must be produced at the time of collection. Applicants who apply for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering on **YELLOW** Application Forms and have provided all required information may collect their refund cheque(s) (if any) in person but may not elect to collect their share certificate(s), which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants. Uncollected share certificates and refund cheques will be despatched by ordinary post at the applicants' own risk to the addresses specified on the relevant Application Forms. Further details are set out in the section headed "How to Apply for the Hong Kong Offer Shares—Despatch/Collection of H Share Certificates and Refund Monies" in this prospectus.

(9) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application.

Share certificates for the Hong Kong Offer Shares are expected to be issued on Thursday, December 18, 2014 but will only become valid if the Global Offering has become unconditional in all respects at any time prior to 8:00 a.m. and the right of termination as described in the section headed "Underwriting" in this prospectus has not been exercised on the Listing Date, which is expected to be Friday, December 19, 2014. Investors who trade the H Shares on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, see "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares," respectively.

This prospectus is issued by BAIC Motor Corporation Limited, solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not included in this prospectus must not be relied on by you as having been authorized by us, the Selling Shareholders, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors or advisers, or any other person or party involved in the Global Offering. Information contained in our website, located at www.baicmotor.com, does not form part of this prospectus.

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OVERVIEW

We are a leading manufacturer of passenger vehicles in China. According to ACMR, we are expected to be the second-largest passenger vehicle manufacturer listed on the Hong Kong Stock Exchange upon the Listing, based on the aggregate sales volume of Beijing Motor, Beijing Benz and Beijing Hyundai in 2013. We are engaged in the design, research and development, manufacture and sale of an extensive and diversified portfolio of passenger vehicle models, and the provision of related services in China.

We believe that we are a passenger vehicle manufacturer in China that is well positioned to meet market demand and that possesses high growth potential. Our business covers (i) Beijing Motor's proprietary brand (the "Beijing" brand), which has a leading technology platform and has experienced fast sales growth, (ii) the premier passenger vehicle brand of Mercedes-Benz which has a long history, and (iii) Beijing Hyundai's mid- to high-end brand with stable sales growth. We offer a diversified and highly complementary brand portfolio of passenger vehicles covering different market segments including joint-venture premium, joint-venture mid- to high-end, proprietary mid- to high-end and proprietary economy passenger vehicles. We offer a variety of passenger vehicle models, including mid- to large-size sedan, mid-size sedan, compact sedan, small-size sedan, SUV, MPV and CUV products to satisfy customer demands for different types of vehicles.

Beijing Motor's proprietary brand passenger vehicle business is carried out under three product series, including the mid- to high-end Senova series, economy BJ series and Wevan series. In 2011, 2012, 2013 and the six months ended June 30, 2014, the sales volume of Beijing Motor's proprietary brand was 24,415 units, 77,561 units, 202,280 units and 153,730 units, respectively.

We acquired 50.0% of Beijing Benz's equity interest from the BAIC Group on January 4, 2013, and increased our shareholding to 51.0% on November 18, 2013. As a result, Beijing Benz became our subsidiary and has been consolidated in our financial statements since November 18, 2013. According to ACMR, in terms of sales volume in 2013, Beijing Benz accounted for 15.3% of the joint-venture premium passenger vehicle market in China, and was the third-largest automobile manufacturer in the PRC market for premium joint-venture passenger vehicles. In 2011, 2012, 2013 and the six months ended June 30, 2014, the sales volume of Beijing Benz was 93,377 units, 103,445 units, 116,006 units and 64,494 units, respectively. Mercedes-Benz is a brand licensed to Beijing Benz by its owner, Daimler AG.

Beijing Hyundai is a joint venture between us and Hyundai Motor. Each of BAIC Investment, one of our subsidiaries, and Hyundai Motor holds 50.0% of the equity interest in Beijing Hyundai. According to ACMR, in terms of single-brand sales volume, Beijing Hyundai was the second-largest joint venture passenger vehicle brand in the PRC in 2013, accounting for 10.6% of the joint venture mid- to high-end passenger vehicle market. In 2013, the annual sales volume of Beijing Hyundai exceeded one million units, and as of October 2014, Beijing Hyundai reached a cumulative sales volume of over six million units since its inception in 2002. In 2011, 2012, 2013 and the six months ended June 30, 2014, the sales volume of Beijing Hyundai was 739,800 units, 859,595 units, 1,030,808 units and 552,970 units, respectively. For details of Beijing Hyundai and its products, see "Business—Beijing Hyundai" beginning on page 173 of this prospectus. Hyundai is a brand licensed to Beijing Hyundai by its owner, Hyundai Motor.

Sales and marketing activities are primarily carried out separately through dealers of Beijing Motor, Beijing Benz and Beijing Hyundai, each of which has established an extensive distribution network in China.

In addition, we manufacture engines and other key automobile parts and components, which are used for manufacturing our passenger vehicles, as well as for sales to other automobile manufacturers.

OUR BRANDS

Beijing Motor

Beijing Motor's proprietary brand (the "Beijing" brand) business currently manufactures passenger vehicles under three product series, namely, Senova, BJ and Wevan.

Senova (紳寶)

We commenced the sales of Senova passenger vehicles in May 2013. Senova passenger vehicles (except for Senova D20) are based on the Saab technologies acquired in 2009, which we have further developed. Senova is a mid- to high-end proprietary passenger vehicle product series and targets customers who value both vehicle performance and cost efficiency. At present, we manufacture and sell the D70, D50 and D20 sedans under the Senova product series, and we plan to launch the D60, D80 and Senova CC sedans and the X65, X55 and C33 SUVs under the Senova product series in 2015. In 2013 and the six months ended June 30, 2014, we sold 10,032 units and 10,274 units, respectively, of Senova passenger vehicles.

BJ (北京)

We commenced the sales of BJ passenger vehicles in 2012. Our BJ product series focuses on economy passenger vehicles. During the Track Record Period, we manufactured and sold E-Series sedans and BJ40 off-road vehicles under the BJ product series. As part of an initiative to rebrand our proprietary brand passenger vehicles, we discontinued the E-Series product line and rebranded the E-Series facelift as the Senova D20 in November 2014. We currently manufacture and sell BJ40 off-road vehicles as part of the Transition Period Arrangement. See "Relationship with BAIC Group—III. Delineation of the Businesses between the Excluded Companies and Our Company—3. Off-road Vehicle Branch—Operational independence" beginning on page 192 of this prospectus). In 2012, 2013 and the six months ended June 30, 2014, we sold 20,008 units, 60,297 units and 49,526 units, respectively, of BJ passenger vehicles.

Wevan (威旺)

We commenced the sales of Wevan passenger vehicles in 2011. Our Wevan product series focuses on CUV and MPV products, and targets small and micro businesses and individuals in China. We currently manufacture and sell the CUV models Wevan 306 and Wevan 307. We sold the MPV model Wevan M20, which was manufactured by Yinxiang Motor on our behalf during the Track Record Period. We started to manufacture Wevan M20 in our Zhuzhou Branch in the third quarter of 2014. We also sell CUV models Wevan 205 and Wevan 206, each of which is manufactured by Yinxiang Motor on our behalf. We plan to launch facelifts of Wevan 306 and Wevan 307 in 2015. For 2011, 2012, 2013 and the six months ended June 30, 2014, we sold 10,016 units, 46,368 units, 130,274 units and 93,540 units, respectively, of Wevan automobiles.

Beijing Benz

Beijing Benz commenced the sales of Mercedes-Benz-branded passenger vehicles in 2006. Beijing Benz currently manufactures and sells the E-Class sedan, the C-Class sedan and the GLK SUV. Beijing Benz launched an LWB version of the new C-Class in August 2014 and plans to introduce a new generation of the GLK SUV, a regular-wheelbase version of the new C-Class sedan, and the GLA SUV in 2015. In 2011, 2012, 2013 and the six months ended June 30, 2014, Beijing Benz sold 93,377 units, 103,445 units, 116,006 units and 64,494 units of passenger vehicles, respectively.

OUR PRODUCTS

During the Track Record Period, we sold passenger vehicles across four product categories, namely sedan, SUV, MPV and CUV products. The following table sets forth sales details of passenger vehicles sold by Beijing Motor's continuing operations and Beijing Benz, by model, for the periods indicated:

	Market positioning	Manufacturer's suggested retail price range as of the Latest Practicable Date (RMB'000)	Year ended December 31, 2011	Year ended December 31, 2012	Year ended December 31, 2013	Six months ended June 30, 2014
			Sales volume (units)			
Beijing Motor						
Senova (紳寶)						
D70	Mid- to high-end mid-size sedan	139.8 - 215.8	—	—	10,032	2,072
D50	Mid- to high-end compact sedan	74.8 - 119.8	—	—	—	8,202
BJ (北京)(1)						
E-Series	Economy small-size sedan	53.8 - 87.8	—	20,008	60,297	44,603
BJ40	Off-road vehicle	146.8 - 186.8	—	—	—	4,923
Wevan (威旺)(2)						
306	Economy CUV	31.8 - 46.8	10,016	46,368	82,838	31,450
307	Economy CUV	44.8 - 51.8	—	—	2,226	4,089
M20	Small-size MPV	43.8 - 63.8	—	—	12,933	37,598
205	Economy CUV	29.8 - 35.8	—	—	30,927	20,074
206	Economy CUV	32.3 - 40.8	—	—	1,350	329
New Energy(3)	—	—	—	644	1,677	390
Others(4)	—	—	14,399	10,541	—	—
Subtotal			24,415	77,561	202,280	153,730
Beijing Benz(5)						
E-Class (LWB)	Premium mid- to large-size sedan	429.0 - 798.0	44,951	36,765	39,623	24,525
C-Class	Premium mid-size sedan	315.0 - 468.0	32,585	30,970	35,411	12,843
GLK	Premium SUV	398.0 - 558.0	259	25,929	40,972	27,126
Others(6)	—	—	15,582	9,781	—	—
Subtotal			**93,377**	**103,445**	**116,006**	**64,494**

(1) As part of an initiative to rebrand our proprietary brand passenger vehicles, we discontinued the BJ E-Series product line and rebranded the BJ E-Series facelift as Senova D20 in November 2014. The BJ40 off-road vehicle was launched in late December 2013. For more information about the manufacture and sale of BJ40, see "Relationship with BAIC Group—III. Delineation of the Businesses between the Excluded Companies and Our Company—3. Off-road Vehicle Branch—Operational independence."

(2) We utilized BAIC Limited's production capacity to manufacture a limited number of Wevan 306 in the second half of 2014, and procured the whole vehicles for re-sale through our own distribution network by means of an exclusive sales agency arrangement. For more details, see "Business—Manufacturing Facilities and Process—Provisional Arrangement with BAIC Limited." During the Track Record Period, the Wevan M20, Wevan 205 and Wevan 206 were manufactured by Yinxiang Motor, from which we purchased and resold them. Our Zhuzhou Branch started to manufacture certain Wevan M20 models in the third quarter of 2014. For more details, see "Business—Manufacturing Facilities and Process—Arrangement with Yinxiang Motor."

(3) In October 2013, we disposed of New Energy to BAIC Group. For details, see "History, Reorganization and Corporate Structure—Major Acquisitions and Disposals," "Relationship with BAIC Group—III. Delineation of the Businesses between the Excluded Companies and Our Company—5. New Energy" and "Connected Transactions—Continuing Connected Transactions Relating to BAIC Group and Its Associates—Non-exempt Continuing Connected Transactions—4. Products and Services Purchasing Framework Agreement ("Transaction 4")—Arrangement of Purchasing New Energy Vehicle Components and Related Assembly Services during the New Energy Transition Period" in this prospectus.

(4) Others primarily include commercial vehicles and off-road vehicles which were manufactured by BAIC Limited. We disposed of BAIC Limited to BAIC Group in November 2012.

(5) In 2011, 2012 and the period from January 1, 2013 to November 17, 2013, we did not consolidate Beijing Benz, and its sales volumes during these periods are intended for reference and comparison only.

(6) These passenger vehicles included the Mercedes-Benz E-Class, GLK, A-Class and B-Class, which were manufactured by Daimler AG and imported and sold by Beijing Benz in China in 2011 and 2012.

MANUFACTURING FACILITIES AND PRODUCTION CAPACITY

We have specialized production facilities to manufacture and assemble our products. All of our manufacturing bases are located in China, and are equipped with advanced production facilities, which not only allow us to improve efficiency and maintain the high quality of our products, but also to reduce per unit product costs as our production volume ramps up. The following table sets forth certain information relating to our existing facilities as of the Latest Practicable Date:

	Location	Production commencement date	Land area (square meters)	Gross floor area (square meters)	Product	Designed annual production capacity (units)
Passenger Vehicle						
Beijing Motor						
Beijing Branch	Beijing	March 2013	1,060,386	385,850	Passenger vehicle	150,000
Zhuzhou Branch (Phase I of No. 1 Factory)	Zhuzhou	June 2011	531,706	258,818	Passenger vehicle	100,000
Zhuzhou Branch (Phase II of No. 1 Factory)	Zhuzhou	June 2013	531,706	73,900	Passenger vehicle	100,000
Beijing Benz						
MRA Factory	Beijing	July 2006	1,983,256	358,163	Passenger vehicle	230,000
Engine						
Beijing Motor						
Powertrain	Beijing	December 2012	297,000	133,780	Engine	100,000[1]
Zhuzhou Branch (Phase II of No. 1 Factory)[2]	Zhuzhou	June 2013	531,706	73,900	Engine	100,000
Beijing Benz						
Engine Factory	Beijing	November 2013	292,518	160,700	Engine	300,000

(1) Approved designed production capacity of engines of Powertrain is 300,000 units. As of the Latest Practicable Date, designed production capacity in use was 100,000 units and designed production capacity under construction was 200,000 units.

(2) It shares the land and buildings with the passenger vehicle production unit of the Zhuzhou Branch.

The following table sets forth the designed annual production capacity and the production volume of passenger vehicles and the average utilization rate of production lines of Beijing Motor and Beijing Benz during the Track Record Period:

	Year ended or as of December 31,									Six months ended or as of June 30,		
	2011			2012			2013			2014		
	Designed production capacity	Actual production volume	Utilization rate[1]	Designed production capacity	Actual production volume	Utilization rate[1]	Designed production capacity	Actual production volume	Utilization rate[1]	Designed production capacity	Actual production volume	Utilization rate[1]
Beijing Motor												
Beijing Branch	—	—	—	—	—	—	150,000	11,957	9.6%	150,000	17,433	23.2%
Zhuzhou Branch	100,000	14,008	24.0%	100,000	66,124	66.1%	200,000	150,088	94.8%	200,000	75,703	75.7%
Total	100,000	14,008	24.0%	100,000	66,124	66.1%	350,000	162,045	57.2%	350,000	93,136	53.2%
Beijing Benz												
MRA Factory	100,000	80,172	80.2%	100,000	96,839	96.8%	120,000	118,819	101.8%	120,000	56,257	93.8%

(1) The average utilization rate is derived on the basis of the actual production volume divided by the weighted average designed production capacity for the period indicated. If the expansion of the production capacity occurs in a particular month (N) in the current year, the weighted average designed production capacity of the current year = (N-1) / 12 × annual production capacity immediately before the expansion + (13-N) / 12 × annual production capacity immediately after the expansion. If the expansion of the production capacity occurs in a particular month (N) during the six months ended June 30, 2014, the weighted average designed production capacity of the period = (N-1) / 6 × annual designed production capacity immediately before the expansion / 2 + (7-N) / 6 × annual designed production capacity immediately after the expansion / 2.

SUPPLIERS AND PROCUREMENT

We have developed long-term business relationships with our suppliers and negotiated supply agreements with favorable terms and stable pricing policies. We have established long-term relationships with a number of renowned automobile parts and components suppliers in the world, including ThyssenKrupp, Johnson Controls and Lear, which has ensured that our products are of a high quality. We have had business relationships with our key suppliers for a period of over three years.

We purchase a wide variety of raw materials, parts and components from suppliers. The key raw materials, parts and components used in the manufacture of our products include steel, tires and a variety of fabricated or manufactured parts and components, such as engines and axles. In addition, we also purchase manufacturing equipment, molds, spare parts, supporting materials and information technologies and services. In 2011, 2012, 2013 and the six months ended June 30, 2014, our procurement costs (exclusive of the procurement costs of vehicles from Yinxiang Motor in 2013) accounted for 88.1%, 95.1%, 87.2% and 89.5%, respectively, of our total cost of sales during the same periods.

We have taken various initiatives to reduce or control our procurement costs without compromising on the quality of our products. We believe that, as a result of our increasing production scale and procurement volume, our increasing bargaining power has helped us to reduce the prices of raw materials, parts and components through negotiation with our suppliers. In addition, we have continuously optimized the design of our passenger vehicle products to achieve higher cost-effectiveness. We have also initiated the standardization and modularization of the parts and components to be used in our passenger vehicles, which has not only improved our production efficiency, but also improved the cost structure of our products.

OUR DEALERSHIP NETWORK

The following table sets forth the change in the number of Beijing Motor's dealers and dealership outlets operated by these dealers for the periods and as of the dates indicated:

	Year ended or as of December 31,										Six months ended or as of June 30,		
	2010	2011			2012			2013			2014		
	Total	New	Terminated	Total	New	Terminated	Total	New	Terminated	Total	New	Terminated	Total
Dealers	—	73	—	73	182	2	253	179	19	413	89	34	468
Dealership outlets	—	73	—	73	182	2	253	179	19	413	89	34	468

The following table sets forth the change in the number of Beijing Benz's dealers and dealership outlets operated by these dealers for the periods and as of the dates indicated:

	Year ended or as of December 31,										Six months ended or as of June 30,		
	2010	2011			2012			2013			2014		
	Total	New	Terminated	Total	New	Terminated	Total	New	Terminated	Total	New	Terminated	Total
Dealers	122	21	—	143	30	—	173	65	—	238	36	—	274
Dealership outlets	166	46	—	212	52	2	262	83	4	341	41	2	380

DISCONTINUED OPERATIONS

In 2011 and 2012, we produced commercial vehicles under our proprietary brand through BAIC Limited, and engaged in logistics and auction businesses through Zhongdu Logistics and Beiqi Penglong, respectively (collectively referred to as "discontinued operations"). In 2012, we disposed of our entire 51.0% equity interest in Zhongdu Logistics, 100.0% of our equity interest in Beiqi Penglong and our entire 51.0% equity interest in BAIC Limited to BAIC Group. The revenue and other profit and loss items of the discontinued operations have been recorded in the line item "Loss for the year from discontinued operations" and separately disclosed in our consolidated statements of comprehensive income during the Track Record Period. Accordingly, our net profits in 2011 and 2012 reflected the losses from discontinued operations of RMB196.2 million and RMB80.7 million, respectively, and therefore, are not indicative of our future performance. See "Risk Factors—Risks relating to Our Business—Our results of operations during the Track Record Period may not be indicative of our future performance due to our acquisitions and disposals" on page 36 of this prospectus, "History, Reorganization and Corporate Structure" beginning on page 98 of this prospectus and "Financial Information" beginning on page 296 of this prospectus.

BEIJING HYUNDAI

Beijing Hyundai commenced the production and sales of Hyundai-branded passenger vehicles in 2002. Hyundai is a major global mid- to high-end automobile brand. According to ACMR, in terms of sales volume as a single brand, Hyundai's automobiles ranked fifth in the world in 2013 and, among all joint-venture mid- to high-end passenger vehicle brands, Beijing Hyundai's passenger vehicles ranked second in China in 2013. Beijing Hyundai focuses on the development and manufacture of mid- to high-end sedans and SUVs, and targets young middle-class customers in China. In 2011, 2012 and 2013, Beijing Hyundai sold 739,800 units, 859,595 units and 1,030,808 units, respectively, of passenger vehicles, representing a CAGR of 18.0%. In the six months ended June 30, 2014, Beijing Hyundai sold 552,970 units of passenger vehicles. Beijing Hyundai's revenue was RMB68,711.0 million, RMB77,311.5 million, RMB103,167.3 million and RMB54,393.0 million in 2011, 2012, 2013 and the six months ended June 30, 2014, respectively, and its net profit was RMB6,832.4 million, RMB7,470.0 million, RMB10,799.2 million and RMB5,537.5 million, respectively, during the same periods.

COMPETITIVE STRENGTHS

- We are a leading manufacturer of passenger vehicles in China, with a portfolio of complementary brands and products, and strong positioning in fast-growing segments of the market;
- Our Beijing brand has a long history, advanced technology and precise market positioning, and we intend to introduce a large number of new and competitive vehicle models under our Beijing Brand;
- Beijing Benz, with the historic Mercedes-Benz premium brand, is primed for growth from new model launches, increased localization and an integrated sales platform;
- Beijing Hyundai is a rapidly growing mid- to high-end passenger vehicle business with a competitive product portfolio, and has grown rapidly from a new entrant to a market leader in China;
- We have a diversified and international shareholding structure and sound corporate governance; and
- We have an international management team with an excellent track record, supported by a professional workforce.

BUSINESS STRATEGIES

- Further expand our product portfolio and offer new vehicle models;
- Continue to improve the cost structure of our Beijing brand passenger vehicle business and improve its profitability;
- Further strengthen our research and development and innovation capabilities, enhance our competitiveness and achieve sustainable development; and
- Further explore business models in automobile sales and expand our sales network.

CONTROLLING SHAREHOLDER AND PRE-IPO STRATEGIC INVESTMENT

Controlling Shareholder

BAIC Group, is a state-owned enterprise established on June 30, 1994 with a registered capital of approximately RMB4.55 billion. BAIC Group is the fifth-largest automobile group in terms of passenger vehicle sales in 2013 in the PRC with a market share of 8.2%, according to ACMR. Its principal businesses include manufacturing, sale, import and export of vehicles and spare parts, operation and management of state-owned assets, investment and investment management, technology development, service and consultancy, and real property development and sales. We believe that our Controlling Shareholder may have limited competition with us in terms of the manufacture and sales of certain types of passenger vehicles. Despite that the off-road vehicles produced by BAIC Group and the SUVs produced by us may overlap, to a limited extent, in terms of functions, technical specifications or customer base, based on the differentiations of these two categories of passenger vehicles, our Directors and the Joint Sponsors are of the view that there is very limited competition between BAIC Group and us with respect to SUVs and off-road vehicles. See "Relationship with BAIC Group" beginning on page 182 of this prospectus for details on our relationship with BAIC Group, including, among others, our business delineation and independence from BAIC Group.

BAIC Group had been our sole Controlling Shareholder throughout the Track Record Period. As of the Latest Practicable Date, BAIC Group owned approximately 55.22% of the total issued share capital of our Company. Upon completion of the Global Offering, BAIC Group will own approximately 45.61% of the total issued share capital of our Company (assuming the Over-allotment Option is not exercised) or approximately 44.41% of the total issued share capital of our Company (assuming the Over-allotment Option is exercised in full). BAIC Group is expected to continue to be our sole Controlling Shareholder after the Listing.

Pre-IPO Strategic Investment

On February 1, 2013, our Company, BAIC Group and Daimler AG entered into a Share Subscription Agreement, pursuant to which our Company issued to Daimler AG 765,818,182 Unlisted Foreign Shares, representing 12% of the enlarged total issued share capital of our Company following the completion of the Pre-IPO Strategic Investment. The subscription price per Share was RMB6.7 and the total price paid by Daimler AG for subscription of such Shares under the Share Subscription Agreement was RMB5,130,981,819.40. See "History, Reorganization and Corporate Structure" beginning on page 98 of this prospectus.

SUMMARY OF FINANCIAL INFORMATION

Our continuing operations were entirely composed of Beijing Motor in 2011 and 2012, and consisted of both Beijing Motor and Beijing Benz in 2013. On January 4, 2013, we acquired a 50% equity interest in Beijing Benz, which became our joint venture. On November 18, 2013, we acquired an additional 1% equity interest in Beijing Benz, which made it our subsidiary on the same date. We refer to the period from January 4, 2013 to November 17, 2013 as the "Joint Venture Period" and the period from November 18, 2013 to December 31, 2013 as the "Subsidiary Period" when we discuss the accounting treatment and operating results of Beijing Benz in 2013. Stand-alone financial information of Beijing Benz in 2011, 2012 and the period from January 1, 2013 to November 17, 2013, prior to our acquisition of a controlling interest, is included in Section III of the Accountant's Report in Appendix I to this prospectus. Beijing Benz was accounted for as an investment in a joint venture in our consolidated financial statements during the Joint Venture Period. Beijing Benz's financial statements were consolidated into our Group during the Subsidiary Period based on the fair value of Beijing Benz by applying the acquisition accounting method in accordance with IFRSs. As our accounting treatment of Beijing Benz in the Subsidiary Period is different from that in the Joint Venture Period, our results of operations during the Track Record Period may not be necessarily indicative of our future financial performance. See "Risk Factors—Risks relating to Our Business—Our results of operations during the Track Record Period may not be indicative of our future performance due to our acquisitions and disposals" on page 36 of this prospectus.

The following tables set forth (i) the summary consolidated statements of comprehensive income of (a) Beijing Motor in 2011, 2012 and 2013, (b) Beijing Benz in the Subsidiary Period, and (c) our Group in 2013 and the six months ended June 30, 2013 and 2014, (ii) the summary consolidated balance sheets of our Group as of December 31, 2011, 2012 and 2013 and June 30, 2014 and (iii) the summary consolidated statements of cash flows of (a) Beijing Motor in 2011, 2012 and 2013, (b) Beijing Benz in the Subsidiary Period, and (c) our Group in 2013 and the six months ended June 30, 2013 and 2014. We have derived the summary of consolidated financial information of Beijing Motor (other than in 2013) as well as of our Group in 2013 and the six months ended June 30, 2013 and 2014 from our consolidated financial information set forth in the Accountant's Report in Appendix I to this prospectus. Financial information of Beijing Motor in 2013 and of Beijing Benz in the Subsidiary Period is extracted from our unaudited management accounts. You should read this summary in conjunction with our consolidated financial information included in the Accountant's Report in Appendix I to this prospectus, including the accompanying notes, and the information set forth in "Financial Information" beginning on page 296 of this prospectus.

Summary Consolidated Statements of Comprehensive Income

	Beijing Motor			Beijing Benz	Our Group[(2)]		
	Year ended December 31,			The Subsidiary Period	Year ended December 31,	Six months ended June 30,	
	2011	2012	2013		2013	2013	2014
			(unaudited)	(unaudited)		(unaudited)	
				(RMB'000)			
Revenue	1,915,738	3,519,669	6,847,499	5,934,369	12,781,868	2,293,837	25,126,877
Cost of sales	(1,888,490)	(3,687,797)	(7,825,417)	(4,541,270)	(12,366,687)	(2,607,290)	(21,711,810)
Gross profit/(loss)	27,248	(168,128)	(977,918)	1,393,099	415,181	(313,453)	3,415,067
Selling and distribution expenses	(398,640)	(1,030,547)	(1,610,660)	(592,637)	(2,203,297)	(489,616)	(2,071,834)
General and administrative expenses	(354,469)	(505,532)	(796,920)	(454,440)	(1,251,360)	(290,836)	(1,275,454)
Other gains/(losses), net[(1)]	106,426	1,855,459	634,847	(15,197)	619,650	50,892	13,407
Operating (loss)/profit	(619,435)	151,252	(2,750,651)	330,825	(2,419,826)	(1,043,013)	81,186
Finance costs, net	(81,876)	(158,253)	(480,088)	4,376	(475,712)	(206,502)	(236,568)
Share of profits of joint ventures	3,571,598	3,834,902	5,986,518	—	5,986,518	2,951,154	2,777,840
Share of (losses)/profits of associates	(86,147)	(42,844)	35,749	—	35,749	11,881	35,364
Profit before income tax	2,784,140	3,785,057	2,791,528	335,201	3,126,729	1,713,520	2,657,822
Income tax expenses	(21,324)	(226,316)	(26,577)	(86,739)	(113,316)	(8,790)	(318,244)
Profit from continuing operations	2,762,816	3,558,741	2,764,951	248,462	3,013,413	1,704,730	2,339,578
Discontinued operations							
Loss from discontinued operations	(196,184)	(80,670)	—	—	—	—	—
Profit for the period	**2,566,632**	**3,478,071**	**2,764,951**	**248,462**	**3,013,413**	**1,704,730**	**2,339,578**
Attributable to:							
Equity holders of the Company	2,598,483	3,417,427	2,649,664	126,716	2,776,380	1,650,211	1,809,713
Non-controlling interest	(31,851)	60,644	115,287	121,746	237,033	54,519	529,865

(1) Our other net gains or losses included gains or losses from our one-off disposals of assets and investments as well as government grants which are non-recurring items. In particular, our other net gains in 2012 included, among others: (i) aggregate gains of RMB1,118.7 million from our disposals of subsidiaries, joint ventures and associates; and (ii) unconditional government grants of RMB613.0 million from the Beijing government to encourage us to establish a dealership network and enhance the image of our proprietary brand.
(2) In the six months ended June 30, 2013, Beijing Motor comprised our entire business.

Share of profits of joint ventures of Beijing Motor included, among others, our share of profits of Beijing Hyundai in 2011 (RMB3,416.2 million), 2012 (RMB3,735.0 million) and 2013 (RMB5,399.6 million) and Beijing Benz of the Joint Venture Period of RMB571.2 million. Share of profits of joint ventures of our Group included, among others, our share of profits of Beijing Hyundai of RMB2,768.8 million in the six months ended June 30, 2014.

Our Beijing Motor segment recorded gross losses, operating losses and negative operating cash flows during the Track Record Period due to a number of reasons, including: (i) Beijing Motor offered significant sales discounts and rebates to customers, especially in 2012 and 2013, to capture market share and promote our Beijing Motor proprietary brand; (ii) sales volumes of Beijing Motor were not sufficiently high during the Track Record Period, especially during the ramp-up period for each vehicle model, to allow us to achieve economies of scale in production; (iii) significant raw material costs as a result of higher set-up costs due to the need for our relatively new third party suppliers to make custom parts and components to meet our specifications; (iv) significant amounts of depreciation and amortization associated with new production facilities and development costs; and (v) intense market competition adversely affected the growth of Beijing Motor's sales volumes. As part of our marketing strategy, we intend to continue to offer sales discounts and rebates to Beijing Motor's customers. However, the exact amount of such discounts and rebates will depend upon the market reaction to Beijing Motor's new vehicles, brand recognition of Beijing Motor and the marketing activities of Beijing Motor's competitors. Our Directors expect Beijing Motor's gross profit and operating profit to become positive within three financial years after the Global Offering only if certain assumptions and conditions are met, such as when our Beijing Motor proprietary brand becomes more widely recognized, Beijing Motor reaches economies of scale, and Beijing Motor continues to adopt stringent cost control measures. See "Financial Information" for further information. We had net profits during the Track Record Period only due to our share of profit of Beijing Hyundai and, to a lesser extent, of Beijing Benz in the Joint Venture Period as well as the revenue contribution from Beijing Benz in the Subsidiary Period.

In 2011, 2012 and 2013, Beijing Benz's revenue was RMB28,688.2 million, RMB29,673.4 million and RMB33,220.2 million, respectively. Beijing Benz's financial results are intended for comparison and illustrative purposes only. Investors should note that Beijing Benz's revenue in 2011 and 2012 was not consolidated into ours in those years, and Beijing Benz's financial results for 2013 were combined by adding its financial results for the period from January 1, 2013 to November 17, 2013 to its financial results for the period from November 18, 2013 to December 31, 2013. In 2011, 2012 and 2013, Beijing Benz had net profit of RMB3,479.2 million, RMB1,910.9 million and RMB1,506.6 million, respectively, with a net profit margin of 12.1%, 6.4% and 4.5%, respectively. The decrease in Beijing Benz's net profit margin was due primarily to the substantial increases in selling and distribution expenses, particularly service fees and charges in 2012 and 2013, and the non-recurring nature of its relocation compensation recognized in 2012. See "Financial Information—Financial Information of Beijing Benz" beginning on page 348 of this prospectus.

In the six months ended June 30, 2014, our revenue and profit for the period amounted to RMB25,126.9 million and RMB2,339.6 million, respectively. During the same period, Beijing Benz contributed revenue of RMB19,156.7 million and net profit of RMB964.6 million to our overall revenue and profit for the period, respectively; and Beijing Motor contributed revenue of RMB5,970.2 million and a net loss of RMB1,393.7 million (excluding the share of profit of Beijing Hyundai) to our overall revenue and profit for the period, respectively.

Summary Consolidated Balance Sheets of Our Group

	As of December 31,			As of June 30,
	2011	2012	2013	2014
	(RMB'000)			
Total current assets	4,461,067	9,093,987	33,403,602	30,281,474
Total current liabilities	7,676,605	7,287,642	36,779,409	36,523,389
Net current assets/(liabilities)(1)	(3,215,538)	1,806,345	(3,375,807)	(6,241,915)
Total non-current assets	17,339,867	22,688,251	50,082,409	51,651,296
Total non-current liabilities	2,824,686	8,482,330	16,447,015	13,488,033
Total assets	21,800,934	31,782,238	83,486,011	81,932,770
Total liabilities	10,501,291	15,769,972	53,226,424	50,011,422
Total equity	11,299,643	16,012,266	30,259,587	31,921,348

(1) As of December 31, 2011, we had net current liabilities of RMB3,215.5 million, primarily because we were established in 2010 and had limited current assets in 2011. As of December 31, 2013, we had net current liabilities of RMB3,375.8 million after the consolidation of Beijing Benz. Beijing Benz had net current liabilities of RMB3,941.7 million as of December 31, 2013, primarily due to significant amounts of other payables, such as rebates, service fees and charges, advertising fees and construction payables resulting from its business expansion and its substantial borrowings resulting from the expansion of its production capacity. As of June 30, 2014, our net current liabilities increased to RMB6,241.9 million, which primarily reflected (i) a decrease in inventories as a result of Beijing Benz's increased efforts to reduce unsold vehicles in the first half of 2014, (ii) a decrease in cash and cash equivalents as a result of increased purchase of property plant and equipment for our facilities under construction, and (iii) an increase in our short-term borrowings as an increased amount of our long-term borrowings will mature within one year. See "Financial Information—Net Current Assets and Liabilities," and "Financial Information—Financial Information of Beijing Benz—Net Current Assets and Liabilities."

Summary Consolidated Statements of Cash Flows of Our Group

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

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

DIVIDEND POLICY

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

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

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

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

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

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

Our Directors have confirmed that, since June 30, 2014 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position and there is no event which would materially affect the information shown in our consolidated financial statements included in the Accountant's Report set forth in Appendix I to this prospectus.

LISTING CONDITION AND EXPENSES

We satisfy the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules. As of June 30, 2014, we incurred RMB37.8 million of listing expenses for the Global Offering, of which RMB17.5 million was charged to our consolidated statements of comprehensive income and RMB20.3 million was capitalized as deferred expenses and will be accounted for as a deduction from our equity upon the Listing. We expect to incur approximately RMB107.0 million of additional listing expenses (assuming an offer price of HK$8.70 per H Share, which is the mid-point of the stated range of the Offer Price between HK$7.60 and HK$9.80 per H Share) until the completion of the Global Offering, of which RMB15.6 million is expected to be charged to our consolidated statements of comprehensive income and RMB91.4 million is expected to be accounted for as a deduction from our equity. The listing expenses above are the latest practicable estimate for reference only and the actual amount may differ from this estimate. We do not expect these listing expenses to have a material impact on our results of operations in 2014.

OFFERING STATISTICS

All statistics in this table are based on the assumption that the Over-allotment Option will not be exercised:

	Based on an Offer Price of HK$7.60	**Based on an Offer Price of HK$9.80**
Market capitalization(1)	HK$57,061 million	HK$73,579 million
Unaudited pro forma adjusted consolidated net tangible assets per share(2)	HK$4.15	HK$4.47

(1) The calculation of market capitalization is based on 1,126,200,000 H Shares expected to be issued and outstanding following the Global Offering.
(2) The unaudited pro forma adjusted consolidated net tangible assets per share is arrived at after the adjustments referred to in "Appendix II—Unaudited Pro Forma Financial Information."

USE OF PROCEEDS

Assuming an Offer Price of HK$8.70 per H Share (being the mid-point of the stated range of the Offer Price of between HK$7.60 and HK$9.80 per H Share), we estimate that we will receive net proceeds of approximately HK$9,656.8 million from the Global Offering after deducting the underwriting commissions, costs and other estimated expenses in the Global Offering, assuming the Over-allotment Option is not exercised. We will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholders in the Global Offering.

In line with our business strategies, we intend to use the net proceeds from the Global Offering for the purposes and in the amounts (assuming the Over-allotment Option is not exercised) set forth below:

- approximately 60%, or HK$5,794.1 million (RMB4,584.8 million), will be used for fixed asset investments;
- approximately 10%, or HK$965.7 million, will be used to develop Beijing Motor passenger vehicles;
- approximately 5%, or HK$482.8 million, will be used for the development of the sales network and the promotion of Beijing Motor passenger vehicles;
- approximately 15%, or HK$1,448.5 million, will be used to repay our bank borrowings; and
- approximately 10%, or HK$965.7 million, will be used to replenish our working capital and for general corporate use.

RISK FACTORS

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business; (ii) risks relating to our industry; and (iii) risks relating to conducting business in the PRC. There are also risks relating to the Global Offering. Our business may be materially and adversely affected by these risks, such as the following:

- We may not be able to develop and introduce new passenger vehicles that gain general market acceptance;
- The operations of our joint venture companies may be adversely affected if we fail to reach consensus with our joint venture partners on important decisions;
- Deterioration in the business performance of our joint venture companies or the relationship between our joint venture partners and us could adversely affect our financial condition and results of operations;
- We cannot assure you that our proprietary brand will succeed and become profitable;
- If we fail to market and distribute our passenger vehicles successfully through our dealership networks, our results of operations and market position could be adversely affected;
- If we fail to protect or cultivate our brand image, or if our joint venture partners fail to protect their brands or corporate image, our financial results and market position may be adversely affected; and
- Our future success depends, in part, on our ability to expand our production capacity, which is subject to risks and uncertainties.

For further details regarding the risks we are facing, see "Risk Factors" beginning on page 32 of this prospectus.

In this prospectus, unless the context otherwise requires, the following terms and expressions have the meanings set forth below.

"ACMR"	All China Marketing Research Co., Ltd. (北京華通人商用信息有限公司), an independent specialist Chinese market research company
"Application Form(s)"	**White** Application Form(s), **Yellow** Application Form(s) and **Green** Application Form(s) or, where the context so requires, any of them, relating to the Hong Kong Public Offering
"Articles of Association" or "Articles"	the articles of association of the Company that will be adopted after the Listing, which shall become effective following the Listing and after being granted the relevant approvals from the competent PRC authorities, and as amended from time to time, a summary of which is contained in "Appendix V—Summary of the Articles of Association" to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"BAIC Group"	Beijing Automotive Group Co., Ltd. (北京汽車集團有限公司), a state-owned enterprise incorporated in the PRC on June 30, 1994 and known then as Beijing Automotive Industry Holding Co., Ltd. (北京汽車工業控股有限責任公司), which changed its name to Beijing Automotive Group Co., Ltd. on September 28, 2010, the sole Controlling Shareholder of the Company
"BAIC Holding"	Beijing Automotive Industry Holding Co., Ltd. (北京汽車工業控股有限責任公司), 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 Hong Kong"	BAIC Hong Kong Investment Corp. Limited (北汽香港投資有限公司), a company incorporated in Hong Kong on October 21, 2009, which is a wholly-owned subsidiary of our Company
"BAIC Investment"	BAIC Investment Co., Ltd. (北京汽車投資有限公司), 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
"BAIC Limited"	Beijing Automobile Works Co., Ltd. (北京汽車製造廠有限公司), a company incorporated in the PRC on

	January 1, 1983, a subsidiary of BAIC Group with 51.0% equity interest owned by BAIC Group and the remaining 49.0% owned by an Independent Third Party
"BAIC Sales"	BAIC Motor Sales Co., Ltd. (北京汽車銷售有限公司), a company incorporated in the PRC on May 3, 2012, which is a wholly-owned subsidiary of our Company
"Beijing Benz"	Beijing Benz Automotive Co., Ltd. (北京奔馳汽車有限公司), previously known as Beijing Jeep Motor Co., Ltd. (北京吉普汽車有限公司) and Beijing Benz-Daimler Chrysler Automotive Co., Ltd. (北京奔馳—戴姆勒•克萊斯勒汽車有限公司), a company incorporated in the PRC on July 1, 1983, a subsidiary of the Company with 51.0% equity interest owned by our Company, 38.665% owned by Daimler AG and 10.335% owned by Daimler Greater China
"Beijing Energy Investment"	Beijing Energy Investment Holding Co., Ltd. (北京能源投資(集團)有限公司), a state-owned enterprise incorporated in the PRC on December 8, 2004, a Shareholder and an Independent Third Party
"Beijing Hyundai"	Beijing Hyundai Motor Co., Ltd. (北京現代汽車有限公司), a company incorporated in the PRC on October 16, 2002, a joint venture in which BAIC Investment owns 50.0% equity interest with the remaining 50.0% owned by Hyundai Motor Company (現代自動車株式會社)
"Beijing Automotive Technology Center"	Beijing Automotive Technology Center Co., Ltd. (北京汽車研究總院有限公司), a company incorporated in the PRC on September 28, 2006, which is a wholly-owned subsidiary of BAIC Group
"Beijing Motor"	when referring to a business segment, "Beijing Motor" means the consolidated results of our Company and its subsidiaries (excluding Beijing Benz). Segment profit of Beijing Motor included the share of profits of Beijing Hyundai during the Track Record Period and of Beijing Benz in the Joint Venture Period; when referring to a brand, means our proprietary brand passenger (the "Beijing" brand) vehicles under Senova, BJ and Wevan
"Benz Sales Service"	Beijing Mercedes-Benz Sales Service Co., Ltd. (北京梅賽德斯—奔馳銷售服務有限公司), 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

"Benyuan Jinghong"	Shenzhen Benyuanjinghong Equity Investment Funds Company (limited partnership) (深圳市本源晶鴻股權投資基金企業(有限合夥)), a limited partnership incorporated in the PRC on June 4, 2013, a Shareholder and an Independent Third Party, despite the fact that our Controlling Shareholder was, as of the Latest Practicable Date, indirectly interested in 40.0% of the company that indirectly invested in Benyuan Jinghong
"BJ40"	a category of civilian off-road vehicles manufactured by the Company
"Board of Supervisors"	the board of Supervisors of the Company
"Board" or "Board of Directors"	the board of Directors of the Company
"BSAM"	Beijing State-Owned Assets Management Co., Ltd. (北京市國有資產經營有限責任公司), a state-owned enterprise incorporated in the PRC on September 4, 1992, one of the promoters of the Company (which ceased to be a shareholder of the Company as of the Latest Practicable Date)
"BSAMAC"	Beijing State-Owned Assets Management and Administration Center (北京國有資本經營管理中心), a state-owned enterprise incorporated in the PRC on December 30, 2008, a Shareholder and an Independent Third Party
"Business Day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"CAGR"	compound annual growth rate
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant

"Changhe Motor"	Jiangxi Changhe Motor Co., Ltd. (江西昌河汽車有限責任公司), a company incorporated in the PRC on September 17, 2008. BAIC Group owns 70.0% equity interest in Changhe Motor, with the remaining 30.0% owned by Jiangxi Provincial State-Owned Enterprise Assets Management (Holding) Co., Ltd. (江西省省屬國有企業資產經營（控股）有限公司), an Independent Third Party
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this prospectus only, Hong Kong, Macau and Taiwan
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company Law"	the Company Law of the PRC (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Tenth National People's Congress on October 27, 2005 and effective on January 1, 2006, as amended, supplemented and otherwise modified from time to time
"Company" or "Issuer"	BAIC Motor Corporation Limited (北京汽車股份有限公司)
"Connected Person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder"	has the meaning ascribed thereto in the Listing Rules and refers to BAIC Group
"CSRC"	the China Securities Regulatory Commission (中華人民共和國證券監督管理委員會)
"CBRC"	the China Banking Regulatory Commission (中華人民共和國銀行業監督管理委員會)
"Daimler AG"	Daimler AG (戴姆勒股份公司), 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. (戴姆勒大中華區投資有限公司), previously known as Daimler Northeast Asia Ltd. (戴姆勒東北亞投資有限公司), established in January 2001 in Beijing, a wholly-owned subsidiary of Daimler AG and hence a Connected Person of the Company

"Director(s)"	director(s) of the Company
"Domestic Shares"	ordinary shares in the Company's share capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi by PRC nationals and/or PRC incorporated entities
"EIT"	enterprise income tax of the PRC
"EIT Law Implementation Rules"	the Implementation Rules of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例)
"Exchange Participant(s)"	a person: (a) who, in accordance with the Rules of the Exchange, may trade on or through the Hong Kong Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Hong Kong Stock Exchange as a person who may trade on or through the Hong Kong Stock Exchange
"Foton"	Beiqi Foton Motor Co., Ltd. (北汽福田汽車股份有限公司), an A share listed company (stock code: 600166.SH) incorporated in the PRC on August 28, 1996. According to the 2013 annual report of Foton, approximately 33.58% equity interest of Foton was owned by BAIC Group, with the remaining equity interest owned by various holders, which mainly include BSAMAC, one of the Shareholders (5.28%), Tangshan Jianlong Industrial Co., Ltd. (5.08%), and Shougang Company, the controlling shareholder of Shougang Limited (one of the Substantial Shareholders of the Company) (1.42%); Foton is a Connected Person of the Company
"GDP"	gross domestic product
"General Administration of Customs"	General Administration of Customs of the People's Republic of China
"General Administration of Quality Supervision, Inspection and Quarantine"	the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Guangzhou Company"	BAIC Guangzhou Automotive Co., Ltd. (北汽(廣州)汽車有限公司), a company incorporated in the PRC on August 18, 2000, which is a wholly-owned subsidiary of the Company

"Guoyuan Capital"	Anhui Guoyuan Capital Co., Ltd. (安徽國元創投有限責任公司), a company incorporated in the PRC on June 13, 2010, a Shareholder and an Independent Third Party
"GREEN Application Form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"Group," "our," "we" or "us"	the Company and its subsidiaries or any of them, or, where the context so requires, in respect of the period before the Company became the holding company of the present subsidiaries, the present subsidiaries of the Company
"Hangzhou Jingjie"	Hangzhou Jingjie Investment Co., Ltd. (杭州境界投資股份有限公司), a company incorporated in the PRC on March 2, 2010, a Shareholder and an Independent Third Party
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"H Shares"	overseas listed foreign shares in our ordinary share capital with a nominal value of RMB1.00 each, to be subscribed for and traded in Hong Kong dollars and listed on the Hong Kong Stock Exchange
"HK$" or "Hong Kong dollars" or "HK dollars" or "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong Offer Shares"	the 61,941,000 H Shares initially offered by our Company for subscription pursuant to the Hong Kong Public Offering, subject to adjustment as described in "Structure of the Global Offering"
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Public Offering"	the offering by our Company of the Hong Kong Offer Shares for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) on and subject to the terms and conditions described in this prospectus and the Application Forms
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

"Hong Kong Underwriters"	the Underwriters of the Hong Kong Public Offering listed in "Underwriting—Hong Kong Underwriters"
"Hong Kong Underwriting Agreement"	the underwriting agreement dated December 8, 2014 relating to the Hong Kong Public Offering and entered into by, among others, the Joint Global Coordinators, the Hong Kong Underwriters, the Joint Bookrunners and our Company, as further described in "Underwriting—Underwriting arrangements and expenses—Hong Kong Public Offering—Hong Kong Underwriting Agreement"
"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, which include standards, amendments and interpretations issued by the International Accounting Standards Board
"Independent Third Party(ies)"	person(s) or company(ies) and their respective ultimate beneficial owner(s), which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, are independent of the Company or are not its Connected Persons
"Industry Investment"	Beijing Industrial Developing Investment Management Co., Ltd. (北京工業發展投資管理有限公司), a company incorporated in the PRC on February 28, 2002, a Shareholder and an Independent Third Party
"International Offer Shares"	the 1,176,879,000 H Shares initially offered pursuant to the International Offering, subject to the Over-allotment Option and adjustment as described in "Structure of the Global Offering"
"International Offering"	the conditional placing of the International Offer Shares by the International Underwriters, as further described in "Structure of the Global Offering"
"International Underwriters"	the group of international underwriters who are expected to enter into the International Underwriting Agreement, being the Underwriters of the International Offering
"International Underwriting Agreement"	the underwriting agreement expected to be entered into on or around December 12, 2014 by, among others, Joint Global Coordinators, Joint Bookrunners, International Underwriters, our Company and the Selling Shareholders in

	respect of the International Offering, as further described in "Underwriting—Underwriting arrangements and expenses—International Offering" in this prospectus
"J.D. Power"	J.D. Power and Associates, a global market information services company which conducts investigation of customer satisfaction, product quality and buyers' behaviors for all industries
"Jingguofa Fund"	Beijing Jingguofa Equity Investment Fund L.P. (北京京國發股權投資基金(有限合夥)), a limited partnership incorporated in the PRC on December 29, 2011, a Shareholder and an Independent Third Party
"Joint Bookrunners"	Deutsche Bank AG, Hong Kong Branch, The Hongkong and Shanghai Banking Corporation Limited, Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering only), Morgan Stanley & Co. International plc (in relation to the International Offering only), CLSA Limited, China Merchants Securities (HK) Co., Limited and UBS AG, Hong Kong Branch
"Joint Global Coordinators"	Deutsche Bank AG, Hong Kong Branch, The Hongkong and Shanghai Banking Corporation Limited and Morgan Stanley Asia Limited
"Joint Lead Managers"	Deutsche Bank AG, Hong Kong Branch, The Hongkong and Shanghai Banking Corporation Limited, Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering only), Morgan Stanley & Co. International plc (in relation to the International Offering only), CLSA Limited, China Merchants Securities (HK) Co., Limited, UBS AG, Hong Kong Branch, China Securities (International) Corporate Finance Company Limited and BOCI Asia Limited
"Joint Sponsors"	HSBC Corporate Finance (Hong Kong) Limited, CITIC Securities Corporate Finance (HK) Limited, Deutsche Securities Asia Limited and UBS Securities Hong Kong Limited
"Latest Practicable Date"	November 30, 2014, being the latest practicable date for the inclusion of certain information in this prospectus prior to its publication
"Listing"	listing of the H Shares on the Hong Kong Stock Exchange
"Listing Committee"	the Listing Committee of the Hong Kong Stock Exchange

"Listing Date"	the date, expected to be on or about December 19, 2014, on which the Company's H Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
"Listing Rules" or "Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the Main Board of the Hong Kong Stock Exchange
"Mandatory Provisions"	the "Mandatory Provisions for Articles of Association of Companies to be Listed Overseas" (到境外上市公司章程必備條款), for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas, promulgated by the former State Council Securities Committee and the former State Commission for Restructuring the Economic Systems of the PRC on August 27, 1994, as amended, supplemented or otherwise modified from time to time
"Ministry of Environmental Protection" or "MEP"	the Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部)
"Ministry of Finance" or "MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"Ministry of Industry and Information Technology"	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
"Modern Innovation"	Modern Innovation Holding Co., Ltd. (現代創新控股有限公司), a company incorporated in the PRC on January 27, 2003, one of the promoters of the Company, which ceased to be a Shareholder of the Company as of the Latest Practicable Date
"Ministry of Public Security"	the Ministry of Public Security of the People's Republic of China (中華人民共和國公安部)
"Ministry of Science and Technology"	the Ministry of Science and Technology of the People's Republic of China (中華人民共和國科學技術部)
"MOFCOM"	the Ministry of Commerce of PRC (中華人民共和國商務部)
"NBSC"	the National Bureau of Statistics of China (中華人民共和國國家統計局)
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)

"New Energy"	Beijing BAIC Electric Vehicle Co., Ltd. (北京新能源汽車股份有限公司), previously known as BAIC Auto New Energy Vehicle Limited Company (北京汽車新能源汽車有限公司), a company incorporated in the PRC on October 23, 2009, a subsidiary of BAIC Group with 60.0% equity interest owned by BAIC Group, 25.0% owned by Industry Investment, 10.0% owned by BSAMAC and 5.0% owned by Beijing Electronics Holding Co., Ltd. (北京電子控股有限責任公司)
"Non-Competition Undertaking"	the non-competition undertaking dated December 2, 2014 granted by BAIC Group to our Company, details of which are set out in "Relationship with BAIC Group—Non-Competition Undertaking" in this prospectus
"NSSF"	the National Council for Social Security Fund of the PRC (全國社會保障基金理事會)
"Offer Price"	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%), at which Hong Kong Offer Shares are to be subscribed for, to be determined in the manner further described in "Structure of the Global Offering—Pricing and Allocation" in this prospectus
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares, collectively, and where relevant, together with any additional H Shares to be issued pursuant to the exercise of the Over-allotment Option
"Off-road Vehicle Branch"	Off-road Vehicle Branch of Beijing Automotive Group Co., Ltd. (北京汽車集團有限公司越野車分公司), a branch entity established in the PRC on May 29, 2013 and wholly owned by BAIC Group
"Over-allotment Option"	the option expected to be granted by us and the Selling Shareholders to the Joint Bookrunners and the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the Joint Bookrunners and the International Underwriters pursuant to which our Company may be required to allot and issue up to 168,930,000 additional new H Shares and the Selling Shareholders may be required to sell up to 16,893,000 additional H Shares both at the Offer Price (in aggregate representing approximately 15% of the H Shares initially being offered under the Global Offering) to cover over-allocation in the International Offering, the details of which are described in

	"Structure of the Global Offering—Over-allotment Option" in this prospectus
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PBOC Rate"	the exchange rate for foreign exchange transactions set daily by PBOC
"People's Congress"	the legislative organ of the PRC, including the National People's Congress and all the local people's congresses (including provincial, municipal and other regional or local people's congresses) as the context may require, or any of them
"Powertrain"	BAIC Motor Powertrain Co., Ltd. (北京汽車動力總成有限公司), a company incorporated in the PRC on February 9, 2010, a wholly-owned subsidiary of the Company
"PRC GAAP"	generally accepted accounting principles in the PRC
"PRC government" or "State"	the government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities)
"PRC Securities Law"	the Securities Law of the PRC enacted by the Standing Committee of the National People's Congress on December 29, 1998, which became effective on July 1, 1999, as amended by the Standing Committee of the National People's Congress on October 27, 2005, which became effective on January 1, 2006, as amended, supplemented and otherwise modified from time to time
"Pre-IPO Strategic Investment"	the strategic investment by Daimler AG in the Company prior to the Global Offering pursuant to the Share Subscription Agreement
"Price Determination Date"	the date, expected to be on or around Friday, December 12, 2014 (Hong Kong time) on which the Offer Price is determined, or such later time as the Joint Global Coordinators, the Joint Bookrunners and the Underwriters, BAIC Group (for itself and on behalf of the other Selling Shareholders) and us may agree, but in any event no later than Monday, December 15, 2014
"prospectus"	this prospectus being issued in connection with the Hong Kong Public Offering

"province"	each being a province or, where the context requires, a provincial level autonomous region or municipality under the direct supervision of the central government of the PRC
"QIBs"	qualified institutional buyers within the meaning of Rule 144A
"Qingtian Yunsheng"	Qingtian Yunsheng Investment Management Co., Ltd. (青田雲盛投資管理有限公司), previously known as Hangzhou Yunsheng Investment Management Co., Ltd. (杭州雲盛投資管理有限公司), a company incorporated in the PRC on August 10, 2011, a Shareholder and an Independent Third Party
"Qingtian Yunzhong"	Qingtian Yunzhong Investment Management Co., Ltd. (青田雲眾投資管理有限公司), previously known as Hangzhou Yunzhong Investment Management Co., Ltd. (杭州雲眾投資管理有限公司), a company incorporated in the PRC on September 5, 2011, a Shareholder and an Independent Third Party
"Quanzhou Citong"	Quanzhou Citong Venture Investment Center (泉州刺桐創業投資中心（有限合夥）), a limited partnership incorporated in the PRC on August 4, 2010, a Shareholder and an Independent Third Party
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganization"	the reorganization arrangements undergone by our Group in preparation for the Listing as described in "History, Reorganization and Corporate Structure—Reorganization" in this prospectus
"RMB" or "Renminbi"	the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"Sale Shares"	the 112,620,000 H Shares to be converted from an equal number of Domestic Shares held by the Selling Shareholders to be offered for sale by the Selling Shareholders as part of the Global Offering at the Offer Price and any additional H Shares which may be sold by the Selling Shareholders pursuant to the exercise of the

	Over-allotment Option, and references to "Sale Shares" shall include, where the context requires, the Domestic Shares from which the Sale Shares are converted
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Selling Shareholders"	BAIC Group, BSAMAC, Beijing Energy Investment and Industry Investment
"SFC"	the Securities and Futures Commission of Hong Kong (香港證券及期貨事務監察委員會)
"Share(s)"	share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, comprising our Domestic Shares, Unlisted Foreign Shares and H Shares
"Shareholder(s)"	holder(s) of the Share(s)
"Share Subscription Agreement"	the share subscription agreement dated February 1, 2013 among our Company, BAIC Group and Daimler AG
"Shenyin Wanguo"	Shenyin Wanguo Capital (H.K.) Limited (申銀萬國融資（香港）有限公司), our Company's Compliance Adviser
"Shougang Limited"	Beijing Shougang Co., Ltd. (北京首鋼股份有限公司), a company incorporated in the PRC on October 15, 1999, a Shareholder and a Connected Person of the Company
"Special Regulations"	Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies), promulgated by the State Council on August 4, 1994 (as amended)
"Stabilizing Manager"	Morgan Stanley Asia Limited
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"state-owned enterprise"	any enterprise that is, either directly or indirectly, wholly owned by the state, including state-owned limited liability companies and enterprises owned by the whole people

"subsidiary(ies)"	has the meaning ascribed to it in section 2 of the Companies Ordinance
"Substantial Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Supervisor(s)"	supervisor(s) of the Company
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Tianjin Blueberry"	Tianjin Blueberry Investment Partnership (LLP) (天津藍莓投資合夥企業（有限合夥）), an enterprise incorporated in the PRC on January 28, 2011, a Shareholder and an Independent Third Party
"Track Record Period"	comprises the three years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014
"U.S. Securities Act"	the United States Securities Act of 1933, as amended
"U.S." or "United States"	the United States of America
"Unlisted Foreign Shares"	unlisted ordinary shares of the Company's share capital, with a nominal value of RMB1.00 each, which are held by Daimler AG prior to the Listing
"Underwriter(s)"	the Hong Kong Underwriter(s) and the International Underwriter(s)
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"US$," "U.S. dollars" or "USD"	United States dollars, the lawful currency of the United States
"VAT"	value-added tax of the PRC
"White Form eIPO"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of White Form eIPO **www.eipo.com.hk**
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"Yinxiang Motor"	BAIC Yinxiang Automobile Co., Ltd. (北汽銀翔汽車有限公司), a company incorporated in the PRC on January 21, 2011. BAIC Group currently owns 26.0% equity interest in Yinxiang Motor with the remaining equity

	interest owned by Chongqing Yinxiang Industry Group as to 25.0%, Chongqing Yinxiang Investment Development Company Limited as to 24.5% and Chongqing Yinxiang Trading Company Limited as to 24.5%; all of the remaining shareholders of Yinxiang Motor are Independent Third Parties
"Yunnan Motor"	BAIC Yunnan Ruili Motor Co., Ltd. (北汽雲南瑞麗汽車有限公司), a company incorporated in the PRC on December 20, 2013. BAIC Group currently owns 70.0% equity interest in Yunnan Motor, of which 40.0% is directly owned by BAIC Group and 30.0% is indirectly held by BAIC Group through Beijing Motor International Development Co., Ltd. (a wholly-owned subsidiary of BAIC Group), with the remaining 30.0% owned by Yunnan Jingcheng Group Co., Ltd. (雲南景成集團有限公司), which is an Independent Third Party
"Zhenjiang Motor"	BAIC Group (Zhenjiang) Automobile Co., Ltd. (北汽(鎮江)汽車有限公司), a company incorporated in the PRC on September 25, 2013. BAIC Group currently owns 85.0% equity interest in Zhenjiang Motor, with the remaining 15.0% equity interest owned by Zhenjiang Motor Industry Investment Company Limited (鎮江市汽車產業投資有限公司), which is an Independent Third Party
"%"	per cent.

Unless otherwise indicated, the financial or operating data of our Group for the year ended, or as of, December 31, 2013 take into account those of Beijing Benz for the period from November 18, 2013 to December 31, 2013 or as of December 31, 2013.

This glossary of technical terms contains explanations of certain technical terms used in this prospectus. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"4S"	sales, service, spare parts and survey
"ABS"	anti-lock brake system
"C-NCAP"	China New Car Assessment Program
"CUV"	cross-over utility vehicle, usually referring to mini-van in China
"CVT"	continuously variable transmission
"EBITDA"	earnings before interest, tax, depreciation and amortization
"ECU"	electronic control module
"European emission standards"	European emission standards are sets of requirements defining the acceptable limits for exhaust emissions of new vehicles sold in European Union member states. The emission standards are defined in a series of European Union directives staging the progressive introduction of increasingly stringent standards, namely Euro I, Euro II, Euro III, and Euro IV
"flexible production line"	a production line that can produce different models of passenger vehicles
"GPS"	global positioning system
"HVAC"	heating, ventilation and air-conditioning
"just-in-time"	an inventory strategy implemented to reduce in-process inventory and its associated costs
"L"	litre
"LWB"	long-wheelbase
"MFA"	Mercedes-Benz Front-wheel-drive Architecture
"MPV"	multi-purpose passenger vehicle
"MRA"	Mercedes-Benz Rear-wheel-drive Architecture
"National emission standards"	PRC National emissions standards, which are the emission control standards on automobiles and defined in a series of

	standards according to the equivalent European emission standards, namely National I, National II, National III, and National IV
"set parts system"	part of the vehicle manufacturing system whereby all relevant automobile parts and components for the manufacture of a vehicle are delivered through each section of the assembly line where the relevant vehicle is being manufactured
"sedan"	a body style of the modern automobile which, at its most basic, is a car with two rows of seats and a separate trunk for luggage at the rear
"SUV"	sports utility vehicle

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- our ability to implement our business plans and strategies successfully;
- future developments, trends and conditions in the industry and markets in which we operate;
- our capital expenditure and operational plans;
- the actions and developments of our competitors;
- capital market developments;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business;
- general political and economic conditions;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices;
- various business opportunities that we may pursue; and
- macroeconomic measures taken by the PRC government to manage economic growth.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed under the section headed "Risk Factors" and elsewhere in this prospectus. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this prospectus. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

You should carefully consider all of the information in this prospectus including the risks and uncertainties described in the following risk factors when considering making an investment in the H Shares being offered in the Global Offering. You should pay particular attention to the fact that our business and operations are conducted substantially in the PRC and are governed by a legal and regulatory environment which in certain aspects differs from that prevailing in other countries. Our business could be materially and adversely affected by any of the risks and uncertainties described below. The trading price of the H Shares may decline due to any of the risks and uncertainties and you may lose all or part of your investment. For details regarding the PRC and other related matters discussed below, see "Regulatory Environment," "Appendix IV—Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions" and "Appendix V—Summary of the Articles of Association."

RISKS RELATING TO OUR BUSINESS

We may not be able to develop and introduce new passenger vehicles that gain general market acceptance.

The key to our future success is our ability to develop and introduce new vehicle models that appeal to evolving customer preferences and to continuously enhance the performance and reliability of our products. If our products are not well received by the market, or if we are unable to develop and manufacture competitive products in response to market demand, our future development and market position may be significantly undermined, and our financial condition and results of operations may be materially and adversely affected.

Anticipating and responding to technological changes is pivotal to our ability to develop new passenger vehicles. However, we cannot assure you that we will always be able to: (i) attract sufficient research and development talents; (ii) maintain cooperative relationships with leading universities and research institutions in the PRC and around the world; or (iii) successfully commercialize the technologies developed or acquired by us, such as the Saab technologies. As a result, we may not be able to develop new passenger vehicles in a cost-effective manner and on a timely basis, or at all.

Moreover, there is no assurance that any of our new passenger vehicles will gain general market acceptance when we commercially produce them, even if they may have gained recognition in terms of design or other aspects in the industry. The launch of a new vehicle model requires substantial capital investment and generally higher initial production and marketing costs. New vehicle models sometimes require an extended period of time to gain market acceptance. As of December 31, 2011, 2012, 2013 and June 30, 2014, we had capitalized development costs of RMB2,852 million, RMB3,786 million, RMB4,667 million and RMB5,116 million, respectively. We expect to continue to incur additional development costs in the future. If our new products cannot gain market acceptance, such capitalized development costs may result in impairment charges, which could have a significant impact on our results of operations. If market acceptance of any of our new passenger vehicles is lower, or requires more time, than we anticipated, we may not achieve the intended economic return on our investment and our results of operations and financial condition could be materially and adversely affected.

The operations of our joint venture companies may be adversely affected if we fail to reach consensus with our joint venture partners on important decisions.

Our two joint venture companies contributed substantially all of our net profit during the Track Record Period. We depend on our joint venture partners to fulfill their obligations under our joint venture agreements and to cooperate with us in pursuing the interests of our joint venture companies. Under the joint venture agreements governing our joint venture companies, the number of directors appointed by us and the relevant joint venture partner are proportionate to the respective equity interest held by each party in the relevant joint venture company. Important decisions, including those relating to production volume, the selection and introduction of new models and production capacity expansion, can only be made with over 50% consent, and in some cases unanimous consent, of the directors attending the board meeting. We cannot assure you that our proposed future strategies, policies or objectives will be adopted by the joint venture companies. Either of these joint venture partners may take action that is inconsistent with our strategies, objectives or requests, or not in the interest of the relevant joint venture company. Moreover, we may not be able to implement our policies or objectives with respect to these joint venture companies without the cooperation of our joint venture partners. For more details about the joint venture agreements, see "Appendix VI— Statutory and General Information—1. Further Information about Our Company—F. Sino-foreign joint ventures."

In the event that we fail to reach a consensus with our joint venture partners in the decision-making process of any joint venture company, such joint venture company's ability to respond quickly to changes in market or business conditions and its business and results of operations may suffer, which may in turn delay the implementation of our business plan or adversely affect our market position. We cannot assure you that we will always be able to reach a consensus with our joint venture partners in the future, which could have an adverse effect on our financial condition and results of operations.

Deterioration in the business performance of our joint venture companies or the relationship between our joint venture partners and us could adversely affect our financial condition and results of operations.

If either of our joint venture companies fails to maintain its competitiveness, encounters significant difficulties in operations or otherwise experiences a significant deterioration in its business or financial performance, our consolidated financial performance would be materially and adversely affected.

In addition, the success of our joint venture companies largely depends on the continuous commitment and support of our joint venture partners, which in turn may be affected by our ongoing relationship with the joint venture partners. These joint venture companies are highly dependent on our resources and those of our joint venture partners, including management expertise, technical resources and additional capital funding. If our joint venture companies are unable to access the technical resources of our joint venture partners or if our joint venture partners provide such resources to our competitors, the ability of our joint venture companies to upgrade existing models and launch new models may be adversely affected. If our joint venture partners fail, or are unwilling, to provide additional capital in the future for any reason, our joint venture companies' ability to expand its operations may be undermined. Furthermore, our joint venture partners may choose not to renew the joint venture agreements underlying the joint venture companies when they expire, if our relationship with them deteriorates or for other reasons. If any of these events occurs, the businesses, results of operations and financial condition of our joint venture companies could be materially and adversely affected or the joint venture companies may be dissolved, which in turn could materially and adversely affect our consolidated financial condition and results of operations.

We cannot assure you that our proprietary brand will succeed and become profitable.

We launched our Senova, BJ and Wevan product series during the Track Record Period under our proprietary brand. The development of a new product series is highly dependent on a number of factors, including, without limitation, our marketing strategies, customer acceptance, quality control and dealership network, which we believe will require our consistent monitoring and adjustments to accommodate changing preferences of our customers. The results of our efforts to develop Beijing Motor are likely to be realized only in the long term.

Our Beijing Motor business segment, excluding BAIC Limited, recorded gross and operating losses and negative operating cash flows during the Track Record Period and may continue to do so after the Global Offering, which will adversely affect our financial condition and results of operations. See "Financial Information" for further information on Beijing Motor's financial performance during the Track Record Period. As a result, we will have to continue to rely on the performance of Beijing Benz and our other joint venture companies to the extent that our Beijing Motor segment continues to experience losses and negative operating cash flows. Also see "—The operations of our joint venture companies may be adversely affected if we fail to reach consensus with our joint venture partners on important decisions" and "—Deterioration in the business performance of our joint venture companies or the relationship between our joint venture partners and us could adversely affect our financial condition and results of operations."

If our Beijing Motor proprietary brand fails to capture sufficient market share and achieve the sales volumes we expected, we may be unable to achieve economies of scale in production and recover our capital, development, production and marketing costs. As a result, our financial condition, results of operations and business prospects could be materially and adversely affected.

If we fail to market and distribute our passenger vehicles successfully through our dealership networks, our results of operations and market position could be adversely affected.

We market and distribute substantially all of our passenger vehicles through the dealership networks for Beijing Motor, Beijing Benz and Beijing Hyundai.

We cannot assure you that all of the dealership outlets will comply with our services level and other specifications and the contractual obligations imposed on them. In addition, we cannot assure you that we will be able to effectively manage our rapidly growing dealership network. Sales of our passenger vehicles may be affected if any of these dealership outlets fails to meet the requirements we impose on them or provide quality services to our customers, or if we fail to manage the dealership outlets effectively. If we are unable to build or maintain well-developed, well-managed dealership networks, our market position, financial condition and results of operations may be adversely affected.

If we fail to protect or cultivate our brand image, or if our joint venture partners fail to protect their brands or corporate image, our financial results and market position may be adversely affected.

Our success in selling automobiles relies on our ability to cultivate and further maintain our brand image, including our proprietary brand and the brands owned by our joint venture partners. The success of our brand and corporate image depends in part on a number of factors that are beyond our control, such as different customer demands and changing market trends. In addition, our joint venture partners' businesses involve extensive production and sales on a global basis and are therefore exposed to a wide range of product liability and other claims or disputes on a global basis over which we may not have control. Any major claim or dispute against any of our brands or those of our joint venture partners or any significant adverse change to the operations or financial condition of our Group or our joint venture partners may damage our brand and corporate image, which in turn could adversely affect the market acceptance, sales and profitability of our passenger vehicles. If our joint venture partners fail to protect their brands or corporate image or if we are unable to protect our own brand image, our market position, financial condition and results of operations may be adversely affected.

Our future success depends, in part, on our ability to expand our production capacity, which is subject to risks and uncertainties.

Expansion of production capacity is crucial to our business operation, including establishing new manufacturing bases and acquiring manufacturing facilities from third parties to meet increasing market demands. For details of our expansion plan, see "Business—Manufacturing Facilities and Process—Manufacturing Facilities and Production Capacity—Expansion plan."

We plan our future production capacity based on our expectations regarding a number of inherently uncertain factors, including anticipated demand for our passenger vehicles and general market conditions. Our production capacity may not match the market demand. If the demand for any of our passenger vehicles is lower than anticipated due to unforeseen changes to consumer preferences or otherwise, our sales and profitability would suffer, we would not achieve satisfactory or sustainable returns from our investments in the expansion of production capacity and development of new passenger vehicles and we would likely incur higher production costs, all of which may have a material adverse effect on our market position, financial condition and results of operations. Conversely, our expansion of production capacity may fail to meet the increasing demand for our passenger vehicles, in which case, our market share may be eroded.

In addition, our ability and efforts to expand our capacity and upgrade our manufacturing facilities are subject to certain risks and uncertainties, such as our ability to raise capital through equity or debt at reasonable cost, manage delays and cost overruns and obtain the required permits, licenses and approvals from relevant government authorities. For example, any change to the business scope of any existing Sino-foreign joint ventures must be approved by the relevant PRC government authorities. We cannot assure you that we will be able to obtain all relevant permits, licenses and approvals for our future projects or our future plans for expanding our production capacity on a timely basis or at all. Expansion of our capacity may also be disrupted by catastrophe or other unexpected events.

Furthermore, system upgrades at our manufacturing facilities that impact ordering, production scheduling and other related manufacturing processes are complex, and could impact or delay production targets. Any of these could materially and adversely affect our business, financial condition and results of operations.

We may face uncertainties associated with our growth strategy.

Our growth strategy includes organic growth and potential acquisitions. There are uncertainties and risks associated with our growth strategy, including whether we will be able to:

- obtain sufficient funding for our expansion and the enlarged operation;

- obtain necessary permits, licenses and approvals from relevant PRC government authorities on a timely basis;
- recruit, train and retain sufficient qualified personnel;
- identify attractive acquisition targets;
- negotiate acquisitions on favorable terms; and
- integrate the acquired assets or business successfully.

In addition, there are inherent risks with acquisitions and business expansions, and there can be no assurance that we will be able to achieve the strategic purpose of any organic growth or acquisition. For details, see "—We may be unable to consummate or successfully integrate acquisitions and strategic alliances."

We may be unable to consummate or successfully integrate acquisitions and strategic alliances.

We may from time to time pursue acquisitions and strategic alliances that we believe will complement our current business by expanding into new geographic areas, diversifying our customer base and enabling us to specialize in, expand or enhance technological capabilities. We cannot assure you that we will be able to find suitable acquisition targets or partners with whom to form strategic alliances, and failure to do so in a timely manner or at all may affect our ability to realize our growth objectives. In addition, there are risks and uncertainties related to these activities, including the difficulty of integrating acquired operations, technology (such as the Saab technologies acquired by us) and products, diversion of our management's attention from other business concerns, potential unknown liabilities associated with an acquired company, undisclosed risks affecting an acquired company and potential adverse effects on existing business relationships with current customers and suppliers. In addition, any acquisitions could involve the incurrence of substantial additional indebtedness or dilution of the equity interests of our shareholders. We cannot assure you that we will be able to successfully integrate any acquisitions that we undertake or that such acquisitions will perform as planned or prove to be beneficial to our operations and cash flow. Each of these factors could have a material adverse effect on our business, results of operations and financial condition.

Our results of operations during the Track Record Period may not be indicative of our future performance due to our acquisitions and disposals.

Since our inception in September 2010, we have conducted a series of major acquisitions and disposals. See "History, Reorganization and Corporate Structure—Major Acquisitions and Disposals."

Our continuing operations were entirely composed of Beijing Motor in 2011 and 2012, and consisted of both Beijing Motor and Beijing Benz following our acquisition of a 50% equity interest in Beijing Benz on January 4, 2013 and an additional 1% equity interest in Beijing Benz on November 18, 2013. During the Joint Venture Period, Beijing Benz was accounted for under the equity method and as an investment in a joint venture in our consolidated financial statements in accordance with IFRSs. We have owned a 51% equity interest in Beijing Benz since November 18, 2013; accordingly, during the Subsidiary Period, the financial results of Beijing Benz were consolidated into ours based on the fair value of Beijing Benz by applying the acquisition accounting method in accordance with IFRSs. Because our Group's historical financial information were entirely composed of Beijing Motor in 2011 and 2012 and differing methods of accounting for our interest in Beijing

Benz were used in 2013 as discussed above, our Group's historical financial information during the Track Record Period may not necessarily be reflective of our future results of operations or financial position. In addition, investors are also cautioned not to combine the financial information of Beijing Benz and Beijing Motor in 2011 and 2012 as such a combination would not necessarily reflect the actual combined or consolidated financial information of Beijing Motor and Beijing Benz for those years. For further information regarding the acquisition of Beijing Benz, see "Financial Information—Description of Selected Income Statement Line Items—Business Segments" and "Financial Information—Financial Information of Beijing Benz—Description of Selected Income Statement Line Items."

In 2011 and 2012, we produced commercial vehicles through BAIC Limited and engaged in logistics and auction businesses through Zhongdu Logistics and Beiqi Penglong, respectively. As part of our growth strategy, we have discontinued certain operations in order to enhance our focus on our core business. Consequently, in March 2012, we disposed of our entire 51% interest in Zhongdu Logistics and 100% equity interest in Beiqi Penglong; and in November 2012, we disposed of our entire 51% equity interest in BAIC Limited, which had been incurring losses during the Track Record Period. As such, our Group's consolidated financial statements since the date of disposition of these businesses has not, and going forward will not, include these businesses that are considered as "discontinued operations." The net loss from our discontinued operations were separately recorded in our consolidated statements of comprehensive income during the Track Record Period under the line item "Loss for the year from discontinued operations." In 2011 and 2012, the "Loss for the year from discontinued operations" amounted to RMB196.2 million and RMB80.7 million, respectively, which included revenue from the related discontinued operations of RMB1,398.2 million and RMB751.5 million, respectively, in 2011 and 2012. For further information regarding our discontinued operations, see "Financial Information—Description of Selected Income Statement Line Items—Discontinued Operations."

As a result, we cannot assure you that our financial performance during the Track Record Period will be indicative of our results of operations in the future, and you should not rely on our results of operations during any period in the past to measure our future financial or operational performance.

We may not be able to protect our intellectual property rights.

Our commercial success depends in part on our ability to obtain and maintain trade secrets, patents and other intellectual property rights for our products, technologies, designs and know-how as well as our ability to successfully protect our intellectual properties and to defend ourselves against third-party challenges. If we fail to protect our intellectual property rights, we may lose our competitiveness, or be required to incur additional development or production costs to maintain our competitiveness. See "Business—Intellectual Property Rights."

We rely on trade secret protection and confidentiality and non-competition agreements to safeguard proprietary know-how that is not patentable or for which patents are difficult to enforce, and we cannot assure you that we will be able to enter into new trade secret protection and confidentiality and non-competition agreements where necessary or desirable or renew the existing ones upon their expiration. For example, we have entered into confidentiality agreements with our management members and employees relating to our confidential proprietary information. Departure of any of our management members or employees in possession of our confidential proprietary information, or breach by any management member or employee of his or her confidentiality and non-disclosure undertaking to us, could compromise the protection of our intellectual property.

In addition, the protection of our intellectual property rights in the PRC may not be as effective or certain as in more developed countries. Although the PRC has established laws and regulations to protect intellectual property rights, the enforcement of such laws and regulations may still be insufficient to render adequate protection to our intellectual property rights. Our business may be adversely affected if we are unable to effectively protect our patents from unauthorized use by third parties. In addition, if third parties unlawfully pass off their products as our products, we may face difficulties and costly litigation in enforcing our intellectual property rights. Moreover, we cannot assure you that any patent or registered trademark owned by, or licensed to, us will be enforceable or will not be invalidated, circumvented or otherwise challenged in the PRC or foreign countries or that the rights granted will provide competitive advantages to us or that any of our pending or future patent applications will be issued with the scope of the claims sought by us, if at all.

Furthermore, we have historically obtained, and may continue to obtain, technologies and other intellectual properties from third parties through acquisition or licensing arrangements. We may not be familiar with the laws and regulations with respect to intellectual properties of foreign jurisdictions, and we cannot assure that there will not be any dispute between our Group and a foreign vendor of technologies, which may have a material and adverse effect on our business prospects, results of operations and financial condition. If we cannot use any of such technologies or intellectual properties as we expect, there could be a material adverse effect on our ability to keep up with technological developments. In addition, if we fail to maintain or renew any significant technology or other intellectual property licensing arrangements for any reason, our business, results of operations and financial condition will be materially and adversely affected.

In the course of our business, we may receive claims of infringement or otherwise become aware of potentially relevant patents or other intellectual property rights held by other parties. If any claims are brought against us for such infringement, irrespective of whether they have merit, we could be required to expend significant resources in defending against such claims. Any litigation regarding patents or other intellectual property could be costly and time consuming and could divert the attention of our management and key personnel from our business operations. If there is a successful claim of intellectual property infringement against us, we might be required to pay substantial damages to the party claiming infringement, refrain from further sale of our products, develop non-infringing technology or enter into costly royalty or license agreements on an ongoing basis. Parties asserting infringement claims may also be able to obtain an injunction against us, our dealers or our end-user customers regarding the products or services we offer that contain the allegedly infringing intellectual property.

Any of these events or occurrences may materially and adversely affect our business, financial condition and results of operations.

We may not be able to obtain adequate financing on commercially reasonable terms on a timely basis, or at all, and any debt financing may contain covenants that restrict our business or operations.

We require significant working capital for our operations and capital expenditures for our expansion. We expect our total indebtedness will continue to increase as a result of our business expansion. See "Financial Information—Liquidity and Capital Resources." Historically, we have generally relied on capital contributions from shareholders, dividends from our joint ventures, bank loans and other external financing as well as cash generated from our operations to fund our operations and expansion. Our ability to obtain adequate external financing depends on a number of factors, including our financial performance and results of operations, as well as other factors beyond our control, including the global and PRC economies, interest rates, the applicable laws, regulations, rules and conditions of the PRC automobile market and the geographical regions where we operate. There can be no assurance that the cash flow generated by our operations will be sufficient to fund our future operations and expansion plans, nor can we assure you that we will be able to obtain bank loans and other external financing on commercially reasonable terms or on a timely basis or at all. If we are unable to obtain financing in a timely manner, at a reasonable cost, on commercially reasonable terms, or at all, our business and operations may suffer and the implementation of our expansion plans may be delayed.

In addition, our current bank borrowings contain certain financial covenants which may restrict our operations. See "Financial Information—Liquidity and Capital Resources—Indebtedness." Future borrowings may also include restrictive covenants. Failure by us to meet payment obligations or to comply with any affirmative covenants, or violation on our part of any negative covenants, may constitute an event of default on our borrowings. If any event of default occurs, our financial condition, results of operations and cash flow may be materially and adversely affected.

Furthermore, if we require additional funding as a result of our future acquisitions or expansions, market changes or other developments, we may issue additional equity securities or securities convertible into our equity securities, issue debt securities or obtain credit facilities to meet our capital requirements. Any future sale by us of our equity securities or securities convertible into our equity securities would dilute our Shareholders' interests. The incurrence of additional debt would also result in increased debt servicing obligations and may also result in restrictive covenants limiting our shareholding structure, business and/or operations.

We have had, and may continue to have, negative operating cash flows.

We had negative operating cash flow of RMB1,017.3 million, RMB623.5 million, RMB2,402.5 million and RMB1,401.0 million, respectively, in 2011, 2012, 2013 and the six months ended June 30, 2014. See "Financial Information—Cash Flow—Cash Flow Generated from/(used in) Operating Activities." We may continue to experience negative operating cash flows in the future. If we continue to have negative operating cash flows in the future, our working capital may be constrained, which may materially and adversely affect our business, financial condition, results of operations and prospects.

We had net current liabilities as of December 31, 2011 and 2013 and June 30, 2014.

As of December 31, 2011, December 31, 2013 and June 30, 2014, we had net current liabilities of RMB3,215.5 million, RMB3,375.8 million and RMB6,241.9 million, respectively. See "Financial Information—Net Current Assets and Liabilities." We may have net current liabilities in the future. Having significant net current liabilities could constrain our operational flexibility as well as adversely affect our ability to expand our business. If we do not generate sufficient cash flow from our operations to meet our present and future financial needs, we may need to rely on additional external sources, such as bank and other borrowings or equity capital contributions, for funding. If adequate funds are not available, whether on satisfactory terms or at all, we may be forced to delay or abandon our development and expansion plans, and our business, financial condition and results of operations may be materially and adversely affected.

Our business is subject to risks associated with volatility in the prices of raw materials, parts and components required for the manufacture of our products.

We rely on various types of raw materials, parts and components for the manufacture of our products. Our raw materials primarily include steel and our key components include engines, transmission and powertrain system components. Our procurement costs (exclusive of the procurement costs of vehicles from Yinxiang Motor in 2013 and the six months ended June 30, 2014) represented approximately 88.1%, 95.1%, 87.2% and 89.5%, respectively, of our cost of sales in 2011, 2012, 2013 and the six months ended June 30, 2014.

Our future costs of raw materials, parts and components may be affected by many factors, such as market demand, changes in suppliers' manufacturing capacity, availability of substitute materials, interruptions in production by suppliers or supply chain, general economic conditions and natural disasters, all of which are out of our control. Due to differences in timing between our purchases from suppliers and sales by our distributors to our end-user customers, there is often a lead-lag effect that can negatively impact our margins in the short term in the event of rising prices of raw materials, parts and components. If we fail to effectively control the cost of our raw materials, parts and components or fail to pass the increased cost to our distributors and the end-user customers, our business, financial condition and results of operations could be materially and adversely affected.

We rely on a limited number of suppliers to supply a large portion of raw materials, parts and components.

In 2011, 2012, 2013 and the six months ended June 30, 2014, purchases from our five largest suppliers accounted for 17.5%, 22.8%, 38.0% and 48.6% of our total purchases (raw materials used in cost of sales), respectively, and purchases from our largest supplier during the same periods accounted for 5.4%, 9.2%, 12.7% and 28.3%, respectively, of our total purchases (raw materials used in cost of sales). If any of our largest suppliers decides to terminate, not to renew, or to limit or reduce its supply to us, we may not be able to find alternative suppliers for similar purchases on similar conditions in a timely manner, or at all, which may disrupt or reduce our production and our results of operations, financial condition and growth prospects may suffer as a result.

If we fail to obtain sufficient amounts of raw materials, parts or components that meet our quality standards and/or at commercially acceptable prices, our business, financial condition and results of operations would be materially and adversely affected.

We use a wide variety of raw materials, parts and components in our manufacturing activities. See "—Our business is subject to risks associated with volatility in the prices of raw materials, parts and components required for the manufacture of our products." We cannot assure you that we will not experience any shortage in the supply of these raw materials, parts and components in the future. If any of our suppliers is unwilling or unable to provide us with high-quality raw materials, parts or components in required quantities and/or at commercially acceptable prices, we may be unable to find alternative sources at commercially acceptable prices, on satisfactory terms in a timely manner, or at all. If any shortage occurs, it would materially and adversely affect our production, business and results of operations.

Any failure to implement and maintain effective quality control systems at our manufacturing facilities could subject us to product liability and warranty claims, which in turn may have a material adverse effect on our business and results of operations.

The manufacture and sales of our products subject us to potential product liability claims if we fail to manage our quality control effectively, and our products fail to perform as expected, or are proven to be defective, or if they cause, result in, or are alleged to have caused or resulted in, personal injuries, or asset damages. Any product liability claim, with or without merit, could prove costly and time-consuming to defend and could potentially harm our reputation and image. Successful product liability claims may require us to pay substantial damages. Furthermore, certain product liability claims may be the result of defects from parts and components purchased from third party suppliers. Such third party suppliers may not be able to indemnify us for the losses resulting from such defects and product liability claims in full or at all. In addition, a material design, manufacturing or quality-related failure or defect in our products or other safety issues could each warrant a product recall by us and result in increased product liability claims and/or regulatory actions. If we are found to be in material violation of relevant laws and regulations, our business license to manufacture or sell relevant products could be suspended or revoked, and we and our Directors could be subject to civil and criminal liabilities.

As of the Latest Practicable Date, we had not received any material product liability or warranty claims from our end-user customers or any other third parties and had not initiated any product recall that had a material effect on our business. Our product warranty provisions as of December 31, 2011, 2012, 2013 and as of June 30, 2014 were RMB8.3 million, RMB52.5 million, RMB1,028.7 million and RMB1,161.7 million, respectively. However, our product warranty provisions may not be adequate if any product liability or warranty claims are made and we are held liable.

If we fail to maintain an appropriate inventory level, we could incur more inventory carrying costs or lose sales, either of which could materially and adversely affect our business, financial condition and results of operations.

It is difficult for us to estimate the market demands for our passenger vehicles, and to manage our inventories accordingly. While we must maintain sufficient inventory, especially finished products, to operate our business successfully and meet market demand, we strive to avoid excess inventory, because it increases our inventory carrying cost. Changing demands of end-user customers, inaccurate demand forecasts and the time lag between when the inventory of raw materials is ordered from our suppliers and when our finished products are sold could expose us to inventory risks. We carry a wide variety of inventories and must maintain a reasonable inventory level of the passenger vehicles we sell. If we do not have a sufficient inventory of a model to fulfill orders, we may lose orders. On the other hand, if we have an excessive level of inventory, we may incur additional inventory carrying cost. We cannot assure you that we can manage our inventories effectively, and any failure could materially and adversely affect our business, financial condition and results of operations.

Any automobile recall could have a material and adverse impact on our results of operations, financial condition and growth prospects.

Beijing Benz and Beijing Hyundai had conducted voluntary recalls of their automobiles during the Track Record Period. See "Business—Quality Control—Recall" and "Business—Beijing Hyundai—Recall." Recalls could involve significant expenses and time of our management, which could materially and adversely affect our business prospects, results of operations and financial condition. Although our respective automobile parts and components suppliers are responsible for all expenses for recalls related to defects of automobile parts and components that they supply to us, we cannot assure you that our suppliers will always be able to cover these expenses or sufficiently compensate us for any expenses incurred by us, if at all. As a result, we may have to bear all or a portion of the losses and expenses relating to any automobile recall to the extent that such losses and expenses are not covered by our suppliers. In addition, automobile recalls may have a material adverse effect on customers' confidence in the quality and safety of the affected automobile brands and our reputation and image, which could in turn reduce demand for our passenger vehicles. Any future automobile recall by us could have a material and adverse impact on our sales and, in turn, our results of operations, financial condition and prospects.

Our business is subject to the ability of our dealers and end-user customers to obtain financing to purchase our passenger vehicles.

Our dealerships and many end-user customers rely on external financing, such as bank loans, to purchase our passenger vehicles. Any difficulty of dealerships or our end-user customers in obtaining financing at affordable cost will negatively affect the affordability of our passenger vehicles. To the extent that financing is not available at commercially acceptable terms to our dealerships and end-user customers, our sales could be negatively affected.

Any loss of, or significant reduction in, the preferential tax treatment and government grants we currently enjoy in China may adversely affect our financial condition.

We and some of our subsidiaries are entitled to preferential tax treatment as high and new technology enterprises, allowing us to have a lower tax rate that would not otherwise be available to us. Our effective income tax rate in 2011, 2012, 2013 and the six months ended June 30, 2014 was 0.8%, 6.0%, 3.6% and 12.0%, respectively. We plan to apply for the extension of such preferential tax treatment before expiration. See "Financial Information—Description of Selected Income Statement Line Items—Continuing Operations—Income Tax Expenses." However, there cannot be any assurance that we will be granted such extension, and, if we are not, it would result in an increase of our effective income tax rate. To the extent that there are any changes in, or withdrawals of, any preferential tax treatment applicable to us, or increases in the tax rate, our tax liability would increase correspondingly.

In addition, the PRC government from time to time adjusts or changes its policies on value-added tax, business tax and other taxes. Such adjustments or changes, together with any uncertainties resulting therefrom, could have an adverse effect on our results of operations.

We received government grants in the amount of RMB23.1 million, RMB715.0 million, RMB213.9 million and RMB49.2 million in 2011, 2012, 2013 and the six months ended June 30, 2014, respectively. Our government grant in 2012 mainly included an unconditional grant of RMB613.0 million from the Beijing government to encourage us to establish a dealership network and enhance the image of our proprietary brand. The amounts of and conditions (or the lack thereof) attached to such grants were determined at the sole discretion of the relevant government authorities. We cannot assure you that we will be eligible to continue to receive such government grants or that the amount of any such grants will not be reduced in the future, and even if we continue to be eligible to receive such grants, we cannot assure you that the grants will be unconditional or that any conditions attached to the grants will be as favorable to us as they have been historically.

We may be adversely affected if our competitors consolidate or enter into strategic alliances.

Our industry is capital intensive and requires substantial investments in manufacturing, machinery, research and development, product design, engineering, technology and marketing in order to meet both consumer demands and regulatory requirements. Large companies are able to benefit from economies of scale by leveraging their investments and activities on a global basis across brands. If our competitors consolidate or enter into strategic alliances, they may be able to benefit more from larger economies of scale. In addition, our competitors could use consolidation or alliances as a means of enhancing their competitiveness or liquidity position. Any such consolidation or strategic alliance by our competitors could materially and adversely affect our business and prospects.

Any negative impact on the transportation of our products and raw materials could adversely affect our business and operational condition.

We depend on a combination of sea and land transportation to obtain our raw materials and deliver products to our customers. If we cannot secure sea and land transportation necessary for the delivery of raw materials to us and our products to our customers, or if we are unable to secure economically-feasible alternative methods to transport our products and raw materials during disruptions of transportation systems which are beyond our control, our results of operations may be adversely affected. Any disruption of raw material supply may interrupt our production and could have a negative effect on the competitiveness of our products and our financial condition.

Our labor costs may increase for reasons such as the implementation of more stringent requirements regarding fixed-term employment, the minimum wage and paid annual leave.

In 2011, 2012, 2013 and the six months ended June 30, 2014, our labor costs in cost of sales were RMB68.2 million, RMB153.2 million, RMB520.4 million and RMB706.0 million, respectively, accounting for 3.6%, 4.2%, 4.2% and 3.3% of our cost of sales for the same periods.

There have been instances of shortages in the labor supply in industries, including manufacturing, in the PRC. In the event of future labor shortages, we may have difficulties recruiting or retaining labor for our production facilities or may face increasing labor costs. In such event, our business and results of operations may be adversely affected. If there is a shortage of labor, or for any reason labor costs in the PRC rise significantly, our expenses are likely to increase, which could materially and adversely affect our business, financial condition and results of operations.

In addition, labor costs in the PRC are generally expected to increase. As a result of the PRC Labor Contract Law (中華人民共和國勞動合同法) which became effective on January 1, 2008, the requirements on employers in relation to entry into fixed and non-fixed term employment contracts, and dismissal of employees and the minimum wage requirement became more stringent. In addition, the National Leisure and Tourism Outline 2013-2020 (國民旅遊休閒綱要2013-2020) (the "Tourism Outline") which became effective on February 2, 2013 sets a more detailed timetable regarding the mandatory annual leave requirement introduced by the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which became effective on January 1, 2008, and according to the Tourism Outline, all workers in the PRC must be provided with paid annual leave by 2020.

Our manufacturing and other operational activities may be adversely affected if there are failures in, or inefficient management of, our information technology system.

Our information technology system forms a key part of our production, sales and marketing process and any disruptions to it will likely have a negative impact on our operations. We cannot assure you that we will not incur any damage or interruption caused by power outages, computer viruses, hardware and software failures, telecommunications failures, fires and other similar events to the information technology system in the future. If serious damage or significant interruption occurs, our operations may be disrupted and our financial condition and results of operations may be adversely affected. Furthermore, if our operations are disrupted by the introduction of a new information technology system, including migration from an existing system, our financial condition and results of operations may be similarly adversely affected.

If we fail to attract and retain senior management and key technical experts, our production and other operational activities may be adversely affected.

We rely on experienced and talented senior managers and highly skilled technical personnel to operate our businesses and to develop our new passenger vehicles. We expect increased competition for senior managers and skilled technical personnel from other automobile companies in the future, driven partly by strong growth in the PRC automobile industry. We cannot assure you that we or our joint venture companies will be able to recruit suitable candidates or retain existing senior managers and technical personnel. High turnover of senior management could adversely affect our existing customer relationships, our operations and our development as well as hinder our future recruiting efforts. In addition, we must successfully integrate any new management personnel in order to achieve our operating objectives. Changes in key management positions may temporarily affect our operations as new management will need time and further effort to become familiar with our business and our operations. We expect to increase our effort to recruit more industry and technical experts to fulfill our future business plans. If we or our joint venture companies are unable to recruit and retain experienced senior management and key technical experts in the future, our business operations will be adversely affected.

Non-compliance with environmental regulations in China may result in significant monetary damages, fines and other liabilities as well as negative publicity and damage to our brand name and reputation.

Our manufacturing processes generate noise, waste water, and gaseous and other industrial wastes and we are subject to national and local environmental regulations applicable to us in China. In addition, we are required to comply with the relevant emission standards applicable to our passenger vehicles. In the event of our non-compliance with present or future environmental regulations, we may be subject to governmental inspections or penalties, civil liabilities or business interruptions, and our management might be subject to relevant liabilities as well. We may also be subject to adverse publicity and damage to our brand name and reputation. In addition, if more stringent regulations are adopted in the future, the costs of compliance with these new regulations could be substantial.

We may be subject to fines, penalties or other actions resulting from future examination by PRC regulatory authorities.

We are subject to a wide range of inspections by PRC regulatory authorities from time to time. Accordingly, we may incur fines, penalties or other actions as a result of examination by PRC regulatory authorities that could adversely affect our reputation, business, financial condition and results of operations. During the Track Record Period, we did not incur any fines or penalties as a result of examination by PRC regulatory authorities which had a material adverse effect on our results of operations and financial condition. However, we cannot assure you that we will not incur any material fines or penalty or be subject to other disciplinary or similar actions in the future.

We have limited insurance coverage.

The development of the PRC insurance industry remains immature. As such, insurance companies in China offer a limited number of commercial insurance products. For the commercial insurance that we maintain, see "Business—Insurance." Any uninsured loss or damage to property, litigation or business disruption may result in us incurring substantial costs or diverting our resources, which could have an adverse effect on our results of operations. If we incur substantial liabilities that are not covered by our insurance policies, or if our business operations are interrupted for a significant period of time, we could incur costs and losses that could materially and adversely affect our financial condition and results of operations.

There are defects in our titles of, or rights to use, certain properties.

As of June 30, 2014, we owned the land use rights of 24 parcels of land in the PRC with an aggregate site area of approximately 6,576,974 square meters, and 86 properties with an aggregate gross floor area of 970,238 square meters. As of June 30, 2014, we leased nine properties in Beijing with an aggregate gross floor area of approximately 157,526 square meters.

As of June 30, 2014, we were in the process of obtaining the land use right certificate of a parcel of land with an aggregate site area of approximately 6,153 square meters, and we were in the process of obtaining the building ownership certificates of 72 properties with an aggregate gross floor area of 215,148 square meters. As of June 30, 2014, the landlords of four of our leased properties with an aggregate gross floor area of approximately 48,809 square meters did not possess the relevant building ownership certificates. Revenue generated from Beijing Beinei Engine Parts and Components Co., Ltd., which uses one of the leased properties, contributed to 12.8%, 7.9%, 3.0% and 0.8% of our total revenue in 2011, 2012, 2013 and the six months ended June 30, 2014, respectively. See "Business—Properties" in this prospectus for further details.

Any dispute or claim in relation to the title to the properties we occupy, including any litigation involving allegations of illegal or unauthorized use of these properties, may result in us having to relocate our operations and may materially and adversely affect our operations, financial condition, reputation and future growth. In addition, there can be no assurance that the PRC government will not amend or revise existing property laws, regulations or rules to require additional approvals, licenses or permits, or to impose stricter requirements on us to obtain or maintain relevant title certificates for the properties that we occupy.

Defaults by counterparties that we do business with could adversely affect our financial position and results of operations.

We do business and enter into a wide variety of contracts with different counterparties, including our raw material and automobile parts suppliers and our dealers. We may lose revenue and profits and incur additional operating expenses if our counterparties default. During the Track Record Period, we have not experienced any default by counterparties which had any material adverse effect on our operations and financial condition. However, we cannot assure you that all our counterparties are reputable and creditworthy and will not default against us in the future. There is limited financial or public information on our counterparties and, as such, we are exposed to counterparty risks to the extent that our counterparties fail to fulfill their obligations under the contracts.

Our Controlling Shareholder can exert significant influence on our Company and could cause our Company to act in a way that may not be in the best interests of our Company's minority shareholders.

Our Controlling Shareholder will be able to exercise approximately 45.61% of the voting rights of our Company immediately after the completion of the Global Offering (assuming the Over-allotment Option is not exercised). Subject to our Articles of Association and applicable laws and regulations, our Controlling Shareholder could control or influence our Company's major policy decisions, including, but not limited to, those relating to our overall strategy and investment, such as:

- the selection of senior management members;
- the material business decisions of our Group;
- the approval or rejection of our dividend distribution plans; and
- the approval or rejection of our annual budget and operation plans.

To the extent that our Controlling Shareholder has interests that conflict with our other shareholders, it may take actions in its capacity as the Controlling Shareholder that may not be in the best interests of our minority Shareholders.

Our Controlling Shareholder has certain product lines in competition with us.

BAIC Group, our Controlling Shareholder, manufactures or plans to manufacture various types of vehicles through a number of its subsidiaries and associated companies, including Foton, Yunnan Motor, Off-road Vehicle Branch, BAIC Limited, New Energy, Zhenjiang Motor, Yinxiang Motor and Changhe Motor. See "Relationship with BAIC Group" for details on our relationship with our Controlling Shareholder, including, among others, our business delineation and independence from our Controlling Shareholder.

Specifically, BAIC Group manufactures off-road vehicles which overlap, to a limited extent, with SUVs produced by us, in terms of functions and technical specifications and may compete with us for the same group of potential customers. This competition may give rise to conflict of interests between us and our Controlling Shareholder, making its interest less aligned with ours or our other shareholders. Also see "—Our Controlling Shareholder can exert significant influence on our Company and could cause our Company to act in a way that may not be in the best interests of our Company's minority shareholders."

RISKS RELATING TO THE PRC AUTOMOBILE INDUSTRY

The global economy is facing risks from the prolonged effects of the global financial crisis, which may adversely affect the PRC economy and our business and results of operations.

Our business is inherently subject to general macroeconomic conditions and policies and market fluctuations. It is expected that China's economy may grow slower in 2014 as compared to previous years. Unfavorable financial or economic environments, including continued global financial uncertainties, geo-political risks, and the Euro zone sovereign debt crisis, have added and may continue to add downward pressure on China's economic growth. We derive substantially all of our revenues from the PRC. Any slowdown in the PRC economy may adversely affect demand for our automobiles and could result in:

- a significant reduction in customer demand for our automobiles, which would reduce our revenues and profit margins;

- a significant reduction in the availability of automobile financing, which would also reduce customer demand for automobiles;
- increased price competition for automobile sales;
- risk of excess and/or obsolete inventory;
- difficulty in accurately forecasting the demand for automobiles; and
- insolvency or credit difficulties of the automobile parts suppliers, which could disrupt the supply of automobile parts or increase our inventory costs.

Any of the foregoing developments could have a material adverse effect on our business, results of operations, financial condition and business expansion.

There have been intensified anti-trust law enforcement activities in China's automobile industry, and should we be subject to such enforcement actions, our reputation may be damaged and results of operations may be materially and adversely affected.

China's Anti-Monopoly Law (the "AML") went into effect in 2008. Of the three government agencies mandated with the enforcement of the AML, the NDRC is in charge of monopolistic agreements (particularly price-fixing), the SAIC is in charge of abuse of dominance, and the MOFCOM is in charge of merger reviews. For more details of the AML, see "Regulatory Environment—Regulatory Framework—II. Major Regulatory Laws and Regulations regarding the PRC Automotive Industry—Major Anti-Monopoly Regulations."

The PRC government has intensified the enforcement of the AML in recent years, which has affected a diverse range of sectors, such as pharmaceutical, premium liquor, infant formula, information technology and telecommunication. Certain high-profile investigations have targeted foreign multinational companies and PRC domestic companies, and have resulted in fines in the amount of hundreds of millions of Renminbi. More recently, there have been press reports that certain foreign automobile manufacturers and their respective dealership networks have been investigated by the NDRC for alleged price-fixing practices and possibly other pricing-related wrongdoings in China, and the impact and implications of these investigations have yet to be fully known or assessed. It has also been reported in the media that in anticipation of, or in response to, potential or pending investigations, certain foreign automobile manufacturers have reduced the prices of their passenger vehicles or automobile parts and components sold in China. These and other price reductions as a result of AML enforcement actions or otherwise may cause a general downward pricing pressure in the market, which may in turn negatively affect the profitability of, or otherwise have a material and adverse effect on, automobile companies, including us. In addition, we cannot assure you that we will not be subject to the scrutiny of, or implicated in, any AML enforcement actions in the future. Should we be subject to any investigation or enforcement actions, our reputation may be damaged and our results of operations may be materially and adversely affected.

Increasing competition in the PRC automobile market could have an adverse impact on our ability to maintain competitiveness.

Increasing consumer purchasing power in China has resulted in significant growth in the demand for automobiles. Such growth in the automobile market has encouraged, and may continue to encourage, foreign automobile companies, Sino-foreign joint ventures established in the PRC and other domestic automobile companies to build new, or expand existing, production capacity. Our market share and profit margin may be reduced if there are further price reductions caused by increased competition. The pricing, recognition and customers' loyalty to our brand of passenger vehicles and the financial and technical resources available to our products may be materially and adversely affected if competing automobile products, domestic or foreign, gain a competitive advantage.

Volatility in demand in China for passenger vehicles could adversely affect our results of operations.

Demand for passenger vehicles in China and the rest of the world is cyclical in nature and is affected by various factors, including sales and financing incentives, pricing, cost of fuel and parking, tolls, environmental concerns and governmental regulations, including tariffs, import regulation and other taxes. In particular, demand for passenger vehicles in China is also driven by government policies, such as the recently announced discontinuance of public service vehicles for government officials. Fluctuations in demand may lead to lower vehicle sales and increased inventory, which may result in further downward price pressure which will inevitably adversely affect our financial condition and results of operations.

Over the years, we have increased our production capacities in anticipation of a continuous increase in demand for passenger vehicles in the PRC. Any slowdown in demand for passenger vehicles in the PRC may lead to an inventory surplus and could result in a significant under-utilization of our production capacity, which would, in turn, result in diminished returns to the substantial resources invested in the expansion of our production capacities. If these events occur, our results of operations and financial condition could be materially and adversely affected.

The sales volume of our mid- to high-end passenger vehicles contributed a significant portion of our total sales volume during the Track Record Period. Generally, mid- to high-end passenger vehicles enjoy higher profit margins than economy passenger vehicles. We cannot assure you that the demand for mid- to high-end passenger vehicles will remain strong in the future. For example, PRC government policies which encourage the development and demand for economy passenger vehicles may have a negative impact on the demand for mid- to high-end passenger vehicles. Accordingly, if demand for mid- to high-end passenger vehicles decreases, our sales may be adversely affected, and our results of operations and financial condition could be materially and adversely affected.

The production and profitability of PRC automobile manufacturers may be adversely affected by changes in the regulatory environment.

We are subject to various laws, rules and regulations in the PRC imposed at both the national and regional levels that regulate or affect the PRC automobile manufacturing industry and automobile parts and components manufacturing industry, including: (i) crash test requirements and other safety compliance standards in relation to automobiles, automobile parts and components; (ii) emission standards; (iii) fuel economy standards; (iv) automobile recall requirements; (v) noise, waste, discharge and other pollution controls relating to manufacturing of automobiles; and (vi) market entry requirements and/or minimum production requirements for automobile and automobile parts and components manufacturers. All models of automobiles manufactured must be submitted to, approved and announced by, relevant PRC authorities. This approval process can be lengthy and may adversely affect our ability to introduce new passenger vehicles in a timely manner. Accordingly, any delay in the approval process can limit our flexibility to respond to changing market conditions or competition in a timely manner. In addition, the expenses of complying with the relevant policies and procedures in the approval process may increase our costs.

Furthermore, existing PRC automobile industry policies impose ownership and other limitations on investment by foreign vehicle manufacturers in vehicle production projects in the PRC. See the section headed "Regulatory Environment." If these regulations were relaxed, there could be a higher level of participation by foreign automobile companies in the PRC automobile market, which in turn could increase competition in the market.

In addition, vehicles produced in the PRC are subject to increasingly stringent fuel consumption standards. For example, the PRC government has issued a series of suggested targets for fuel consumption for automobile manufacturers in the PRC. Like other automobile manufacturers in the PRC, we may have to change or improve the design of our passenger vehicles to meet any standards promulgated by the PRC government, which may further lead to production delays and increased costs. For more details about relevant PRC regulations and rules, see "Regulatory Environment—Regulatory Framework—II. Major Regulatory Laws and Regulations regarding the PRC Automotive Industry— Emission and Pollution of Waste Gas of Vehicles."

Our operations are sensitive to changes in the PRC government's policies relating to all aspects of the automobile industry. The imposition of additional stringent requirements for product design may result in substantial increases in the cost of our automobile and/or automobile components and automobile parts designs. In addition, our failure to comply with such laws and regulations may result in fines, penalties or lawsuits, which may have a material adverse effect on our financial condition and results of operations. See "Appendix IV—Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions" for further details.

If there is any further fiscal or credit tightening by the PRC government, demand for our automobiles, as well as our access to external financing, may decrease.

The PRC government has increased the reserve requirement ratio of PRC financial institutions and raised benchmark interest rates on numerous occasions in the past in an attempt to control credit growth and inflation in the PRC. Demand for our automobiles may decrease if there is any fiscal or credit tightening by the PRC government, which reduces business or consumer spending. Many customers rely on automobile financing to fund their automobile purchases. If the PRC government implements any credit tightening measures that restrict the availability of automobile financing, our sales may be materially and adversely affected. Furthermore, the availability and cost of funding to businesses, such as ourselves, in the PRC, are significantly affected by the fiscal policies of the PRC government and the availability of credit and liquidity in the PRC banking system. Historically, we have relied in part on bank and other borrowings to fund our operations and expansion plans. On May 12, 2012, the PBOC announced that the reserve requirement ratio would be reduced by 50 basis points as of May 18, 2012. In addition, the PBOC reduced the benchmark one-year lending rate twice, in June and July 2012, to 6.0%. Although the PBOC has recently adopted expansionary fiscal and monetary measures, there is no assurance that the PRC government would not implement any further fiscal or credit tightening measures, and our access to bank borrowings and other types of financing may be reduced or otherwise restricted, which could materially and adversely affect our liquidity and our ability to fund our inventory purchases and our planned network expansion. We may also experience higher borrowing costs and a tightening of credit terms. As a result of any of the foregoing, our results of operations, financial condition and prospects may be materially and adversely affected.

Higher fuel prices and fuel-related taxes on automobile consumption may reduce the demand for automobiles.

The price of gasoline in the PRC has been rising steadily in recent years. Continued increases in fuel prices may induce cost-sensitive customers to switch to more fuel-efficient vehicles or opt for alternatives to automobiles, such as public transportation or bicycles. Such shifts in customer preferences may materially and adversely affect our sales of certain car models.

The PRC government adopted an automobile consumption tax on January 1, 1994. The increase of applicable tax rates on automobiles with large cylinder capacities took effect on September 1, 2008 pursuant to the Notice on Adjusting the Policy of the Consumption Tax on Passenger Vehicles (關於調整乘用車消費稅政策的通知) as released by the MOF and the SAT. The new policy lowered the personal automobile consumption tax rate for vehicles with the smallest engine displacement capacity, under 1.0 liter, from 3% to 1%, but increased the tax rate on vehicles with larger engine displacements. In particular, the tax rate on vehicles with engine displacement between 3.0 and 4.0 liters was increased from 15% to 25%, and the tax rate on vehicles with engine displacement above 4.0 liters was increased from 20% to 40%. According to the PRC Vehicle and Vessel Tax Law (中華人民共和國車船稅法) promulgated by the Standing Committee of The National People's Congress and its implementation regulations effective as of January 1, 2012, tax on passenger cars is calculated and imposed based on the engine displacement capacity. The annual benchmark tax on passenger cars with engine displacement capacity of 1.0 liter and below ranges from RMB60 to RMB360, while that on vehicles with engine displacement between 3.0 and 4.0 liters ranges from RMB2,400 to RMB3,600, and that on vehicles with engine displacement above 4.0 liters ranges from RMB3,600 to RMB5,400. Certain of the automobiles we manufacture have larger engine displacement capacity and are subject to the higher automobile consumption taxes, which make those automobile purchases more expensive for buyers.

There can be no assurance that the PRC government will not implement higher automobile consumption tax rates for automobiles, or impose additional restrictions or taxes. Any such measures may cause our sales to decline and materially and adversely affect our revenues.

Stricter emission standards may reduce the demand for automobiles.

With a view to controlling air pollution, Chinese cities have issued and implemented stricter emission standards in recent years. For example, on January 23, 2013, the Beijing Municipal Environmental Protection Bureau issued new emission standards for motor vehicles, effective on February 1, 2013, to curb the city's air pollution. The Beijing V emission standard, which could be as strict as the Euro V emission standard used in Europe, is applicable to new automobiles to be sold and those that have yet to receive license plates. For more details, see "Regulatory Environment—II. Major Regulatory Laws and Regulations regarding the PRC Automotive Industry—Emission and Pollution of Waste Gas of Vehicles."

Stricter emission standards for automobiles sold in the PRC may be adopted in various cities in the PRC in the future. The implementation of such standards may reduce the demand for automobiles and may adversely affect our business, financial condition, results of operations and growth prospects.

Anti-congestion regulations and ordinances of certain Chinese cities may restrict local demand for automobiles.

To curb urban traffic congestion, certain Chinese cities have adopted urban regulations and ordinances that limit new automobile registration or restrict automobile use. For example, in December 2010, the Beijing municipal government issued measures to curb the traffic congestion in Beijing by limiting the number of new automobile license plates to be issued every year. More recently, in March 2014, the Hangzhou municipal government also issued new measures to limit the number of new license plates to be issued each year. Other Chinese cities that have imposed restrictions on automobile license plates include Shanghai, Guangzhou, Tianjin and Guiyang. These and any future anti-congestion ordinances in the markets where we sell our passenger vehicles may restrict the ability of potential customers to purchase automobiles and, in turn, reduce our automobile sales. Should similar ordinances be adopted in other cities where we operate, or if existing regulations become stricter, our sales in those cities may be materially and adversely affected.

Our results of operations may fluctuate as a result of certain factors beyond our control. If our results fall below market expectations, the price of our H Shares may decline.

Since the production, sale and marketing of our passenger vehicles take place in many regions within China and we also import some of our raw materials, components and automobile parts from foreign countries, our operating results may fluctuate significantly as a result of certain factors beyond our control in various geographic regions. These factors include:

- disruptions to public infrastructure such as roads, railway systems, ports or power grids, including labor strikes;
- natural disasters, epidemics and other acts of God including earthquakes, floods and storms; and
- wars, terrorism or use of force or the threat of war, terrorism or use of force by foreign countries and multinational conflicts.

Certain natural disasters, such as earthquakes and storms, may disrupt the delivery of raw materials, components and automobile parts to us and the distribution of our passenger vehicles to our customers. Some regions where we operate are under the threat of earthquake, sandstorm, snowstorm, fire, drought, or epidemics, such as Severe Acute Respiratory Syndrome (SARS), H5N1 avian flu, H1N1 influenza, H7N9 influenza or the recent cases of Ebola virus disease. Such factors beyond our control may adversely alter the consumption patterns of our end-user customers, our production schedules and the sales and distribution of our passenger vehicles which will, in turn, have a negative impact on our business, operating results and financial condition. The potential threat of war or terrorist attacks may also cause uncertainty and cause our business to suffer in ways that we cannot predict. Our business, financial condition and results of operations may be materially and adversely affected as a result.

RISKS RELATING TO THE PRC

Changes in political or economic policies, and a slowdown in the PRC's economy, may have an adverse effect on our results of operations and financial condition.

A substantial portion of our business, assets and operations are located in China and a substantial part of our revenue is generated from products produced and sold in the PRC and we expect this situation to continue in the near future. Demand for our passenger vehicles correlates with the pace of economic growth in the PRC and, as a result, our results of operations and prospects are and will continue to be subject to political, economic and legal developments in the PRC to a significant degree. The PRC economy differs from the economies of developed countries in many respects, including the extent of government involvement, allocation of resources, capital reinvestment, levels of development, growth rate, and control of foreign exchange. Although the PRC has been one of the world's fastest growing economies in recent years as measured by GDP, such growth may not be sustainable in the future. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources, but some of these measures, such as the introduction of measures to control consumer price, or reduce growth, changes in the rates or methods of taxation, or the imposition of additional restrictions on currency conversions and remittances abroad, may lead to changes in market conditions and could materially and adversely affect our business, financial condition and results of operations. If the PRC economy experiences significant adverse changes due to any of the foregoing reasons, demand for our passenger vehicles and our ability to maintain our operations may suffer, which will consequently have a material adverse effect on our financial condition, results of operations and our future prospects.

Changes to the PRC legal system and insufficient protection of intellectual property rights could have an adverse effect on us.

The PRC government has developed a comprehensive system of laws, rules and regulations in relation to economic matters, such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and may not be as consistent or predictable as in other more developed jurisdictions.

Intellectual property rights are critical to our success and we have obtained or applied for trademarks and patents on various products and technologies as set out in the section headed "Appendix VI—Statutory and General Information" for the purpose of protecting our intellectual property rights. For more details on the protection of our intellectual property rights, see "—Risks Relating to Our Business—We may not be able to protect our intellectual property rights."

Furthermore, we cannot assure you that, in the future, we will not receive notice of any claims from any third party alleging infringement by us of any such third party's intellectual property rights, or that we will prevail in any proceedings arising from such a claim. In the event that any such claim is initiated or upheld, our business and financial condition could be adversely affected.

Uncertainties with respect to the PRC legal system could have a material adverse effect on us.

Our business and operations are conducted in the PRC and are governed by PRC laws, regulations and rules. The PRC legal system is a civil law system based on written statutes. Prior court decisions may be cited for reference, but have limited precedential value. Since the late 1970s, the PRC government has significantly enhanced PRC legislation and regulations to provide protections to various forms of foreign investments in the PRC. However, the PRC has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC. As many of these laws, regulations and rules are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws, regulations and rules may involve uncertainties and may not be as consistent or predictable as in other more developed jurisdictions. Furthermore, the legal protections available to us under these laws, regulations and rules may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted and could result in substantial costs and diversion of resources and management attention.

In addition, there can be no assurance that the PRC government will not amend or revise existing laws, regulations or rules to require additional approvals, licenses or permits, or to impose stricter requirements or conditions for the approvals, licenses or permits required for our business and operations. Any loss of or failure to obtain or renew our approvals, licenses or permits could disrupt our operations and subject us to fines or penalties imposed by the PRC government. There can also be no assurance that the PRC government will not amend or revise existing laws, regulations or rules, or promulgate new laws, regulations or rules, that have a material and adverse effect on our business, operations, growth or prospects.

Government control over currency conversion may affect the value of our H Shares and may limit our ability to utilize our cash effectively.

All of our revenue is denominated in Renminbi. The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of the PRC. Under existing PRC foreign exchange regulations, the payment of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, approval from the SAFE or its local branch is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenses (such as the repayment of loans denominated in foreign currencies), make offshore investments or obtain low-cost funding from offshore sources. The PRC Government may also, at its discretion, restrict access in the future to foreign currencies for current account transactions.

The foreign exchange control system may prevent us from distributing dividends to our Shareholders in foreign currencies or distributing dividends to our Shareholders in foreign jurisdictions. In addition, since a significant amount of our future cash flow from operations will be denominated in Renminbi, any future restrictions on currency exchange may limit our ability to purchase goods and services outside of the PRC or otherwise fund our business activities that will be conducted in foreign currencies.

Fluctuation in the exchange rates of Renminbi may have a material adverse effect on your investment.

The value of the Renminbi has generally been under pressure of appreciation in recent years. The exchange rates of Renminbi against foreign currencies, including the Hong Kong dollar, are affected by, among other things, changes in the PRC's political and economic conditions. As there has been international pressure on the PRC to allow a more flexible exchange rate for the Renminbi, the PRC government has decided to proceed further with reform of the Renminbi exchange rate regime and to enhance the Renminbi exchange rate flexibility. In one recent move, the PBOC doubled the daily trading range of the Renminbi against the U.S. dollar to 2% in March 2014.

Any appreciation or depreciation in the value of the Renminbi or other foreign currencies that our operations are exposed to will affect our business in different ways. For example, any appreciation of the U.S. dollar, Euro, Korean Won or other foreign currencies against the Renminbi may cause an increase in the cost of imported raw materials, components and automobile parts used by us, and, in turn, may cause us to raise the prices of our passenger vehicles. We may also face more intense competition from imported passenger vehicles at a cheaper price due to the appreciation of the Renminbi or depreciation of foreign currencies. In such events, our business, financial condition, results of operations, growth prospects and valuation may be materially and adversely affected.

To the extent that we need to convert Hong Kong dollars we receive from our initial public offering into Renminbi for our operations, appreciation of the Renminbi against the Hong Kong dollar would have an adverse effect on the Renminbi amount we would receive. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our H Shares or for other business purposes, appreciation of the Hong Kong dollar against the Renminbi would have a negative effect on the Hong Kong dollar amount available to us.

Payment of dividends is subject to restrictions under PRC law.

Under PRC law, dividends may be paid only out of distributable profits. Distributable profits are our net profit as determined under PRC GAAP or IFRSs, whichever is lower, plus undistributed profit at the beginning of the period and less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profits to enable us to make dividend distributions to our Shareholders in the future, including periods for which our financial statements indicate that we have not recorded any profits. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years. Moreover, our operating subsidiaries and joint venture companies may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under IFRSs, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries or joint venture companies. Failure by our operating subsidiaries or joint venture companies to pay dividends to us could have a negative impact on our cash flow and our ability to make dividend distributions to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

Holders of H Shares may be subject to taxation in China.

Under the applicable PRC tax laws, the dividends we pay to a non-PRC resident individual holder of H Shares are subject to a 20% PRC individual income tax, unless reduced by an applicable double taxation treaty. According to a notice issued by the State Administration of Taxation, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends and extra bonuses, withhold individual income tax at a rate of 10%.

Under the applicable PRC tax laws, the dividends we pay to, and the gains realized by, non-PRC resident enterprise holders of H Shares are subject to a 10% PRC enterprise income tax, unless reduced by an applicable double taxation treaty.

There are significant uncertainties as to the interpretation and application of applicable PRC tax laws due to several factors, including the relatively short history of such laws. If the applicable tax laws and the interpretation or application with respect to such laws are changed in the future, individual holders of our H Shares may be subject to PRC income tax on gains realized through sale or transfer of the H Shares or by other means which they currently are not required to pay or which have not been collected by any PRC tax authority in practice.

It may be difficult to effect service of process upon, or to enforce judgments against, our Directors or members of our senior management who reside in the PRC in connection with judgments obtained in non-PRC courts.

Substantially all of our Directors reside within the PRC, and the assets of most of our Directors and senior management may also be located within the PRC. As a result, it may not be possible to effect service of process outside of the PRC upon those Directors and senior management members, including for matters arising under applicable securities law. A judgment of a court of another jurisdiction may be reciprocally recognized or enforced if the jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognized before in that jurisdiction, subject to the satisfaction of other requirements. However, the PRC does not have treaties providing for the reciprocal enforcement of judgments of courts with Japan, the United Kingdom, the United States and many other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments from various jurisdictions are uncertain.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our H Shares and their liquidity and market price may be volatile.

Prior to the Global Offering, there was no public market for our H Shares. The initial issue price range for our H Shares was the result of negotiations among us, BAIC Group (for itself and on behalf of the other Selling Shareholders), the Joint Global Coordinators, the Joint Bookrunners and the Underwriters, and the Offer Price may differ significantly from the market price for our H Shares following the Global Offering. We have applied for the listing of, and permission to deal in, our H Shares on the Hong Kong Stock Exchange. A listing on the Hong Kong Stock Exchange, however, does not guarantee that an active trading market for our H Shares will develop, or if it does develop, will be sustained following the Global Offering or that the market price of our H Shares will not decline following completion of the Global Offering. In addition, there can be no assurance that the Global Offering will result in the development of an active and liquid public trading market for our H Shares. Furthermore, the price and trading volume of our H Shares may be volatile. Factors such as variations in our revenue, earnings and cash flows may affect the volume and price at which our H Shares will be traded.

Since there will be a gap of several days between pricing and trading of our H Shares, holders of our H Shares are subject to the risk that the price of our H Shares could fall during the period before trading of our H Shares begins.

The Offer Price of our H Shares is expected to be determined on the Price Determination Date. However, our H Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be five Hong Kong business days after the pricing date. As a result, investors may not be able to sell or deal in our H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares could fall before trading begins as a result of adverse market conditions or other adverse development, that could occur between the time of sale and the time trading begins.

Because the Offer Price is higher than our net tangible book value per Share, you will incur immediate dilution. If we issue additional equity securities in the future, purchasers of H Shares may experience further dilution in their ownership percentage.

The Offer Price of our H Shares is higher than the net tangible book value per Share issued to existing holders of our Shares. Therefore, all investors and purchasers of our H Shares in the Global Offering will experience an immediate dilution in pro forma net tangible book value and existing holders of our Shares will receive an increase in net tangible book value per Share of their Shares. If we issue additional equity securities or equity-linked securities in the future, investors and purchasers of Shares may experience further dilution in their ownership percentage.

Future sales, or market perception of sales, of substantial amounts of our H Shares or other securities relating to our H Shares in the public market could materially and adversely affect the prevailing market price of our H Shares.

Future sales by our Shareholders of substantial amounts of our H Shares or other securities relating to our H Shares in the public markets after the Global Offering, or the perception that these sales may occur, could adversely affect market prices of our H Shares prevailing from time to time. In addition, Domestic Shares can be converted into H Shares after Listing subject to relevant laws and regulations and approvals. See "Information about this prospectus and the Global Offering—Certain Matters Relating to the Hong Kong Public Offering—Restrictions on Offer and Sale of the Offer Shares" for a more detailed discussion of restrictions that may apply to future sales of our H Shares. After these restrictions lapse, the market price of our H Shares may decline as a result of future sales of substantial amounts of our H Shares or other securities relating to our H Shares in the public market, the issuance of new H Shares or other securities relating to our H Shares, the conversion of substantial amounts of Domestic Shares into H Shares or the perception that such sales, conversion or issuances may occur. This could also materially and adversely affect our ability to raise capital at a time and at a price we deem appropriate.

In preparation for the Global Offering, we have sought and have been granted the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemption from the Companies (Winding up and miscellaneous provisions) Ordinance:

CONNECTED TRANSACTIONS

Members of our Group have entered into, and are expected to continue after the Listing, certain transactions, which will constitute non-exempt continuing connected transactions under the Listing Rules. We have applied waivers in relation to non-exempt continuing connected transactions with BAIC Group and/or its associates and with Daimler AG and/or its associates to the Stock Exchange, under Rules 14A.49 and 14A.71 of the Listing Rules in relation to annual reporting requirements, Rules 14A. 34 and 14A.52 of the Listing Rules in relation to written agreement requirements, under Rule 14A.53 of the Listing Rules in relation to annual cap requirements, and pursuant to Rule 14A.105 of the Listing Rules in relation to announcement and independent Shareholders' approval requirements, and the Stock Exchange has granted us, waivers from strict compliance with the annual reporting, announcement, written agreements, annual cap, and/or independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the said transactions. The details of such waivers are set out in "Connected Transactions" in this prospectus.

MANAGEMENT PRESENCE

According to Rules 8.12 and 19A.15 of the Listing Rules, the Company must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Since our head office and substantially all of our business operations are based, managed and conducted in the PRC, we do not, and for the foreseeable future, will not, have executive Directors who are ordinarily resident in Hong Kong, for the purposes of satisfying the requirements under Rules 8.12 and 19A.15 of the Listing Rules. Currently, our executive Director resides in the PRC.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted a waiver from strict compliance with Rules 8.12 and 19A.15 of the Listing Rules. We have made the following arrangements to maintain effective communication between the Stock Exchange and us:

(i) both of the Company's authorized representatives, Mr. Li Feng, a PRC resident, and Mr. Yan Xiaolei, a PRC resident, will act as our principal channel of communication with the Stock Exchange. Although Mr. Li Feng and Mr. Yan Xiaolei reside in the PRC, each of them possesses valid travel documents and is able to renew such travel documents when they expire in order to visit Hong Kong. Accordingly, the authorized representatives of the Company will be able to meet with the relevant members of the Stock Exchange on reasonable notice;

(ii) both of the authorized representatives of the Company have means of contacting all Directors (including our independent non-executive Directors) promptly when the Stock Exchange wishes to contact a Director for any reason;

(iii) each Director has provided his or her mobile phone number, office phone number, fax number and e-mail address to the authorized representatives of the Company and the Stock Exchange, and in the event that any Director expects to travel or otherwise be out of office, he or she will provide the phone number of the place of his or her accommodation to the authorized representatives;

(iv) each of our Directors who does not ordinarily reside in Hong Kong possesses valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Stock Exchange within a reasonable time;

(v) Ms. Yung Mei Yee, our Company's company secretary assistant, who is a Hong Kong resident, will, among other things, act as our Company's additional channel of communication with the Stock Exchange and be able to answer enquiries from the Stock Exchange. Ms. Yung Mei Yee will maintain constant contact with the Directors and senior management of the Company through various means, including regular meetings, telephone discussions whenever necessary; and

(vi) We have appointed Shenyin Wanguo as our compliance adviser who will also serve as an additional channel of communication with the Stock Exchange from the Listing Date to the date when our Company dispatches our annual reports to our Shareholders for the first full financial year immediately after the listing of our H Shares. Shenyin Wanguo will maintain constant contact with our authorized representatives, Directors and senior management through various means, including regular meetings and telephone discussions whenever necessary.

APPOINTMENT OF COMPANY SECRETARY AND COMPANY SECRETARY ASSISTANT

Rule 8.17

According to Rule 8.17 of the Listing Rules, the issuer must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules.

Rule 3.28

According to Rule 3.28 of the Listing Rules, the secretary of the Company must be a person who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. The Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and

(c) a certified public accountant (as defined in the Professional Accountants Ordinance).

In assessing "relevant experience," the Stock Exchange will consider the individual's:

(a) length of employment with the issuer and other issuers and the roles he/she played;

(b) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Future Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

We have appointed Mr. Yan Xiaolei as our company secretary. Mr. Yan has 14 years of experience in financial and corporate management, and has a thorough understanding of the operation of the Board and our Company. Before joining us, Mr. Yan served as the executive director, deputy general manager and authorized representative at the Hong Kong Stock Exchange of Sound Global Ltd. (stock code: 00967.HK). Since Mr. Yan does not possess the acceptable professional or academic qualifications as stipulated in Rule 3.28 of the Listing Rules, our Company has appointed Ms. Yung Mei Yee, a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in United Kingdom, as the company secretary assistant. Over a period of one year from the Listing Date, our Company proposes to implement the following measures to assist Mr. Yan to become a company secretary with the requisite qualifications or relevant experience as required under the Listing Rules:

Mr. Yan will endeavor to attend relevant training courses, including briefing on the latest changes to the applicable Hong Kong laws and regulations and the Listing Rules organized by the Company's Hong Kong legal advisers on an invitation basis and seminars organized by the Stock Exchange for listed issuers from time to time.

Ms. Yung will assist Mr. Yan to enable him to acquire the relevant experience (as required under Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as the company secretary of the Company.

Ms. Yung will communicate regularly with Mr. Yan on matters relating to corporate governance, the Listing Rules as well as other laws and regulations which are relevant to us and our affairs. Ms. Yung will work closely with, and provide assistance for Mr. Yan in the discharge of his duties as a company secretary, including organizing the Company's board meetings and shareholders' meetings.

The appointment of Mr. Yan has an initial period of one year commencing from the Listing Date on condition that Mr. Yan will be assisted by Ms. Yung.

We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules. Provided that Mr. Yan has obtained relevant experience under Rule 3.28 of the Listing Rules at the end of the initial one-year period of the above arrangement, the above company secretary assistant arrangement will no longer be required by the Company.

DISCLOSURE OF RESIDENTIAL ADDRESS

We have applied for, and the SFC has granted, a certificate of exemption pursuant to Section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance from strict compliance with the requirements of paragraph 6 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, in respect of the disclosure of the residential addresses of Mr. Hubertus Troska ("**Mr. Troska**") and Mr. Bodo Uebber ("**Mr. Uebber**"), two of the Company's non-executive Directors.

It is inappropriate to disclose the residential addresses of Mr. Troska and Mr. Uebber for the following reasons:

(a) Daimler AG is one of the largest and most well-known companies in Europe. Mr. Troska and Mr. Uebber are members of the board of management of Daimler AG. They also represent the Mercedes-Benz brand, one of the most prestigious brands in the world. Being well-known figures and leaders of Daimler AG inevitably attract high public attention, both domestically and abroad. The vehicles manufactured by Daimler AG have been sold all over the world. There may be chances that due to cultural difference or user expectation difference and some customers, no matter how small in number, may want to make their voices heard by Daimler AG management. Besides, they have on various occasions given different and, at times, controversial opinions on economic and social issues. Therefore, there is an inherent increased risk to Mr. Troska's and Mr. Uebber's personal safety and privacy if their residential addresses are disclosed publicly in the prospectus.

(b) As a result of the risks posed by disclosing the residential addresses of Mr. Troska and Mr. Uebber publicly, Daimler AG has implemented protective measures internally to safeguard both the personal safety and privacy of themselves and their families. One of such protective measures implemented is a ban on disclosing their respective residential addresses issued by their respective register of residents in Germany. Such ban is only issued by the German Registry Offices if a person can prove that the existence of a threat to his life, health, personal freedom or similar legitimate interests.

(c) Pursuant to the Art. 28 Paragraph 2 in connection with Art. 46 Paragraph 2 German Data Protection Act (the "Act"), the legitimate interests of Mr. Troska and Mr. Uebber are to be taken into account when assessing whether a transmission of their personal data is permissible. Specifically, in accordance with Article 28 Paragraph 2 of the Act, it would be unlawful for Daimler AG to transmit the residential addresses of Mr. Troska and Mr. Uebber if there are reasons to believe that they have a legitimate interest in preventing such a transfer. As the transmission of the residential addresses of Mr. Troska and Mr. Uebber for disclosure in the prospectus would pose a significant risk to the personal safety and privacy of themselves and their families, the transmission of their residential addresses by Daimler AG for disclosure in the prospectus will breach the Act.

(d) Non-disclosure of the residential addresses of Mr. Troska and Mr. Uebber in the prospectus will not hinder the Company from providing an informed assessment of the character, experience and integrity of Mr. Troska and Mr. Uebber to the Company's potential investors, or cause any prejudice to the interests of the investing public.

(e) All other material information in relation to Mr. Troska and Mr. Uebber as non-executive Directors of the Company as required to be disclosed under the Listing Rules has already been disclosed in the prospectus.

Due to the above reasons, the Company believes that it would create unwanted risk on the personal safety of Mr. Troska and Mr. Uebber to disclose their residential addresses. As a result of these and their particular circumstances, the business addresses of Mr. Troska and Mr. Uebber are disclosed in place of their residential addresses in the prospectus.

PUBLIC FLOAT REQUIREMENTS

According to Rule 8.08(1)(a) of the Listing Rules, there must be an open market in the securities for which listing is sought and for a sufficient public float of an issuer's listed securities to be maintained. This normally means that at least 25% of the issuer's total issued share capital must at all times be held by the public. Pursuant to Rule 8.08(1)(d) of the Listing Rules, the Stock Exchange may, subject to certain conditions and at its discretion, accept a lower percentage of between 15% and 25% in the case of issuers with an expected market capitalization at the time of listing of over HK$10 billion.

We have applied to the Stock Exchange (after taking into account the H Shares held by Daimler AG upon Listing which will not be counted towards the public float for), and the Stock Exchange has granted us, a waiver from strict compliance with the requirement under Rule 8.08(1)(a) of the Listing Rules to allow a minimum public float for the H Share to be the higher of (i) 15% of the total issued Shares (assuming the Over-allotment Option is not exercised); or (ii) such a higher percentage of H Shares to be held by the public if the Over-allotment Option is fully or partially exercised.

In support of such application, the Company has confirmed to the Stock Exchange that it will (a) make appropriate disclosure of the lower percentage of public float required by the Stock Exchange in the prospectus; and (b) confirm sufficiency of public float in its successive annual reports after the Listing.

CLAWBACK MECHANISM UNDER PARAGRAPH 4.2 OF PRACTICE NOTE 18 OF THE LISTING RULES

Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand level in the Hong Kong Public Offering are reached. We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules such that the initial allocation of Offer Shares under the Hong Kong Public Offering shall be 5% of the Global Offering. In the event of over-subscription under the Hong Kong Public Offering, the Joint Global Coordinators and the Joint Sponsors, after consultation with us, shall apply an alternative clawback mechanism to the provisions under Paragraph 4.2 of Practice Note 18 of the Listing Rules, following the closing of the application lists as follows:

(i) 61,941,000 Offer Shares are initially available in the Hong Kong Public Offering, representing approximately 5% of the Offer Shares initially available under the Global Offering;

(ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 92,912,000 H Shares, representing approximately 7.5% of the Offer Shares initially available under the Global Offering;

(iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 123,882,000 H Shares, representing approximately 10% of the Offer Shares initially available under the Global Offering; and

(iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more than the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 247,764,000 H Shares, representing approximately 20% of the Offer Shares initially available under the Global Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators and the Joint Sponsors. Subject to the foregoing paragraph, the Joint Global Coordinators and the Joint Sponsors may in their discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In addition, if the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators and the Joint Sponsors will have the discretion (but shall not be under any obligation) to reallocate to the International Offering all or any unsubscribed Hong Kong Offer Shares in such amounts as they deem appropriate. For details of the clawback mechanism, please see the section headed "Structure of the Global Offering" in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

APPROVAL OF THE CSRC

The CSRC has given its approval for the Global Offering and the making of the application to list the H Shares on the Hong Kong Stock Exchange on November 21, 2014. In granting such approval, the CSRC accepts no responsibility for the financial soundness of the Company, nor for the accuracy of any of the statements made or opinions expressed in this prospectus or in the Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The listing of the H Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. The Global Offering is managed by the Joint Global Coordinators. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is underwritten by the Hong Kong Underwriters on a conditional basis. The International Underwriting Agreement is expected to be entered into on or about December 12, 2014, subject to agreement on the Offer Price among us, BAIC Group (for itself and on behalf of the other Selling Shareholders), the Joint Global Coordinators, the Joint Bookrunners and the Underwriters. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators, the Joint Bookrunners and the Underwriters, BAIC Group (for itself and on behalf of the other Selling Shareholders) and us, the Global Offering will not proceed. Further details about the Underwriters and the underwriting arrangements are contained in the section headed "Underwriting" in this prospectus.

CERTAIN MATTERS RELATING TO THE HONG KONG PUBLIC OFFERING

Restrictions on Offer and Sale of the Offer Shares

Each person acquiring the Hong Kong Offer Shares will be required to, or be deemed by his/her acquisition of the Hong Kong Offer Shares to, confirm that he/she is aware of the restrictions on offers of the Hong Kong Offer Shares described in this prospectus and the related Application Forms.

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to confirm, or be deemed by his acquisition of Hong Kong Offer Shares to confirm, that he is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus and the related Application Forms.

The Offer Shares are offered for subscription solely on the basis of the information contained and representations made in this prospectus and the related Application Forms, and on the terms and subject to the conditions set out herein and therein. No person is authorized in connection with the Global Offering to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorized by our Company, the Selling Shareholders, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunner, the Underwriters, any of their respective directors or any other persons or parties involved in the Global Offering. For further details of the structure of the Global Offering, including its conditions, and the procedures for applying for Hong Kong Offer Shares, please see the sections entitled "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus and the relevant Application Forms.

Selling Shareholders

The Selling Shareholders are required to reduce their shareholdings in the Global Offering pursuant to the relevant PRC regulations relating to reduction of state-owned shares. Particulars of the Selling Shareholders are as follows:

Name	Number of Sale Shares (assuming the Over-allotment Option is not exercised)	Number of Sale Shares (assuming the Over-allotment Option is exercised in full)
1. Beijing Automotive Group Co., Ltd. (北京汽車集團有限公司)	99,516,829	114,444,353
2. Beijing State-Owned Assets Management and Administration Center (北京國有資本經營管理中心)	6,139,995	7,060,994
3. Beijing Energy Investment Holding Co., Ltd. (北京能源投資（集團）有限公司)	5,841,445	6,717,662
4. Beijing Industrial Developing Investment Management Co., Ltd. (北京工業發展投資管理有限公司)	1,121,731	1,289,991

Further details of the Selling Shareholders are set out under the section headed "Appendix VI—Statutory and General Information—N. Particulars of the Selling Shareholders" in this prospectus.

Application for Listing on the Hong Kong Stock Exchange

We have applied to the Listing Committee for the listing of, and permission to deal in, the H Shares, including (i) the Offer Shares; (ii) any H Shares which may be issued by us pursuant to the exercise of the Over-allotment Option; (iii) the H Shares converted from Unlisted Foreign-invested Shares which are to be held by Daimler AG; and (iv) the H Shares which will be converted from the Domestic Shares of the Selling Shareholders and which will be sold for the benefit of the NSSF pursuant to the relevant PRC regulations relating to reduction of state-owned shares. Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence on December 19, 2014.

Save as disclosed in this prospectus, no part of our share capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

H Share Register and Stamp Duty

All of the H Shares issued pursuant to applications made in the Global Offering will be registered on the H Share register to be maintained in Hong Kong. Our principal register of members will be maintained by us at our head office in the PRC.

Dealings in the H Shares registered on the H Share register will be subject to Hong Kong stamp duty. Please see Appendix III—"Taxation and Foreign Exchange" to this prospectus for further details.

Professional Tax Advice Recommended

Applicants for the Hong Kong Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding and dealing in H Shares. It is emphasized that none of us, the Selling Shareholders, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and their respective directors, officers, employees, advisers, agents or representatives, nor any other person involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, disposing of, or dealing in the H Shares or exercising any rights attached to them.

Registration of Subscription, Purchase and Transfer of H Shares

We have instructed Computershare Hong Kong Investor Services Limited, our H Share Registrar, and it has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until the holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

(i) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the Company Law, the Special Regulations, and the Articles of Association;

(ii) agrees with us, each of our Shareholders, Directors, Supervisors, managers and senior officers, and we, acting for ourselves and for each of our Directors, Supervisors, managers and senior officers, agree with each of our Shareholders to refer all disputes and claims concerning the Company's business on the basis of the rights or obligations provided in the Company Law or other relevant laws and administrative regulations to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which arbitration shall be final and conclusive. Please see Appendix V—"Summary of Articles of Association" to this prospectus for further details;

(iii) agrees with us and each of our Shareholders that the H Shares are freely transferable by the holders thereof; and

(iv) authorizes us to enter into a contract on his behalf with each of our Directors and senior officers whereby such Directors and senior officers undertake to observe and comply with their obligations to our Shareholders as stipulated in the Articles of Association.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set forth in the sections entitled "Structure of the Global Offering—Over-allotment Option" and "Structure of the Global Offering—Stabilization", respectively.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for Hong Kong Offer Shares is set forth in the section entitled "How to Apply for the Hong Kong Offer Shares" and in the Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set forth in the section entitled "Structure of the Global Offering."

H SHARES WILL BE ELIGIBLE FOR CCASS

Subject to the Stock Exchange granting the listing of, and permission to deal in, the H Shares and the Company complying with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Renminbi amounts into Hong Kong dollars, Renminbi amounts into US dollars and Hong Kong dollars into US dollars at specified rates. You should not construe these translations as representations that the Renminbi amounts could actually be converted into any Hong Kong dollar or US dollar amounts, or the Hong Kong dollar amounts could actually be converted into any US dollar amounts (as the case may be) at the rates indicated or at all. Unless we indicate otherwise, the translations of Renminbi into Hong Kong dollars, Renminbi into US dollars and Hong Kong dollars into US dollars have been made at the rate of RMB0.7913 to HK$1.00, the PBOC Rate prevailing on November 28, 2014, RMB6.1429 to US$1.00 and HK$7.7548 to US$1.00, the noon buying rate in effect on November 28, 2014 as set forth in the H.10 weekly statistical release of the Board of Governors of the Federal Reserve System of the United States, respectively. Further information on exchange rates is set forth in Appendix III—"Taxation and Foreign Exchange" to this prospectus.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of the PRC nationals, entities (including certain of our subsidiaries), departments, facilities, certificates, titles, laws, regulations and the like included in this prospectus and for which no official English translation exists are unofficial translations for your reference only. If there is any inconsistency, the Chinese name shall prevail.

ROUNDING

In this prospectus, where information is presented in hundreds, thousands, ten thousands, millions or hundred millions, certain amounts of less than one hundred, one thousand, ten thousand, one million or a hundred million, as the case may be, have been rounded to the nearest hundred, thousand, ten thousand, million or hundred million, respectively. Amounts presented as percentages have, in certain cases, been rounded to the nearest tenth or hundredth of a percent. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

DIRECTORS

Name	Position	Address	Nationality
Mr. Xu Heyi (徐和誼)	Chairman of the Board and non-executive Director	No. 301, Unit 1, No. 48 Building Laoshan Dongli Shijingshan District Beijing	Chinese
Mr. Zhang Xiyong (張夕勇)	Non-executive Director	No. 1801, No. 4 Building Yard 8, Chaoyang Park Xili South Chaoyang District Beijing	Chinese
Mr. Li Zhili (李志立)	Non-executive Director	No. 1001, No. 803 Building Jinsong Area No.8 Chaoyang District Beijing	Chinese
Mr. Li Feng (李峰)	Chief Executive Officer	No. 1802, Unit 6, No. 3 Building No. 10 Quanzong Road Haidian District Beijing	Chinese
Mr. Ma Chuanqi (馬傳騏)	Non-executive Director	No. 2703, No. 327 Building Wangjing Xiyuan No. 3 Area Chaoyang District Beijing	Chinese
Mr. Qiu Yinfu (邱銀富)	Non-executive Director	No. 702, No. 49 Building Laoshan Dongli Shijingshan District Beijing	Chinese
Mr. Hubertus Troska	Non-executive Director	21F, Daimler Tower 8 Wangjing Street Chaoyang District Beijing	German
Mr. Bodo Uebber	Non-executive Director	Building 137/1, Room 310 Mercedesstr. Stuttgart Germany	German
Ms. Wang Jing (王京)	Non-executive Director	No. 601, No.12 Building Yard 20, Chegongzhuang West Road Haidian District Beijing	Chinese
Mr. Yang Shi (楊實)	Non-executive Director	No. 603, Unit 1, No. 7 Building Xibianmen Dongli Xicheng District Beijing	Chinese
Mr. Fu Yuwu (付于武)	Independent non-executive Director	5 Huatengyuan Chaoyang District Beijing	Chinese

Name	Position	Address	Nationality
Mr. Wong Lung Tak Patrick (黃龍德)	Independent non-executive Director	Flat A, 6/F, Cumine Court 52 King's Road North Point Hong Kong	Chinese (Hong Kong)
Mr. Bao Robert Xiaochen (包曉晨)	Independent non-executive Director	Room 1901, No. 8, Lane 555 Changyi Road Pudong New District Shanghai	American
Mr. Zhao Fuquan (趙福全)	Independent non-executive Director	2-506, Lanqiying Haidian District Beijing	American
Mr. Liu Kaixiang (劉凱湘)	Independent non-executive Director	Room 208, Block 50C Zhongguanyuan Peking University Haidian District Beijing	Chinese

Supervisors

Name	Position	Address	Nationality
Mr. Zhang Yuguo (張裕國)	Chairman of the Board of Supervisors	No. 208, 13/F Jiayuan Yili Fengtai District Beijing	Chinese
Mr. Yin Weijie (尹維劼)	Supervisor	No. 202, Unit 5, No. 3 Building Xiaomachang Village Haidian District Beijing	Chinese
Mr. Zhu Zhenghua (朱正華)	Supervisor	66 Zizhuyuan Road Haidian District Beijing	Chinese
Ms. Li Chengjun (李承軍)	Employee representative Supervisor	No. 201, Unit 1, No. 46 Building Shengli Jianxin North Zone Shunyi District Beijing	Chinese
Mr. Zhang Guofu (張國富)	Employee representative Supervisor	No. 1004, No. 5 Building Madian Nancun Xicheng District Beijing	Chinese

Please see the section headed "Directors, Supervisors, Senior Management and Employees" for details of our Directors and Supervisors.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**HSBC Corporate Finance (Hong Kong) Limited** 1 Queen's Road Central Hong Kong
	CITIC Securities Corporate Finance (HK) Limited 26/F, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
	Deutsche Securities Asia Limited Level 52, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
	UBS Securities Hong Kong Limited 42/F, One Exchange Square 8 Connaught Place Central Hong Kong
Joint Global Coordinators	**Deutsche Bank AG, Hong Kong Branch** Level 52 International Commerce Centre 1 Austin Road West Kowloon Hong Kong
	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
	Morgan Stanley Asia Limited 46/F, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
Joint Bookrunners and Joint Lead Managers	**Deutsche Bank AG, Hong Kong Branch** Level 52 International Commerce Centre 1 Austin Road West Kowloon Hong Kong
	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong

Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering)
46/F, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Morgan Stanley & Co. International plc (in relation to the International Offering)
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
Central
Hong Kong

UBS AG, Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Joint Lead Managers

China Securities (International) Corporate Finance Company Limited
18/F, Two Exchange Square,
8 Connaught Place, Central,
Hong Kong

BOCI Asia Limited
26th Floor, Bank of China Tower
1 Garden Road
Hong Kong

Legal Advisers to the Company

As to Hong Kong law and United States law
Clifford Chance
27/F, Jardine House
One Connaught Place
Central
Hong Kong

	As to PRC law **Jia Yuan Law Offices** F-408 Yuanyang Building Fuxingmennei Avenue Beijing PRC
Legal Advisers to the Underwriters and the Joint Bookrunners	*As to Hong Kong law and United States law* **Norton Rose Fulbright Hong Kong** 38/F, Jardine House One Connaught Place Central Hong Kong
	As to PRC law **Beijing Dacheng Law Offices** 7/F, Building D Parkview Green 9 Dongdaqiao Road Chaoyang District Beijing PRC
Reporting Accountant	**PricewaterhouseCoopers** *Certified Public Accountants* 22/F, Prince's Building Central Hong Kong
Receiving Banks	**Industrial and Commercial Bank of China (Asia) Limited** 33/F., ICBC Tower 3 Garden Road Central Hong Kong
	Bank of Communications Co., Ltd. Hong Kong Branch 20 Pedder Street Central Hong Kong
	Wing Lung Bank, Limited 16/F, Wing Lung Bank Building 45 Des Voeux Road Central Hong Kong
Independent Property Valuer and Consultant	**Jones Lang LaSalle Corporate Appraisal and Advisory Limited** 6/F, Three Pacific Place 1 Queen's Road East Hong Kong

Registered office	The fifth building, Block 25 Shuntong Road, Shunyi District Beijing 101300, China
Headquarters	No.99 Shuanghe Street, Renhe Town, Shunyi District Beijing 101300, China
Principal place of business in Hong Kong	36/F, Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong
Website of the Company	www.baicmotor.com (*information on this website does not form part of this prospectus*)
Company secretary	Mr. Yan Xiaolei 5th Floor, No. 99 Shuanghe Street, Shunyi District, Beijing, China
Company secretary assistant	Ms. Yung Mei Yee (*fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in United Kingdom*) 36/F, Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong
Authorized representatives	Mr. Li Feng 5th Floor, No. 99 Shuanghe Street, Shunyi District, Beijing, China Mr. Yan Xiaolei 5th Floor, No. 99 Shuanghe Street, Shunyi District, Beijing, China
Strategy Committee	Mr. Xu Heyi (chairman) Mr. Zhang Xiyong Mr. Li Feng

	Mr. Ma Chuanqi
	Mr. Qiu Yinfu
	Mr. Hubertus Troska
	Mr. Yang Shi
	Mr. Fu Yuwu
	Mr. Zhao Fuquan
Audit Committee	Mr. Wong Lung Tak Patrick (chairman)
	Mr. Ma Chuanqi
	Mr. Liu Kaixiang
Remuneration Committee	Mr. Bao Robert Xiaochen (chairman)
	Mr. Li Feng
	Ms. Wang Jing
	Mr. Wong Lung Tak Patrick
	Mr. Liu Kaixiang
Nomination Committee	Mr. Xu Heyi (chairman)
	Mr. Li Zhili
	Mr. Fu Yuwu
	Mr. Bao Robert Xiaochen
	Mr. Zhao Fuquan
Compliance Adviser	Shenyin Wanguo Capital (H.K.) Limited Level 19 28 Hennessy Road Hong Kong
H Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal Banks	Bank of Beijing, Jinyun Branch Block A, Jinyun Building A43 Xizhimen North Street Haidian District Beijing, China

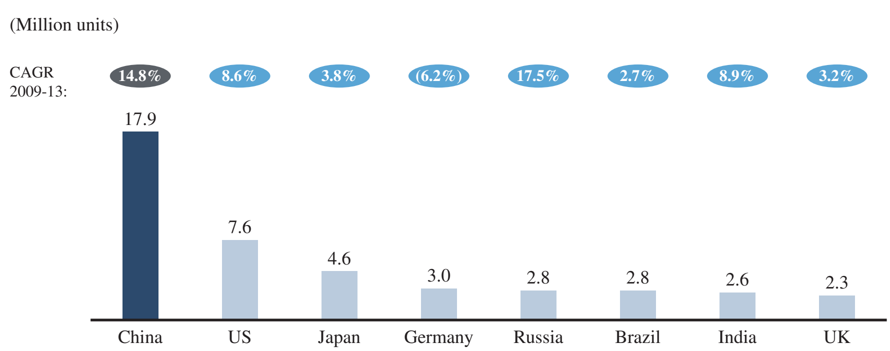
China CITIC Bank, Olympic Village Branch
1/F, Block D, Building No. 309
Huizhong Beili, Datun Road
Chaoyang District
Beijing, PRC

The information presented in this section is derived from various official government publications and other publications and from the market research report prepared by ACMR[1], which was commissioned by us, unless otherwise indicated. We believe that the sources of such information are appropriate sources for such information and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by us, the Joint Sponsors or any of our or their respective directors, officers or representatives or any other person involved in the Global Offering. We, the Joint Sponsors, and any of our or their respective directors, officers, affiliates, advisers or representatives, and any other party involved in the Global Offering make no representation as to the completeness, accuracy or fairness of such information.

OVERVIEW OF THE PRC PASSENGER VEHICLE INDUSTRY

In recent years, the PRC passenger vehicle industry has experienced rapid growth driven by significant expansion of the macro economy. According to ACMR, China is now the largest passenger vehicle market in the world. The sales volume[2] of passenger vehicles in China grew from 10.3 million units in 2009 to 17.9 million units in 2013, representing a CAGR of 14.8%.

The chart below sets forth the sales volumes and recent growth rates in selected key passenger vehicle markets in 2013.



Source: ACMR

(1) We commissioned ACMR, an independent market research consulting firm, to conduct a market analysis of, and produce a report (the "ACMR Report") on, among others, the overview and analysis of China's automotive industry and passenger vehicle market.

Established in 1992, ACMR mainly provides independent and objective services on data collection, industry research, market research and competition research. ACMR is the vice chairman member of the China Marketing Research Association, a member of the Society of Competitive Intelligence of China, and a member of the Association of European Society for Opinion and Marketing Research. ACMR has significant experience in industry research and has provided similar consulting services to various pre-listed companies in the PRC. The automotive industry is one of the industry focuses of ACMR.

The ACMR Report was produced by ACMR's analysts with specific knowledge of the PRC automotive industry and the forecasts were based on ACMR's analysis of historical data and trends. This information was obtained by ACMR from a variety of official industry sources, including relevant PRC government departments and established PRC industry organizations such as the National Bureau of Statistics, the China Association of Automobile Manufacturers and the China Automobile Dealers Association. ACMR has conducted interviews with market participants and industry experts in order to support, verify and cross check the consistency of the relevant data and estimates.

We pay a fee of RMB400,000 to ACMR for the ACMR Report. Except for this report, we did not commission any other customized research report in connection with the Listing or this prospectus.

(2) Sales volume in this section refers to the sales volume of passenger vehicles produced in China, including both domestic sales and export.

FACTORS DRIVING THE PRC PASSENGER VEHICLE INDUSTRY

We believe that the following factors have contributed, and will continue to contribute, to the development of the PRC passenger vehicle industry:

Rapid economic and disposable income growth

The rapid growth of the PRC economy has, to a large extent, led to the rapid development of the PRC passenger vehicle market. The PRC's growing GDP has resulted in increased disposable income, urbanization and the improvement of living standards in the PRC, which has generated a strong increase in the demand for automobiles. According to the NBSC, from 2009 to 2013, China's nominal GDP increased from RMB34.1 trillion to RMB56.9 trillion, representing a CAGR of 13.7%; during the same period, the per capita annual disposable income of China's urban population increased from RMB17,175 to RMB26,955, representing a CAGR of 11.9%. We believe that the continuing growth of the PRC economy and disposable income will generate greater demand for passenger vehicles and related products, which will further accelerate the expansion of the PRC passenger vehicle industry.

Increased urbanization

Urbanization in the PRC has created significant opportunities for the passenger vehicle industry as urban residents desire greater mobility and alternative modes of transportation. The urbanization rate in the PRC has increased rapidly over the years. According to the NBSC, from 2009 to 2013, the urbanization rate increased from 48.3% to 53.7%, with an urban resident population of approximately 731.1 million in 2013. Pursuant to the National New Urbanization Plan (2014~2020) issued in March 2014, the PRC government set the target of raising the urbanization rate (as measured by urban resident population divided by total population) to approximately 60% by 2020. Small and medium-size cities and towns in the central and western areas of China are projected to grow at a rate faster than the national average.

Increased investment in transportation infrastructure

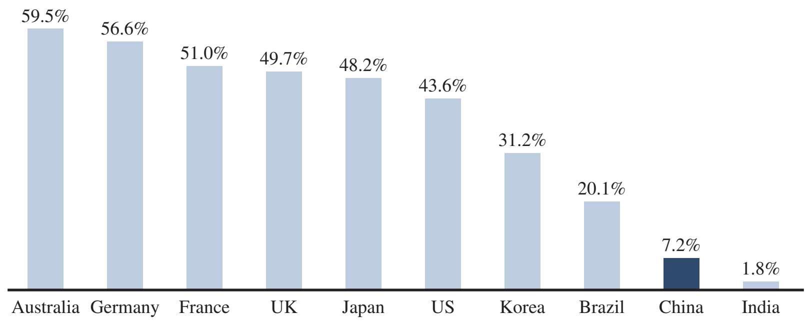
The substantial investment in the construction of transportation infrastructure has also fueled demand for automobiles in the PRC. From 2009 to 2013, the total length of China's highways has grown from approximately 3.9 million kilometers to 4.4 million kilometers, with a CAGR of 3.1%. Further highway extensions are expected to promote increasing use of automobiles. The increase in the length of highways further facilitates inter-city travel, which in turn has boosted passenger vehicle sales.

KEY FEATURES OF THE PASSENGER VEHICLE MARKET IN CHINA

Low penetration rate implies long-term growth potential

Although China's passenger vehicle market is the largest in the world, the penetration rate of passenger vehicles as a proportion of its population was still relatively low at 7.2% in 2013. The penetration rate of more mature economies typically ranges from 30% to 60%, which indicates significant growth potential for the passenger vehicle market in China.

The chart below sets forth the passenger vehicle penetration rates in some major countries in 2013:



Source: ACMR

Declining R-ratio set to drive further near-term market growth

As is demonstrated in international passenger vehicle markets, the R-ratio is the key factor in determining the mid- to long-term development of a nation's passenger vehicle market. The R-ratio equals passenger vehicle prices divided by GDP per capita. It has been demonstrated in other markets that when the R-ratio is between 2 to 3, the penetration rate of passenger vehicles increases significantly. From 2009 to 2012, the R-ratio in China decreased from 4.1 to 3.1, which implies the potential for a period of accelerated growth in China's passenger vehicle market. The average R-ratio of China's central and western provinces has been higher than that of the eastern coastal provinces.

Higher sales growth rates in central and western provinces driven by low penetration rates

Passenger vehicle demand in central and western inland provinces, such as Henan, Sichuan, Chongqing, Anhui, Hubei, Jiangxi and Hunan, has been growing at faster rates than the national average. Between 2009 and 2013 passenger vehicle market (excluding CUVs) in inland provinces grew at a CAGR of 13.9%, as compared to 11.2% in coastal provinces. This outperformance is driven by first-time vehicle buyers and supported by robust economic growth, rising purchasing power and lower vehicle penetration rates. Inland provinces are expected to continue to be a key growth driver in the Chinese passenger vehicle market. In particular, such demand could stimulate the expansion of the market share of economy passenger vehicles, which are currently more suited to the budgets of consumers in these regions.

Sales of SUVs are growing faster than the overall market

The market for domestically-produced SUVs has recently been the fastest growing segment of the Chinese passenger vehicle market, with unit sales exhibiting a CAGR of 45.9% between 2009 and 2013, according to ACMR. Their share of the overall domestically-produced passenger vehicle market has grown from 6.4% in 2009 to 16.7% in 2013. According to ACMR, the growth in market share is expected to continue, driven by various factors including Chinese consumers' preference for larger vehicles, the expected upgrade of vehicles bought by consumers whose purchasing power has since expanded, and the growth of families with more than one child. According to ACMR, SUV sales in the PRC market are forecast to grow from approximately 3.5 million in 2014 to approximately 5.0 million in 2017, representing a CAGR of 12.1%, and the market share of SUVs in China's passenger vehicle market is forecast to grow from 17.9% in 2014 to 20.0% in 2017.

LARGEST AUTOMOTIVE MANUFACTURING GROUPS IN CHINA

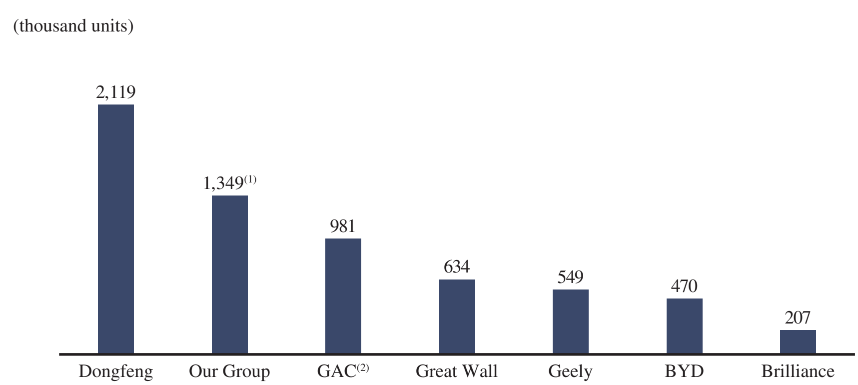
In 2013, the top five automobile groups in the PRC accounted for approximately 68.2% of the total passenger vehicle sales volume.

The table below sets forth information on the top five PRC automobile groups in terms of passenger vehicle sales for 2011, 2012 and 2013:

	2011		2012		2013	
Name	Sales volume (units in million)	Market share (%)	Sales volume (units in million)	Market share (%)	Sales volume (units in million)	Market share (%)
Shanghai Automobile Industry Corporation (Group) ("SAIC")	2.7	18.3	3.0	19.3	4.0	22.1
China FAW Group Corporation ("FAW")	2.3	15.6	2.4	15.3	2.6	14.7
Dongfeng Motor Group ("Dongfeng")	1.6	11.4	1.7	11.2	2.1	11.8
Chang'an Automobile Group ("Chang'an")	1.7	11.5	1.7	10.9	2.1	11.4
Beijing Automotive Group Co., Ltd. ("BAIC Group")	0.9	5.9	1.0	6.8	1.5	8.2

Source: China Automotive Industry Yearbook, the China Association of Automobile Manufacturers, annual reports made by listed companies, announcements made by listed companies, ACMR

The chart below sets forth the passenger vehicle sales volume in 2013 of automobile manufacturers listed on the Hong Kong Stock Exchange and our Group:



Source: Annual reports made by listed companies, announcements made by listed companies, ACMR

(1) Including sales volume of Beijing Hyundai.

(2) Guangzhou Automobile Group Co., Ltd..

For a detailed analysis of our competitive advantages, see "Business—Competitive Strengths."

CLASSIFICATION OF PASSENGER VEHICLE BRANDS

According to ACMR, and consistent with the classifications commonly adopted in the automotive industry, the PRC passenger vehicle market can be generally segmented into five categories, based primarily on brand position and price range, as follows:

Segment	Examples of Brands	Indicative Price Range (in 2013)
Foreign Brands[(1)]		
Premium	Mercedes-Benz, BMW, Audi, Cadillac, Volvo, Land Rover, Jaguar	Above RMB300,000
Mid- to High-end	Hyundai, Nissan, Buick, Toyota, Honda, Volkswagen	RMB100,000 – RMB300,000
Economy	Suzuki, Isuzu	Below RMB100,000
Proprietary Brands		
Mid- to High-end	Senova, MG, Roewe, Benteng, Hongqi	RMB90,000 – RMB300,000
Economy	BJ, Wevan, Wuling, BYD, Chang'an	Below RMB90,000

(1) Including domestically produced and imported models.

According to the vehicle categorization commonly used in the industry, passenger vehicles are divided into sedans, SUVs, MPVs and CUVs, which accounted for 67.0%, 16.7%, 7.2% and 9.1% of total passenger vehicles sales in 2013, respectively.

Within the sedan and SUV sub-categories, models can be further categorized into large-size, mid- to large-size, mid-size, compact, small-size and mini models based on parameters such as wheelbase, vehicle length and engine displacement.

The table below sets forth the key criteria for the categorization of sedans in terms of size and engine displacement:

	Wheelbase (millimeter)	Vehicle length (millimeter)	Engine displacement (liter) (excluding turbo)
Mini (A00)[(1)]	2,000 – 2,300	Below 4,000	Below 1.0
Small-size (A0)[(1)]	2,300 – 2,500	4,000 – 4,300	1.0 – 1.5
Compact (A)[(1)]	2,500 – 2,700	4,200 – 4,600	1.6 – 2.0
Mid-size (B)[(1)]	2,700 – 2,900	4,500 – 4,900	1.8 – 2.4
Mid- to large-size (C)[(1)]	2,800 – 3,000	4,800 – 5,000	Above 2.4
Large-size (D)[(1)]	Above 3,000	Above 5,000	Above 3.0

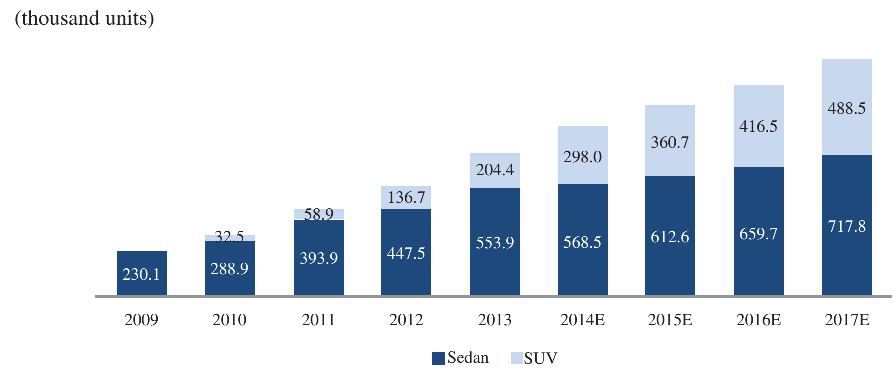
Source: ACMR

(1) Electric vehicles will also be categorized based on wheelbase and length of vehicles.

OVERVIEW OF THE PREMIUM PASSENGER VEHICLE MARKET IN CHINA

The market for premium passenger vehicles in China has been growing faster than the overall passenger vehicle market in China in recent years. From 2009 to 2013, the sales volume of premium passenger vehicles in China grew at a CAGR of 38.3%, compared to 15.5% for the overall passenger vehicle market (including imports) in China. The market share of premium passenger vehicles in the passenger vehicle market (including imports) in China grew from 3.1% in 2006 to 8.0% in 2013, and is forecast to grow from 8.6% in 2014 to 9.2% in 2015. In comparison, in 2013, the market share of premium passenger vehicles in Germany, the United Kingdom and the United States was 28.5%, 24.6% and 11.7%, respectively. The continuing increase of high net worth individuals and wealthy families in China and Chinese consumers' attraction to premium international brands suggests that premium passenger vehicles will continue to outperform the market.

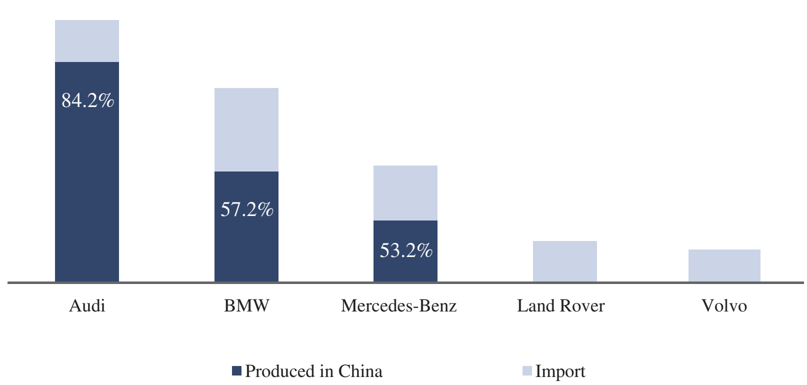
The following chart sets forth the historical and forecast market size of premium sedans and SUVs in China:



Source: ACMR

The market for premium passenger vehicles in China comprises the joint venture premium passenger vehicle segment and the imported premium passenger vehicle segment. The joint venture premium passenger vehicle segment includes products manufactured by joint venture production plants established in China by premium passenger vehicle manufacturers, such as FAW Audi, Brilliance BMW, Beijing Benz, Shanghai GM Cadillac and Chang'an Volvo. The imported premium passenger vehicle segment comprises premium passenger vehicles imported to China, including premium brands that have not yet started production in China, such as Lexus, Infiniti and Acura, and models that joint venture premium passenger vehicle assembly plants have not yet started to produce in China, such as Audi A8, BMW 7 Series and Mercedes-Benz S-Class.

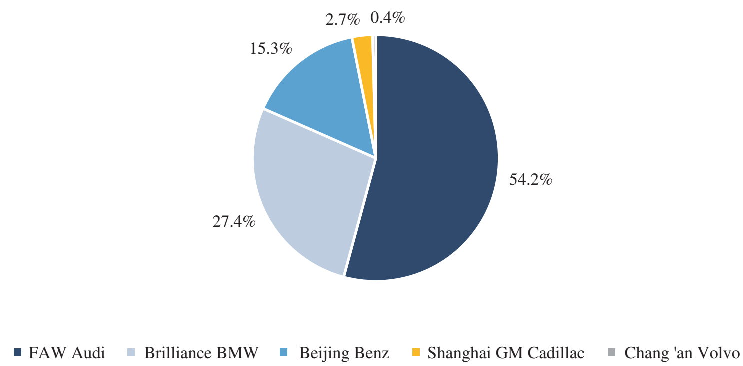
The following table sets forth the percentage of leading premium brand sales in China that are produced domestically under joint ventures in 2013:



Source: ACMR

The following chart sets forth the five largest joint venture premium passenger vehicle manufacturers in China in 2013. Beijing Benz was the third largest joint venture premium passenger vehicle brand in China in terms of sales volume.

China joint venture premium passenger vehicles market share (for 2013)

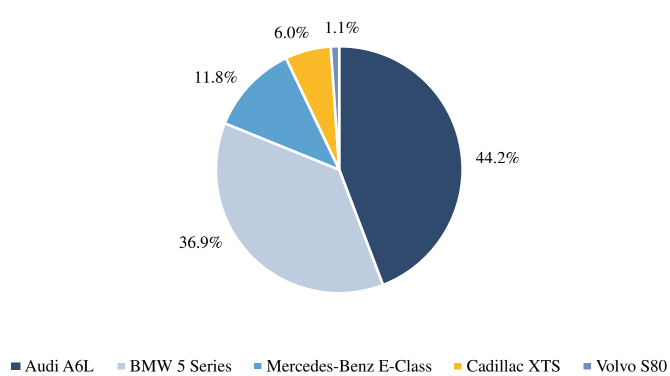


Source: China Automotive Industry Yearbook, ACMR

The joint venture premium passenger vehicle market in China comprises mainly premium sedans and premium SUVs. Mid- to large-sized sedans and mid-size sedans are the largest segments within the premium passenger vehicle market.

The mid- to large-size premium joint venture sedan sales volume grew from 147,678 units in 2009 to 335,456 units in 2013, representing a CAGR of 22.8%. The chart below sets forth the top five mid- to large-size premium joint venture sedan models in 2013:

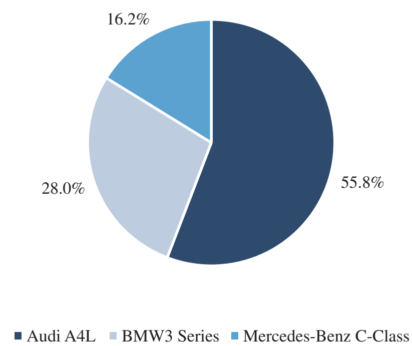
Mid- to large-size premium joint venture sedan market share (for 2013)



Source: China Automotive Industry Yearbook, ACMR

The mid-size premium joint venture sedan sales volume grew from 76,294 units in 2009 to 218,428 units in 2013, representing a CAGR of 30.1%. The chart below sets forth the top three mid-size premium joint venture sedan models in 2013:

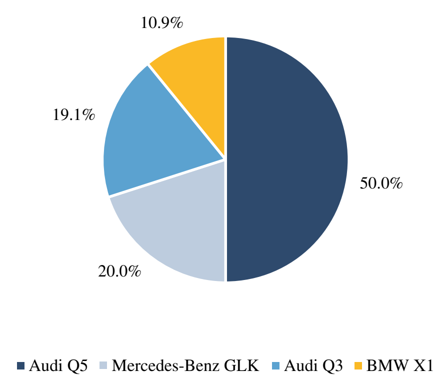
Mid-size premium joint venture sedan market share (for 2013)



Source: China Automotive Industry Yearbook, ACMR

The joint venture premium SUV sales volume grew from 32,483 units in 2010 to 204,403 units in 2013, representing a CAGR of 84.6%. The chart below sets forth the top four joint venture premium SUV models in 2013:

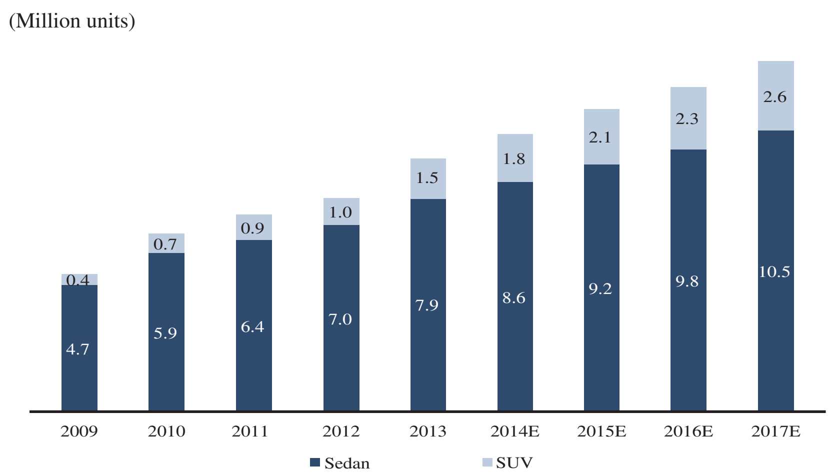
Joint venture premium SUV market share (for 2013)



Source: China Automotive Industry Yearbook, ACMR

OVERVIEW OF THE MID- TO HIGH-END JOINT VENTURE BRAND PASSENGER VEHICLE MARKET IN CHINA

The mid- to high-end joint venture passenger vehicle market represents the largest segment of China's passenger vehicle market. The major mid- to high-end joint venture brand passenger vehicle manufacturers are Beijing Hyundai, Shanghai GM, Shanghai Volkswagen, Dongfeng Nissan, FAW Volkswagen, Chang'an Ford, GAC Honda and GAC Toyota. At present, demand for mid- to high-end joint venture passenger vehicles is mainly driven by first-time buyer needs in the central and western areas and upgrade needs in the eastern coastal areas. The chart below shows the historical and forecast size of markets of mid- to high-end joint venture sedans and mid- to high-end joint venture SUVs:

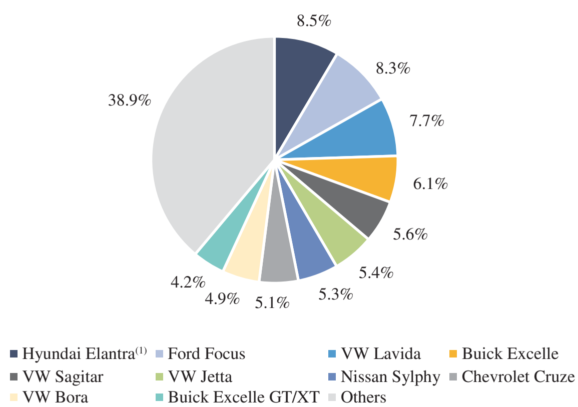


Source: ACMR

Mid- to high-end joint venture brand passenger vehicles mainly comprise mid- to high-end sedans, mid- to high-end SUVs and mid- to high-end MPVs. The largest sub-categories of the mid- to high-end sedan are the compact sedan and the mid-size sedan, which accounted for 61.3% and 22.9%, respectively, of the overall sales volume of mid- to high-end joint venture sedans in 2013.

The sales volume of compact mid- to high-end joint venture sedans grew from 2.6 million units in 2009 to 4.9 million units in 2013, representing a CAGR of 17.3%. The chart below sets forth the top ten compact mid- to high-end sedan models in terms of sales volume in 2013:

Market share of compact mid- to high-end joint venture sedans (for 2013)

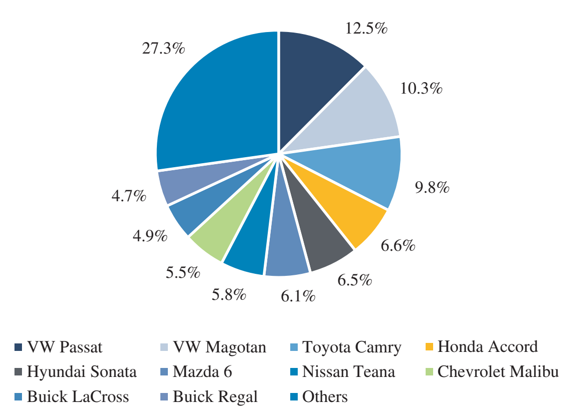


Source: China Automotive Industry Yearbook, ACMR

(1) Including Elantra, Elantra Yuedong and Elantra Langdong.

Mid-size mid- to high-end joint venture brand sedan sales volume grew from 1.3 million units in 2009 to 1.8 million units in 2013, representing a CAGR of 9.1%. The chart below sets forth the top ten mid-size mid- to high-end sedan models in terms of sales volume in 2013:

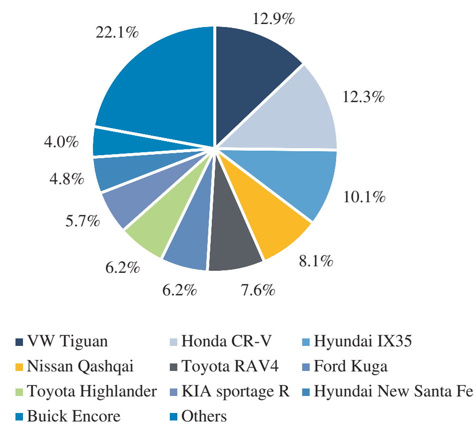
Market share of mid-size mid- to high-end joint venture sedans (for 2013)



Source: China Automotive Industry Yearbook, ACMR

Sales volumes of mid- to high-end joint venture SUVs grew from 397,412 units in 2009 to 1.5 million units in 2013, representing a CAGR of 40.4%. The table below sets forth the top ten mid- to high-end joint venture brand SUV models in terms of sales volume in 2013:

Market share of mid- to high-end joint venture SUVs (for 2013)



Source: China Automotive Industry Yearbook, ACMR

OVERVIEW OF THE PROPRIETARY BRAND PASSENGER VEHICLE MARKET IN CHINA

Proprietary brand passenger vehicles in China include proprietary brand sedans, proprietary SUVs, proprietary MPVs, and proprietary CUVs. According to ACMR, the size of the market for proprietary brand passenger vehicles in China grew from 2.2 million units in 2006 to 7.3 million units in 2013, and proprietary brands represent 40.9% of China's passenger vehicles market in 2013. Driven in particular by economic growth in the country's inner provinces and the increasing quality and recognition of proprietary brands, this trend is expected to continue.

The sales volume of proprietary brand sedans grew from 2.3 million units in 2009 to 3.4 million units in 2013, representing a CAGR of 9.7%.

Proprietary brand economy sedan market

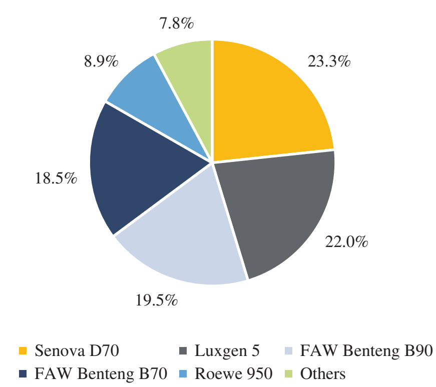
In terms of sales volume, the proprietary brand economy sedan market accounted for 17.1% of the total passenger vehicles market in the PRC in 2013. From 2009 to 2013, the sales volume of proprietary brand economy sedans increased from 2.2 million units to 3.1 million units, representing a CAGR of 9.2%. The major manufacturers of the proprietary brand economy sedans include Geely Auto, Great Wall Motors, BYD, Chery Auto, Chang'an Auto, among others. Demand for proprietary brand economy sedans is mainly driven by first-time buyers in tier-three and tier-four cities.

The compact economy sedan makes up the principal category of the proprietary brand economy sedan market, with a sales volume accounting for 61.1% of the overall proprietary brand economy sedan market. The sales volume of the proprietary brand compact economy sedan grew from 845,058 units in 2009 to 1.9 million units in 2013, representing a CAGR of 22.0%.

Proprietary brand mid- to high-end sedan market

The major manufacturers of mid- to high-end domestic passenger vehicles are FAW, SAIC and our Group. The sales volume of proprietary brand mid- to high-end sedans grew from 179,267 units in 2009 to 321,959 units in 2013, representing a CAGR of 15.8%. Demand for proprietary brand mid- to high-end sedans is mainly driven by government and public service needs and upgrade needs. The proprietary brand mid- to high-end sedans consist mainly of compact, small-size and mid-size vehicles, the sales volume of which accounted for 71.6%, 14.1% and 13.3%, respectively, of the total sales volume of proprietary brand mid- to high-end sedans in 2013. The table below sets forth the top five proprietary brand mid- to high-end sedans in terms of sales volume in 2013:

Market share of mid-size mid- to high-end proprietary brand sedans (for 2013)



Source: China Automotive Industry Yearbook, ACMR

The sales volume of Senova D70 was more than 10,000 units in 2013, making Senava D70 the best-selling mid-size mid- to high-end proprietary brand sedan in China during that period.

According to ACMR, the markets for proprietary mid- to high-end sedans and SUVs are projected to exhibit CAGR of 14.7% and 19.5%, respectively, between 2014 and 2017, a faster growth rate than the joint venture mid- to high-end brand segment.

Proprietary brand CUV market

CUV refers to passenger vehicles with no more than nine seats. The sales volume of proprietary brand CUVs was 1.6 million units in 2013, representing a CAGR of 10.7% from 2003 to 2013, and representing 9.1% of the total sales volume of passenger vehicles in China. In addition to us, the largest CUV manufacturers in China are SAIC, Chang'an, Dongfeng and FAW.

Regulatory Framework

The automotive industry is highly regulated by NDRC, the Ministry of Industry and Information Technology, General Administration of Quality Supervision, Inspection and Quarantine and by the Ministry of Environmental Protection. The Automotive Industry Development Policy (汽車產業發展政策) is a comprehensive policy guideline for the PRC automotive industry with an aim to strengthen the research and development of the PRC automotive industry and enhance the quality of related products and production equipment. As an automobile manufacturer and distributor in the PRC, we shall register our automobile manufacturing business and obtain complete compulsory certification for our products. We shall also sell automobiles in accordance with the Administrative Measures regarding Sales of Branded Automobiles (汽車品牌銷售管理實施辦法).

I. Major Regulatory Authorities

Major regulatory authorities of the PRC automotive industry include:

1. NDRC

The NDRC is mainly responsible for formulating policies regarding the PRC automotive industry, which is the medium- and long-term planning of the industrial development.

2. The Ministry of Industry and Information Technology

The Ministry of Industry and Information Technology of the People's Republic of China is mainly responsible for formulating policies regarding the PRC automotive industry, and for regulating the production, sale and use of automobiles, related chassis, semi-trailers and motorcycles according to the Notice.

3. General Administration of Quality Supervision, Inspection and Quarantine

The General Administration of Quality Supervision, Inspection and Quarantine is mainly responsible for controlling the quality of products.

4. The Ministry of Environmental Protection

The Ministry of Environmental Protection is mainly responsible for formulating the national standards of emission of pollutants and for regulating the implementation of environmental protection in the PRC.

II. Major Regulatory Laws and Regulations regarding the PRC Automotive Industry

Industrial Policies

In 1994, the State Council promulgated the Automotive Industrial Production Policy (汽車工業產業政策), which is a comprehensive policy guideline for the PRC automotive industry with an aim to strengthen the development and research of the PRC automotive industry, enhance the quality of related products and production equipment, facilitate the industrial structural reorganization and economies of scale. With this policy, the diversified and scattered automotive industry in the PRC will eventually become the key industry of the national economy.

In 2004, the NDRC promulgated the Automobile Industry Development Policy (汽車產業發展政策) to replace the Automotive Industrial Production Policy (汽車工業產業政策) promulgated in 1994. On August 15, 2009, the Ministry of Industry and Information Technology and the NDRC further amended the Automobile Industry Development Policy (汽車產業發展政策) which became effective on September 1, 2009. The main purposes of the Automotive Industry Development Policy (汽車產業發展政策) were to develop the PRC as the major automobile manufacturer in the world, facilitate automobile products to meet most of market demand and enter into the international market.

Main objectives of the Automotive Industry Development Policy (汽車產業發展政策) are as follows:

1. to establish a healthy domestic automotive industry with a comprehensive regulatory system (including compulsory administrative regulations and technical specifications) and to form a fair and competitive market environment;
2. to stimulate the coordinated development of the automobile industry and related industries, urban transportation infrastructures and environmental protection; to create a favorable environment for the use of automobiles; to develop a healthy automobile consumption market; to protect the interests of consumers and to stimulate private consumption of passenger vehicles;
3. to enhance the research and development capabilities and technological innovation of automobile manufacturers; to actively develop products with proprietary intellectual properties; and to implement branded operation strategies;
4. to encourage structural adjustment and reorganization within the automotive industry in order to achieve economies of scale; and to facilitate the formation of large automobile groups with international competitive edges through market competition; and
5. to encourage the automobile enterprises to form corporate alliances in compliance with market practice and rules in order to achieve synergy, share resources and expand the business scale.

Major provisions of the Automotive Industry Development Policy (汽車產業發展政策) are as follows:

1. For investment projects of new automobile manufacturers, a minimum total investment of RMB2 billion shall be made, at least RMB800 million shall be financed by the funds of the investors and a minimum investment of RMB500 million shall be made for the establishment of research and development institutions;
2. For investment projects relating to the production of vehicle engines by a production enterprise, the total investment shall be no less than RMB1.5 billion with an investment of at least RMB500 million financed by the enterprises' own funds. A research and development institution shall be established, and product standards shall satisfy the compulsory requirements of the increasingly demanding national technical specifications;
3. For investment projects related to the production of complete vehicles in a category different from the existing products by an automobile manufacturing enterprise, a minimum total investment (including investment through existing fixed assets and intangible assets) of RMB1.5 billion shall be made, and the automobile manufacturing enterprise shall have an asset/liability ratio of less than 50% and an AAA credit rating from the appropriate bank;
4. For an automobile manufacturer which intends to produce sedan cars or other passenger vehicles in a category different from its existing products, a track record evidencing its capability to conduct bulk production of automobile products and an accumulated net

profit after tax for the past three years of over RMB1.0 billion (with taxation certification), an asset/liability ratio of less than 50% and an AAA credit rating from the appropriate bank is mandatory;

5. In the case of a Sino-foreign joint venture manufacturing whole vehicles, specialty vehicles, agricultural transport vehicles and motorcycles, the PRC joint venture partner must hold a minimum of 50% of the equity interest in the joint venture. If the disposal of any legal person's shares in a listed joint venture manufacturing whole vehicles, specialty vehicles, agricultural transport vehicles and motorcycles to other investors occurs, one of the PRC legal person's shareholders shall remain the controlling shareholder with equity interests higher than the aggregate legal shares held by the foreign investors; and

6. A foreign-invested enterprise may establish no more than two automobile manufacturing joint ventures in China that produce the same type of complete vehicles (passenger vehicles, commercial vehicles or motor vehicles). A foreign-invested enterprise cooperating with its PRC joint venture partners to acquire other domestic automobile manufacturing enterprises shall not be subject to the two-joint venture restriction.

Admission Management and Compulsory Certification of Automobile Production Enterprises and Automobiles

In accordance with the Notice on the Issues relating to the Reform of Automobile Manufacturers and Product List Management (關於車輛生產企業及產品目錄管理改革有關問題的通知) by the former State Economic and Trade Commission, on January 1, 2001, the former State Economic and Trade Commission issued the Notice on Automobile Manufacturers and Automobiles (車輛生產企業及產品公告) (the "Notice") for the regulation of new products of automobile manufacturers. On November 17, 2008, the Ministry of Industry and Information Technology issued the Notice Regarding the Further Strengthening of Announcement, Regulation and Registration of Road Vehicle Manufacturers and Automobiles (關於進一步加強道路機動車輛生產企業及產品公告管理和註冊登記工作的通知), which became effective on the same date, jointly with the Ministry of Public Security, pursuant to which, the Ministry of Industry and Information is responsible for regulating the production, sale and use of automobiles (including three-wheeled automobiles and low-speed trucks) and related chassis, semi-trailer and motorcycles in the PRC in accordance with the Notice. The Notice covers the approval for new products, product extension, rectification and withdrawal. To be registered in accordance with the Notice, all automobile manufacturers and their products applying for registration shall fulfill the national requirements on safety, environmental protection and technical standards and specification of automobiles. The Notice is the basis on which the production and sales activities by automobile manufacturers are approved and the customers apply for registration with vehicle administration authorities in the PRC.

According to the Administrative Regulations on Compulsory Product Certification (強制性產品認證管理規定) and the List of the First Batch of Products Subject to Compulsory Product Certification (第一批實施强制性產品認證的產品目錄) which was promulgated by the General Administration of Quality Supervision, Inspection and Quarantine on December 3, 2001 and became effective on May 1, 2002, the General Administration of Quality Supervision, Inspection and Quarantine is responsible for the regulation and quality certification of automobiles. Automobiles and parts and components shall not be sold, exported or used in operating activities before being certified by designated certification authorities of the PRC as qualified products and granted certification marks.

In addition, the Ministry of Industry and Information Technology promulgated the Administrative Rules for Admission of Passenger Vehicle Production Enterprises and Passenger Vehicle Products (《乘用車生產企業及產品准入管理規則》) on November 4, 2011, which became effective on January 1, 2012. The Rules regulate the admission management of passenger vehicle production enterprises and passenger vehicle products. Such rules specify that the Ministry of Industry and Information Technology shall implement classified management for the admission management of passenger vehicle production enterprises and passenger vehicle products based on the types of passenger vehicle products. The rules also specify the conditions of the admission management of passenger vehicle production enterprises and passenger vehicle products.

Automobile sales

In accordance with the Measures on the Administrative Measures regarding Sales of Branded Automobiles (汽車品牌銷售管理實施辦法) which were issued by the Ministry of Commerce, the NDRC and the SAIC on February 21, 2005 and became effective on April 1, 2005, automobile distributors shall meet relevant requirements and file with the relevant authorities. The Ministry of Commerce is responsible for the regulation of automobile sales in the PRC while the SAIC is responsible for the supervision and management of automobile sales within its authority.

To establish a foreign-invested automobile distributor, application materials shall be submitted to the provincial-level commercial authorities of the place where the chief distributor and brand automobile distributors are intended to be established. The provincial-level commercial authorities will review and submit all application materials to the Ministry of Commerce within one month after receiving the relevant materials, and the Ministry of Commerce will decide to approve or not, jointly with the SAIC, on the application within three months of receiving all application documents. Successful applicants will be granted an Approval Certificate for Foreign Invested Enterprises (外商投資企業批准證書) or a renewed certificate.

The Notice on Cessation of the Registration of Automobile General Distributors and Brand Authorized Distributors (關於停止實施汽車總經銷商和汽車品牌授權經銷商備案工作的公告) was promulgated by the SAIC on July 31, 2014 and became effective on October 1, 2014. With effect from October 1, 2014, the SAIC shall cease to register automobile general distributors and brand authorized distributors. Thereafter, automobile distributors engaged in sales of brand automobiles (including general distributors) shall register their operation according to the relevant industrial and commercial registration regulations and their scope of business in business licenses shall only be classified as "sales of automobiles." Automobile general distributors and brand authorized distributors whose scopes of business are registered as "sales of brand automobiles" may apply for change of the scope of business to "sales of automobiles."

In addition, automobile suppliers shall provide automobile resources and service trademarks owned by manufacturers for authorized automobile distributors and implement network planning. Automobile distributors shall effect the management of brand sales and service networks, regulate the sales and after-sale services and disclose, in a timely manner, to the public the list of automobile sale and service enterprises that received authorization or have had authorization removed. Enterprises without authorization or those not qualified for operation shall not provide automobile resources. Automobile suppliers shall provide for customers automobile quality assurance and service commitment, disclose the obsolete automobile models to the public in a timely manner and take active steps to guarantee accessory supply within a reasonable period. Automobile suppliers shall maintain a reasonable network of automobile sales and services. The distance between automobile outlets and accessory sales and after-sale service locations shall not exceed 150 kilometers. Franchising contracts shall be entered into between automobile suppliers and distributors. Except as otherwise agreed in franchising contracts, automobile suppliers shall not sell automobiles to users directly in the authorized sales area of automobile distributors. Automobile suppliers shall provide business training in marketing, advertisement, after-sale services and technical services as well as necessary technical support to automobile distributors according to their service functions.

Recall of defective automobiles

On March 12, 2004, the State Administration on Quality Supervision, Inspection and Quarantine, the NDRC, the Ministry of Commerce and the General Administration of Customs jointly issued the Administrative Regulations on Recalls on Defective Automobile Products (缺陷汽車產品召回管理規定). Such regulation is only applicable to passenger vehicles and became effective on or as of October 1, 2004. The automotive industry is the first in the PRC to pilot a defective product recall system.

On October 22, 2012, the State Council promulgated the Administrative Regulations on Defective Automotive Product Recalls (缺陷汽車產品召回管理條例), which became effective on January 1, 2013. In accordance with the Administrative Regulations on Defective Automotive Product Recalls (缺陷汽車產品召回管理條例), the manufacturers of automobile products shall take measures to eliminate defects in products that are sold by them. Defects refer to instances where a design, manufacturing or identifying flaw is found in a certain batch, model or class of the automobile products that do not meet the national standards and industrial standards that protect human life or property or impose an unreasonable danger to human life or property. For defective automobile products, manufacturers shall recall all products. If manufacturers fail to recall products, the quality supervisory authority of the State Council will order them to recall products. Operators who are informed about the defects of automobile products shall cease to sell, lease or use the relevant automobile products and assist manufacturers in the recall of those products. Manufacturers shall recall their products through channels that are available for the public and shall announce the defects of these products as a precaution to avoid losses and eliminate defects. For recalled defective automobile products, manufacturers shall take measures to eliminate defects, including rectification, identification, modification, replacement or returning. Manufacturers who attempt to conceal the defects of their automobile products or do not recall defective automobile products in accordance with regulations shall face legal action.

Emission and Pollution of Waste Gas of Vehicles

With respect to automobile emissions, the PRC government has adopted various measures to guarantee uniform supervision, including an automotive product authentication procedure used by a network of testing centers across China. The Ministry of Environmental Protection publishes notes from time to time to inform the public that automobile manufacturers must comply with its regulatory emission standards. Automobile manufacturers are not allowed to produce or register any vehicle model or automotive product that fails to comply with such regulatory emission standards.

The Ministry of Environmental Protection limits exhaust emissions on the basis of China I, II, III, IV and V Standards. Different limits of exhaust emissions and testing measures in these standards shall be applied to different types of vehicles.

- On September 1, 2003, the PRC government ceased to follow China I Standards and began to implement China II Standards.

- The PRC government began implementing China III Standards in selected cities, such as Beijing in December 2005 and Guangzhou in September 2006. The Ministry of Environmental Protection issued the Notice on the Issues relating to the Implementation of the Limit of the Phase 3 National Standards of Emission of Motor Vehicles (關於國家機動車排放標準第三階段限值實施有關問題的通知), pursuant to which, since July 1, 2008, all light gasoline vehicles and M-class light diesel vehicles produced, imported, sold and registered shall be in compliance with the requirements of National China III Standards.
- On January 1, 2008, Beijing first implemented China IV Standards. The Ministry of Environmental Protection promulgated the Notice on the Implementation of the National Fourth Stage Compression Ignition Engine and Vehicle Emission Standards (關於實施國家第四階段車用壓燃式發動機與汽車污染物排放標準的公告) on December 29, 2011, which has been in effect since July 1, 2013. All compression ignition engines and automobiles produced, imported, sold and registered shall be in compliance with China IV Standards.
- As the PRC government has not promulgated China V Standards, on February 1, 2013, Beijing implemented specific local standards (Jing V Emission Standards) for new light duty gasoline vehicles and the standards will become national standards upon their promulgation by the PRC government. The Ministry of Environmental Protection and the State Administration on Quality Supervision, Inspection and Quarantine issued the Limit and Measurement of Emission of Light Vehicles (Phase 5) (輕型汽車污染物排放限值及測量方法)—the National Standards of Emission (國家大氣污染物排放標準) (China V Standards), of which the emission control level is equivalent to the Phase 5 emission regulations for light vehicles currently implemented in Europe. China V Standards will become effective on January 1, 2018.

In addition, the Ministry of Industry and Information Technology, the NDRC, MOC, General Administration of Customs and General Administration of Quality Supervision, Inspection and Quarantine issued the Calculation Measures for Average Fuel Consumption of Passenger Vehicle Enterprises (乘用車企業平均燃料消耗量核算辦法) on March 14, 2013, which took effect on May 1, 2013. The measures primarily aim to control the average fuel consumption of passenger vehicle enterprises in order to reduce the average fuel consumption of passenger vehicle products in China to 6.9L/100km and 5.0L/100km by 2015 and 2020, respectively. According to the measures, enterprises which engage in the sales of passenger vehicles in China are required to submit the fuel consumption data for their newly manufactured and imported passenger vehicles in a timely manner. Enterprises with reported and reviewed data failing to meet the required standards shall provide explanations and rectification proposals. The Ministry of Industry and Information Technology will publish the fuel consumption of passenger vehicles and relevant information through the notice system for automobile fuel consumption on the website of Automobile Fuel Consumption of China.

Auto Financing

According to the Administrative Rules governing Auto Financing Companies (汽車金融公司管理辦法) promulgated by China's Banking Regulatory Commission on October 3, 2003, enterprises engaging in the production and sale of complete vehicles and non-bank financial institutions which have obtained approval from China's Banking Regulatory Commission may invest in the establishment of non-bank financial corporate interests for the purpose of providing loans to purchasers and sellers of automobiles in the PRC, and it is also provided for the condition of investors who intend to establish automobile financing enterprises, the application and approval procedures for such establishment and the for authorized scope of business for automobile financing enterprises.

On January 24, 2008, China's Banking Regulatory Commission issued the revised Administrative Rules governing Auto Financing Companies, which became effective on the same date. The original Administrative Rules governing Auto Financing Companies issued in 2003 were abolished and provided important legal protection for automobile financing enterprises which strive for rapid development while maintaining effective risk management. In addition to the entry barrier and professional qualification requirement and the authorized scope of business, such rules also highlighted the requirements for the development of automobile financing enterprises. The automobile finance leasing business was added to the scope of business. Financing channels for automobile financing enterprises were expanded by allowing financing businesses to issue financial bonds and to borrow from and lend to other automobile financing enterprises. Regarding the risk control indicators, according to the characteristics and nature of the automobile financing business, restrictions on credit granted to top 10 customers were lifted and limitation on the proportion of credit granted to a single group customer was effected to prevent and mitigate the risks of connected transactions.

On August 16, 2004, the PBOC and the CBRC promulgated the Administrative Measures on Automobile Loans (汽車貸款管理辦法), which became effective on October 1, 2004. The former Administrative Measures on Automobile Expenditure and Loans (汽車消費貸款管理辦法) promulgated by the PBOC in 1998 were abolished on such date. The Administrative Measures on Automobile Loans (汽車貸款管理辦法) extended the area of borrowers to commercial banks, rural and urban credit cooperatives and non-bank financial institutions which are allowed to extend automobile loans. The measures also stipulate the conditions under which a borrower may apply for a personal automobile loan, the time limit on automobile loans and the percentage of the loan offered relative to the price of the automobile purchased by the borrower.

Measures regarding preventing traffic congestion

Recently, certain local governments have implemented measures in order to prevent traffic congestion and pollution, including restricted purchasing measures such as balloting and bidding in Beijing, Shanghai, Guangzhou and Tianjin.

New license balloting is now implemented in Beijing monthly. On December 23, 2010, the Beijing People's Government promulgated the Provisional Regulations on Controlling the Amount of Small Passenger Vehicles in Beijing, which became effective on the same date. Pursuant to the regulations, a performance-based allocation mechanism has been implemented in respect of the issuance of new licenses of passenger vehicles in Beijing annually. The number and allocation proportion of new small passenger vehicles shall be determined rationally by municipal transportation administrative authorities together with relevant administrative regulatory authorities regarding municipal development and reform, public security and transportation and environmental protection according to the number of small passenger vehicles, the traffic situation and the capacity of roads, and will be announced publicly upon the approval of municipal government.

Bidding for new licenses in Shanghai: Bidding for new licenses has been implemented in Shanghai since 1994. According to this mechanism, qualified applicants must submit closed bids for new licenses. Successful applicants can apply for registration with the local vehicle administrative authorities in Shanghai.

Various measures designed to control the amount of new license issuances in Guangzhou and Tianjin: The Provisional Regulations on Controlling the Total Amount of Small Passenger Vehicles in Guangzhou were implemented in Guangzhou on August 1, 2012. Pursuant to the regulations, a performance-based allocation mechanism has been implemented in respect of the issuance of new licenses of passenger vehicles. Qualified applicants may apply for licenses through monthly balloting or bidding. The Provisional Regulations on Controlling the Total Amount of Small Passenger Vehicles in Tianjin (Trial) were implemented in Tianjin on January 1, 2014. Pursuant to the regulations, the total amount of registered small passenger vehicles was regulated and a performance-based allocation mechanism was implemented, particularly with regard to new licenses for energy-saving vehicles which are allocated by way of balloting while new licenses of ordinary vehicles are allocated by way of a combination of balloting and bidding.

Promotion and Allowances of New Energy Vehicles and Preferential Treatment for Vehicle Purchasing Quota

On September 13, 2013, the MOF, Ministry of Science and Technology, Ministry of Industry and Information Technology and the NDRC jointly promulgated the Notice regarding the Promotion of New Energy Vehicles, which specified that the promotion of new energy vehicles should be further enhanced in cities, in particular major cities. The Notice also provides allowances for the purchasers of new energy vehicles. In 2013, the major allowances for pure electric vehicles and plug-in hybrid electric vehicles (with range extender) shall be RMB35,000-60,000/unit.

On January 28, 2014, the MOF, Ministry of Science and Technology, Ministry of Industry and Information Technology and the NDRC jointly promulgated the Notice regarding Further Promotion of New Energy Vehicles. The Notice provided that allowances for pure electric vehicles, plug-in hybrid electric vehicles (with range extender), designated pure electric vehicles and fuel battery vehicles shall be as follows: allowances in 2014 shall be reduced by 5% as compared with that of 2013; and allowances in 2015 shall be reduced by 10% as compared with that of 2013. The Notice shall become effective from January 1, 2014.

In addition, in recent years, certain local governments have also issued various anti-traffic congestion measures, which contain certain special favorable policies for new energy vehicles. For instance, according to the Implementation Rules of the Interim Provisions of Beijing Municipality on the Regulation and Control of the Amount of Passenger Vehicles (2013 Revision) promulgated by Beijing People's Government, a separate balloting system for pure electric passenger vehicles under the Demonstration and Application of New Energy Passenger Car Manufacturer and Product Catalog of Beijing (《北京市示範應用新能源小客車生產企業和產品目錄》) was established, and if the number of applications is less than the quota on automobile license plates for new energy passenger vehicles of the given period, all such applications will be approved. According to the Interim Measures for the Pilot Program to Encourage Purchase and Use of New Energy Vehicles for Private Use in Shanghai (《上海市鼓勵私人購買和使用新能源汽車試點實施暫行辦法》) promulgated by Shanghai People's Government, new automobile license plates will be issued by the local authority of automobile license plates quota to new energy vehicles directly purchased by private users for free. According to Interim Provisions of Guangzhou on the Regulation and Control of the Amount of Passenger Vehicles, entities and individuals may apply for automobile license plates directly for the registration of new energy vehicles.

Major Anti-Monopoly Regulations

The Standing Committee of the National People's Congress promulgated the Anti-Monopoly Law of the People's Republic of China (中華人民共和國反壟斷法) on August 30, 2007, effective from August 1, 2008. The Anti-Monopoly Law of the People's Republic of China aims to prevent and deter the act of monopoly and protect fair market competition to enhance the efficiency of the economy and protect the interest of consumers and society, so as to facilitate the sound economic development in the PRC socialist market.

According to the Anti-Monopoly Law of the People's Republic of China, the following acts shall be deemed as monopolization and shall be prohibited:

1. Any monopoly agreement reached by any operators;
2. Abuse of market-dominating position by any operators;
3. Any concentration of operators which has eliminated or limited or may eliminate or limit the market competition.

According to the Anti-Monopoly Law of the People's Republic of China, any operators violating the applicable rules shall assume the following legal responsibilities:

1. Where an operator reaches and implements a monopoly agreement, the anti-monopoly authority shall order the termination of the illegal behavior, confiscate the illegal earnings, and impose a fine of more than 1% but less than 10% of the sales income in the previous year. If the monopoly agreement is reached but not yet implemented, a fine of up to RMB0.5 million shall be imposed.
2. Where an operator abuses its dominating position in the market, the anti-monopoly authority shall order the termination of the illegal behavior, confiscate the illegal earnings, and impose a fine of more than 1% but less than 10% of the sales income in the previous year.
3. Where an operator commits any business concentration which has eliminated or limited or may eliminate or limit the market competition, the anti-monopoly authority of the State Council shall order the termination of such business concentration, or order to dispose of its shares or assets or transfer its business operation within a prescribed period, and take other necessary measures to restore the market condition which might otherwise prevail without the concentration, including a fine of up to RMB0.5 million.
4. Where the monopolistic behavior of an operator causes losses to others, the operator shall assume civil liability.

The automobile industry we operate in is also governed by the aforesaid anti-monopoly regulations.

Environmental Protection, Safety and Health Regulations

Environmental Protection

A number of laws and regulations have been adopted for environmental protection in China, including the Environment Protection Law (環境保護法), the Prevention and Control of Air Pollution Law (大氣污染防治法), the Prevention and Control of Water Pollution Law (水污染防治法) and the Prevention and Control of Noise Law (環境噪聲污染防治法).

The Environmental Protection Law was promulgated by the Standing Committee of the National People's Congress and became effective on December 26, 1989. It put measures in place to prevent and control the pollution and damage to the environment in the course of an entity's production and that constriction and discharge of pollutants shall be reported and registered.

The Prevention and Control of Air Pollution Law was promulgated by the Standing Committee of the National People's Congress on April 29, 2000 and became effective on September 1, 2000. It stipulates that units that discharge atmospheric pollutants shall, pursuant to the provisions of MEP, report to the local administrative department of environmental protection its existing discharge and use the services of treatment facilities and the types, amount and concentration of pollutants discharged under normal operating conditions.

The Prevention and Control of Water Pollution Law was promulgated by the Standing Committee of the National People's Congress on May 11, 1984 and became effective on November 1, 1984. The law was amended on May 15, 1996 and again on February 28, 2008. It stipulates that enterprises and institutions that discharge pollutants to a body of water shall obtain discharge permits in accordance with relevant regulations and pay a pollutant discharge treatment fee.

The Prevention and Control of Noise Law was promulgated by the Standing Committee of the National People's Congress on October 29, 1996, and became effective on March 1, 1997. It stipulates that industries and enterprises that produce environmental noise pollution shall take effective measures to minimize the impact of noise on the living environment of the neighborhood.

Safety Production

According to the Production Safety Law of the People's Republic of China (中華人民共和國安全生產法) promulgated by the Standing Committee of the National People's Congress on June 29, 2002 and made effective from November 1, 2002, production entities are required to have a safe production environment as specified by the applicable laws, regulations and standards of China. Otherwise, entities are prohibited from production. The person in charge of the production unit shall perform corresponding duties, including establishing and refining the safety production accountability system of the unit, and providing regulations and a manual regarding production safety of the unit. The production unit shall provide the employees with protective equipment that meets the national standards or industrial standards, and shall supervise and educate them as to how to use this equipment according to the prescribed rules.

Occupational Health

According to the Law of the People's Republic of China On Prevention and Control of Occupational Diseases (中華人民共和國職業病防治法) promulgated by the Standing Committee of the National People's Congress on October 27, 2001 and amended on December 31, 2011, it is the obligation of employers to have effective protective equipment to prevent occupational diseases. Employers shall provide their employees with personal occupational disease preventive equipment. Employers shall regularly investigate and assess the factors causing occupational diseases in the workplace in accordance with regulations. The results of the investigations and assessments shall be logged in the occupational health archive of employers for regular submission to the local public health authorities and shall be made available to employees.

The automobile industry in which the Company carries on business is subject to the aforesaid environmental protection, production safety and occupational health requirements.

HISTORY AND DEVELOPMENT

Background

Our Company's history dates back to the year of 1958 when Beijing Automobile Factory, the predecessor of BAIC Group, our Controlling Shareholder, was incorporated. Beijing Automobile Factory was the second large-scale automobile manufacturer founded in China. BAIC Group has been our sole Controlling Shareholder. It is one of the five largest vehicle manufacturing groups in China with a history of operation spanning more than 50 years. BAIC Group has developed into a comprehensive modern automobile group unifying a diversified business portfolio of research and development and manufacturing of whole vehicles, manufacturing of vehicle spare parts and components, automobile service and trade, education, investment and financing, as well as development of emerging industries. We serve as a key platform developed by BAIC Group for its passenger vehicle resources and business development.

Promoters

Our Company was founded on September 20, 2010 by our promoters including BAIC Group. On August 25, 2010, our promoters entered into a promoters agreement with respect to the establishment of our Company with an initial registered capital of RMB5 billion. BAIC Group, our Controlling Shareholder and also one of our promoters, was incorporated on June 30, 1994 and has been our sole Controlling Shareholder throughout the Track Record Period. The table below sets forth a summary of our promoters:

Names of our promoters	Shareholding percentage in our Company at the time of our establishment	Contribution of our promoters into our Company for our establishment	Valuation of our promoters' contribution	Background information of our promoters
BAIC Group	51%	41.20631% equity interest in BAIC Investment, 51% equity interest in BAIC Limited, 100% equity interest in Powertrain, 100% equity interest in New Energy together with the physical assets of its passenger vehicle business unit and cash in the amount of RMB1,317,494,551.27	BAIC Group's contributions by way of equity and tangible assets to our Company were valued by an independent valuator on April 6, 2010	BAIC Group (previously known as BAIC Holding), is a state-owned enterprise established on June 30, 1994 with a registered capital of approximately RMB4.55 billion. Its principal businesses include the manufacture, sale, import and export of vehicles and spare parts, operation and management of state-owned assets, investment and investment management, technology development, service and consultancy, and real property development and sales. On September 28, 2010,

Names of our promoters	Shareholding percentage in our Company at the time of our establishment	Contribution of our promoters into our Company for our establishment	Valuation of our promoters' contribution	Background information of our promoters
				its name was changed from BAIC Holding to BAIC Group. BAIC Group has been our sole Controlling Shareholder throughout the Track Record Period.
Shougang Limited	18.31%	23.61580% equity interest in BAIC Investment and cash in the amount of RMB270,684,446.53	Shougang Limited's contribution by way of equity to our Company was valued by an independent valuator on April 6, 2010	Shougang Limited is a joint stock company incorporated with limited liability in China established on October 15, 1999 with a registered capital of RMB5.29 billion and its A shares are listed on the Shenzhen Stock Exchange (Stock Code: 000959). Its principal businesses include iron and steel smelting, chemical products manufacture and sales, consultancy, transfer and training of technologies, equipment leasing, logistics service and investment management. Shougang Limited has been one of our Substantial Shareholders throughout the Track Record Period.
BSAM	13.18%	16.99251% equity interest in BAIC Investment and cash in the amount of RMB194,768,256.01	BSAM's contribution by way of equity to our Company was valued by an independent valuator on April 6, 2010	BSAM is a state-owned enterprise established on September 4, 1992 with a registered capital of RMB5 billion upon the establishment of the Company. Its principal businesses include the import and export of goods and technologies (or in

Names of our promoters	Shareholding percentage in our Company at the time of our establishment	Contribution of our promoters into our Company for our establishment	Valuation of our promoters' contribution	Background information of our promoters
				the capacity of an agent). On June 28, 2011, BSAM entered into an agreement with Industry Investment, pursuant to which BSAM transferred all of its shares in our Company to Industry Investment as its capital contribution.
Modern Innovation . . .	7.75%	10% equity interest in BAIC Investment and cash in the amount of RMB114,620,063.71	Modern Innovation's contribution by way of equity to our Company was valued by an independent valuator on April 6, 2010	Modern Innovation is a limited liability company incorporated in China on January 27, 2003 with a registered capital of RMB450 million upon the establishment of the Company. Its principal businesses include industry investment, investment management, comprehensive technology development, technology service and technology consultancy. Modern Innovation transferred all of its shares in our Company to other Shareholders during the Track Record Period as detailed below in the section headed "—The Reorganization—Capital Increases and Share Transfers."
BSAMAC	5.00%	cash in the amount of RMB532,118,776.44	N/A	BSAMAC is a state-owned enterprise established on December 30, 2008 with a registered capital of RMB35 billion. BSAMAC was established as the platform for capital maintenance and appreciation of state-

Names of our promoters	Shareholding percentage in our Company at the time of our establishment	Contribution of our promoters into our Company for our establishment	Valuation of our promoters' contribution	Background information of our promoters
				owned assets as well as to support the Beijing Municipality Government's strategic adjustments to state-owned assets and reorganization of state-owned enterprises.
Beijing Energy Investment	4.76%	6.13452% equity interest in BAIC Investment and cash in the amount of RMB70,313,906.04	Beijing Energy Investment's contribution by way of equity to our Company was valued by an independent valuator on April 6, 2010	Beijing Energy Investment is a state-owned enterprise established on December 8, 2004 with a registered capital of RMB20 billion. Its scope of businesses is subject to the provisions of relevant national laws and regulations with independent choice of businesses.

Overview of our business

Our Company serves as a key platform developed by BAIC Group for its passenger vehicle resources and business development. We are a leading manufacturer of passenger vehicles in China. According to ACMR, we are expected to be the second-largest passenger vehicle manufacturer listed on the Hong Kong Stock Exchange upon the Listing, in terms of the aggregate sales volume of Beijing Motor, Beijing Benz and Beijing Hyundai in 2013. We are engaged in design, research and development, manufacture and sale of an extensive and diversified portfolio of passenger vehicle models, and we provide related services in China.

Beijing Motor's proprietary brand passenger vehicle business is carried out under three product series, including the mid- to high-end Senova series, economy BJ series and Wevan series. We offer a number of models of passenger vehicles, including mid- to large-size sedan, mid-size sedan, compact sedan, small-size sedan, SUV, MPV and CUV products to satisfy customer needs for different types of vehicles.

We also manufacture passenger vehicles under our joint venture brands through Beijing Benz (a subsidiary of our Company) and Beijing Hyundai (a joint venture of our Company). For details, see "Business" in this prospectus. In addition, we manufacture engines and other key automobile parts and components, which are used for manufacturing our passenger vehicles, as well as for sales to other automobile manufacturers.

Our Major Subsidiaries

Powertrain

Powertrain was established by BAIC Group on February 9, 2010 in the PRC with a registered capital of RMB50 million. Pursuant to the promoters agreement entered into among BAIC Group and other promoters of our Company dated August 25, 2010, BAIC Group transferred its entire equity interest in Powertrain to us as part of its capital contributions in founding our Company. Following two subsequent rounds of capital increases in September 2011 and May 2013, the registered capital of Powertrain increased to RMB1.15 billion.

As a wholly-owned subsidiary of our Company, Powertrain is primarily engaged in, among other things, research and development, manufacturing and sales of automobile engines and transmission units.

Beijing Benz

On November 2, 2012, BAIC Group and the Company entered into an equity transfer agreement, pursuant to which BAIC Group transferred its 50% equity interest in Beijing Benz to our Company for a consideration of RMB5,140,400,200. Upon completion of the equity transfer in January 2013, our Company owned 50% equity interest in Beijing Benz, with the remaining 39.454% owned by Daimler AG and 10.546% owned by Daimler Greater China.

On November 18, 2013, following a round of capital increase subscribed by our Company, and as part of the Pre-IPO Strategic Investment detailed below, our Company increased our shareholding in Beijing Benz from 50% to 51% and Beijing Benz became our subsidiary and has been consolidated into the financial statements of our Group, with Daimler AG and Daimler Greater China holding the remaining 38.665% and 10.335% equity interest of Beijing Benz, respectively. As a result, since November 18, 2013, Beijing Benz has become a 51%-owned subsidiary of our Company and will remain so after the Listing.

BAIC Investment

BAIC Investment was incorporated on June 28, 2002 with a registered capital of RMB3.5 billion as of the Latest Practicable Date. As set out above, pursuant to the promoters agreement dated August 25, 2010 entered into among our promoters, each of BAIC Group, Shougang Limited, BSAM, Modern Innovation and Beijing Energy Investment transferred their then shareholdings in BAIC Investment as to 41.20631%, 23.61580%, 16.99251%, 10% and 6.13452%, respectively, as part of their capital contribution for the establishment of our Company. As of the Latest Practicable Date, BAIC Investment is 97.95% owned by our Company with the remaining 2.05% owned by BAIC Group. Moreover, BAIC Investment also holds 80% equity interest in Beijing Hainachuan Investment Co., Ltd. (a subsidiary of our Company) and 50% equity interest in Beijing Hyundai and other equity interest in certain associated companies.

As one of our major subsidiaries, BAIC Investment is primarily engaged in, among other things, investment and management of automobile and other related industries.

Milestones of Development

The following are the key milestones in our history to date:

Year	Events
1958	Establishment of Beijing Automobile Factory, the predecessor of our Controlling Shareholder, BAIC Group
1983	Beijing Jeep Motor Co., Ltd., the predecessor of Beijing Benz and the first sino-foreign joint venture automobile company founded in China, mainly engaged in the development and manufacturing of off-road vehicles, was incorporated by Beijing Automobile Factory and American Motors Corporation
1994	Establishment of BAIC Holding, the predecessor of our Controlling Shareholder, BAIC Group
2002	Our Controlling Shareholder, BAIC Group, established Beijing Hyundai with Hyundai Motor; Beijing Hyundai was the first approved joint venture vehicle manufacturer after China's accession to the World Trade Organization; in the same year, Beijing Hyundai passenger vehicle No. 1 factory commenced production
2005	BAIC Group, our Controlling Shareholder, and Daimler AG reorganized Beijing Benz and thus BAIC Group entered into the premium passenger vehicle market
2006	Beijing Benz MRA factory commenced production
2008	Beijing Hyundai passenger vehicle No. 2 factory commenced production
2009	Our Controlling Shareholder, BAIC Group, acquired Saab technology through BAIC Hong Kong
2010	Establishment of our Company; contribution to our Company's capital by injection of core passenger vehicles assets (including equity interest in Beijing Hyundai) by our Controlling Shareholder, BAIC Group
2011	The Company acquired the entire equity interest in BAIC Hong Kong from BAIC Group and obtained Saab technology
	The passenger vehicle factory of the Zhuzhou branch of our Company commenced production
2012	The BJ E-Series was launched into the market (rebranded as Senova D20 in November 2014)
	The engine factory of Powertrain, our Company's subsidiary, commenced production
	Beijing Hyundai passenger vehicle No. 3 factory commenced production
	Our Company successfully passed the ISO9001:2008 quality management review
	Our Company entered into a series of agreements with BAIC Group and Daimler AG to further strengthen our strategic alliance by (a) establishing Benz Sales Service, and (b) obtaining, on a royalty-free basis, the permanent license to use the Mercedes-Benz E-Class LWB V212 platform and related technologies
2013	The passenger vehicle factory of the Beijing branch of our Company commenced production, the Senova D70 sedan was launched into the market
	50% equity interest in Beijing Benz was acquired by our Company from BAIC Group; in the same year, Beijing Benz became a subsidiary of our Company and the only sino-foreign joint venture focused on passenger vehicle manufacturing that became controlled by a Chinese automobile manufacturer after the promulgation of the "Policy on Development of Automotive Industry" (汽車產業發展政策) in 2004
	The engine factory of Beijing Benz commenced production
	Our Company, BAIC Group, and Daimler AG entered into the Share Subscription Agreement and Daimler AG became our pre-IPO strategic investor
2014	The Senova D50 sedan was launched into the market
	The Company completed its acquisition of 100% equity interest in Guangzhou Company from BAIC Group

THE REORGANIZATION

During the Track Record Period, our Company underwent a Reorganization by means of capital increases, share transfers, Pre-IPO Strategic Investment as well as acquisitions and disposals.

Capital Increases and Share Transfers

In 2012, the Company increased its registered capital through the issue of 616 million new Shares at the price of RMB6.5 per Share to its then Shareholders. Upon completion of the capital increase, the Company's registered capital increased from RMB5 billion to RMB5.616 billion.

In 2013, the Company further increased its registered capital through the issue of 765,818,182 Unlisted Foreign Shares at the price of RMB6.7 per Share to Daimler AG to facilitate the Pre-IPO Strategic Investment as described in the paragraph headed "Pre-IPO Strategic Investment" below. Upon completion of the further capital increase, the Company's registered capital increased from RMB5.616 billion to approximately RMB6.382 billion.

During the Track Record Period, our Shareholders undertook a number of share transfers as detailed below:

Transfer Agreement Date	From	To	Number of Shares Transferred	Consideration (RMB in millions)	Valuation of the Consideration	Completion Date[(2)]
April 6, 2011	Modern Innovation	Hangzhou Jingjie	12,500,000	84.30	N/A	December 19, 2011
June 28, 2011	BSAM	Industry Investment	658,823,714	N/A[(1)]	N/A	December 19, 2011
September 21, 2011	Modern Innovation	Qingtian Yunsheng	30,000,000	241.00	N/A	December 19, 2011
September 21, 2011	Modern Innovation	Qingtian Yunzhong	20,000,000	159.00	N/A	December 19, 2011
September 21, 2011	Modern Innovation	Guoyuan Capital	5,700,000	45.60	N/A	December 19, 2011
October 18, 2011	Modern Innovation	Tianjin Blueberry	5,000,000	41.50	N/A	December 19, 2011
November 1, 2011	Modern Innovation	Quanzhou Citong	10,000,000	80.00	N/A	December 19, 2011
June 7, 2013	Modern Innovation	Benyuan Jinghong	304,514,184	2,724.78	N/A	June 25, 2013
June 7, 2013	BAIC Group	Benyuan Jinghong	37,624,734	244.56	N/A	June 25, 2013
July 2013	Industry Investment	Jingguofa Fund	29,850,746	200.00	The share transfer was valued by an independent valuator	August 1, 2013
August 15, 2013	Industry Investment	BAIC Group	658,823,714	4,414.12	The share transfer was valued by an independent valuator	October 10, 2013

(1) As it was BSAM's contribution by way of equity to Industry Investment, there is no consideration in cash.

(2) According to the dates of changes in the registrations with industry and commerce authorities.

The consideration of each of the share transfers above was fully settled on or prior to the completion date of such share transfer. Among the transferors as set out in the above table, except for BSAM and Modern Innovation, which ceased to be Shareholders when their entire shareholdings in our Company transferred to other Shareholders, all of the others remain to hold equity interest in our

Company. As to the transferees, except for BAIC Group, which has been a Connected Person of our Company, none of the other transferees were connected persons of the Company as of the Latest Practicable Date. For details of the shareholding percentage of each party mentioned above upon completion of Reorganization and upon Listing, see "—Corporate Structure" of this prospectus.

Pre-IPO Strategic Investment

In order to comprehensively strengthen our Company's strategic alliance with Daimler AG, a world-class vehicle manufacturer, in 2012 and 2013, our Company and BAIC Group entered into a series of agreements with Daimler AG, including Daimler AG's subscription of Shares issued by our Company, the increase of our Company's Shareholding in Beijing Benz, technology licencing and arrangements regarding sales and service. Among the above, and as part of the Pre-IPO Strategic Investment, on February 1, 2013 Daimler AG entered into a Share Subscription Agreement with our Company and BAIC Group. Pursuant to the Share Subscription Agreement, our Company issued 765,818,182 Unlisted Foreign Shares to Daimler AG, which represented 12% of the enlarged total issued share capital of the Company following the completion of the Pre-IPO Strategic Investment. The subscription price per Share was RMB6.7 and the total aggregate amount paid by Daimler AG for subscription of such Shares in accordance with the terms and conditions under the Share Subscription Agreement was RMB5,130,981,819.40.

Details of the Pre-IPO Strategic Investment

Set forth below are the details of the Pre-IPO Strategic Investment:

Date of the Share Subscription Agreement	February 1, 2013
Number of Shares Issued	765,818,182
Amount of Consideration Paid	RMB5,130,981,819.40
Payment date of the Pre-IPO Strategic Investment	November 18, 2013
Completion Date of the Pre-IPO Strategic Investment	November 18, 2013
Cost per Share Paid	RMB6.7
Discount to the IPO Price	2.68% to the Offer Price assuming the Offer Price of HK$8.70, being the mid-point of the Offer Price range
Use of Proceeds	1. RMB765,818,182 to be booked as the increased registered capital of the Company; and 2. a premium equal to the consideration (i.e. RMB5,130,981,819.40) minus the increased amount in the then registered capital of the Company to be booked as the capital reserves of the Company. Other than the above, the parties did not further specify the intended use of proceeds in the Share Subscription Agreement. The Company confirms that the proceeds of the Pre-IPO Strategic

	Investment have been allocated pursuant to the proposed divisions as set out above and they have been used to replenish the Group's working capital and for general corporate use.
Strategic meanings to the Company	1. Strengthening our strategic alliance with Daimler AG, a world-class vehicle manufacturer; 2. acquiring advanced technology and management expertise, which will help to enhance both the business performance and corporate governance of the Group; and 3. further strengthening the existing cooperation between the parties on various levels through, among other things, their leading production joint venture, Beijing Benz and the integrated sales and service joint venture, Benz Sales Service.
Shareholding of Daimler AG in the Company immediately prior to the Global Offering	12%
Relationship of Daimler AG with our Company prior to the Pre-IPO Strategic Investment	Daimler AG owned a 39.4540% equity interest in Beijing Benz, with the remaining 50% and 10.5460% held by our Company and Daimler Greater China (a wholly-owned subsidiary of Daimler AG), respectively.
Basis of determining the consideration paid by Daimler AG	The consideration was determined on the basis of an arm's length negotiation between the relevant parties.

Shareholder's Rights of Daimler AG

Pursuant to the Share Subscription Agreement, subject to applicable laws, the Listing Rules and rules promulgated by the relevant stock exchange, Daimler AG was granted a number of shareholder's rights in relation to our Company. Set forth below is a summary of the principal shareholder's rights granted to Daimler AG under the Share Subscription Agreement, all of which will be terminated upon the completion of the Global Offering, except as otherwise disclosed:

Board Representative	Our Company agrees that, so long as Daimler AG holds, directly and indirectly, no less than 8.5% of our total issued Shares, subject to relevant applicable laws, listing rules and stock exchange rules, Daimler AG shall have the right to nominate: (i) two individuals to serve as our Directors (each a "**Daimler Nominee**") upon the closing of the transactions under the Share Subscription Agreement (the "**Closing**") until immediately prior to the Listing; and (ii) one

Daimler Nominee to serve as our Director immediately upon Listing. BAIC Group shall use its best efforts to procure that Daimler AG, subject to relevant applicable laws, listing rules and stock exchange rules, will have a second Daimler Nominee serving as our Director upon and after Listing. Given that it is an arrangement between our Shareholders, the Directors are of the view that BAIC Group's obligation would be allowed to continue after Listing.

Pursuant to the above, two Daimler Nominees (Mr. Bodo Uebber and Mr. Hubertus Troska) have been appointed as our Directors and it is expected that they will continue to act as our Directors after Listing subject to the retirement and re-appointment requirements under the Articles of Association.

Information Right .... After the Closing and prior to the Listing, our Company shall provide reasonable access to Daimler AG or its representative, at Daimler AG's expense, to visit and inspect any of our Articles of Association, register of shareholders, bond register, minutes of shareholder meetings, minutes of meetings of our Board, minutes of meetings of our Supervisors and audited financial statements, and to discuss the business affairs of our Company with our officers at a time as may be reasonably requested by Daimler AG, and our Company shall provide the information set out below:

(i) within three months after the end of the first, second and third quarter of each financial year, the unaudited consolidated quarterly financial statements of our Company (i.e. balance sheet, profit and loss statement and equity statement (if applicable)) prepared in accordance with PRC GAAP in Chinese, with an English translation;

(ii) within three months after the end of each financial year, the annual unaudited consolidated financial statements of our Company prepared in accordance with PRC GAAP in Chinese, with an English translation of the balance sheet, profit and loss statement and equity statement (if applicable);

(iii) within four months after the end of each financial year, the annual audited consolidated financial statements of our Company prepared in accordance with PRC GAAP in Chinese, with an English translation of the balance sheet, profit and loss statement and equity statement (if applicable); and

(iv) any information in connection with our Company delivered by us to any of our other Shareholders.

After the Listing, our Company shall continue to provide the information listed above to Daimler AG, subject to relevant applicable laws, listing rules and stock exchange rules. Given that the Company's obligation after the Listing is subject to applicable laws, relevant listing rules and stock exchange rules, the Company would only provide Daimler AG with public information or information which is released to the public shareholders of the Company at the same time after the Listing.

Pre-emptive Right .... If, during the period commencing from the Closing and ending on the successful completion of the Listing, save for certain exceptions, our Company issues any additional securities, rights or warrants to acquire such additional securities, Daimler AG shall, subject to relevant applicable laws, have the right to subscribe for and acquire such number of additional securities to be issued by our Company so that the percentage of its Shares in the total issued Shares of our Company will be:

(i) maintained at the same level as immediately prior to such issuance; and

(ii) not lower than 10% of our total issued Shares on a fully diluted basis immediately upon the Listing.

For the avoidance of doubt, for the purposes of the pre-emptive right of Daimler AG and the restriction of issuance of additional securities or transfer shares to certain of Daimler AG's competitors, the references to the Listing included in "Pre-emptive Right" and "Restriction on Issuance of Additional Securities and Transfer Shares to Competitors" in this prospectus shall include the issuance of any Shares upon the exercise of any Over-allotment Option following the Listing, if any.

Daimler AG will have the right to subscribe for such number of additional securities at the Listing so as to maintain at the same level of interest in our Company as immediately prior to such issuance and so that its share percentage in our Company does not fall below 10% of our total issued Shares on a fully diluted basis immediately following the Listing. Subscription of any Shares by Daimler AG will be at the same price and on the same terms and conditions as those generally offered to other investors under our listing plan. Our Company shall, with the assistance of Daimler AG, be responsible for obtaining any applicable regulatory approvals pursuant to the requirements of relevant applicable laws, listing rules and stock exchange rules enabling Daimler AG to complete such subscription at the Listing. Daimler AG has determined not to exercise its pre-emptive right.

Restriction on Issuance of Additional Securities and Transfer Shares to Competitors . . . .

Provided that (a) Daimler AG, directly or indirectly, holds no less than 12%, or in the case of the Listing, 10% or any other percentage immediately upon the Listing as a result of the Listing, of our total issued Shares, and (b) there exists the consolidation of Beijing Benz by our Company:

(i) for Category One Daimler AG Competitors (four automobile groups as specifically set out and defined in the Share Subscription Agreement):

(A) following the Closing and prior to and after the Listing, our Company shall not issue any additional Shares (or any options, warrants or other rights to acquire, or securities convertible into or exchangeable for additional Shares, collectively "**Additional Securities**") to any Category One Daimler AG Competitor (except for those issued, after the Listing, through a public offering where our Company is unable to identify and choose the buyer), unless our Company has obtained the prior written consent of Daimler AG;

(B) BAIC Group shall not sell or otherwise transfer any Shares held by BAIC Group prior to and after the Listing to any Category One Daimler

AG Competitor unless otherwise agreed by the parties to the Share Subscription Agreement. For the avoidance of doubt, the above restriction does not apply to any transactions made after the Listing through the central bidding system or by any other similar means whereby BAIC Group is unable to identify and choose the buyer;

(ii) for Category Two Daimler AG Competitors (four automobile groups as specifically set out and defined in the Share Subscription Agreement):

(A) following the Closing and prior to and after the Listing, our Company shall not issue any Additional Securities to any Category Two Daimler AG Competitor (except for those issued, after the Listing, through a public offering where our Company is unable to identify and choose the buyer), if such issuance or acquisition would result in:

(a) the total Shares held by such Category Two Daimler AG Competitors through such issuance or acquisition will account for more than 3% of the total issued Shares of our Company on a fully diluted basis after completion of such issuance and/or acquisition; or

(b) any individual nominated by such Category Two Daimler AG Competitor will be elected as a Director, unless prior written consent from Daimler AG has been obtained;

(B) BAIC Group shall not sell or otherwise transfer any Shares prior to and after the Listing to any Category Two Daimler AG Competitor, if such transfer would result in:

(a) the total Shares held by such Category Two Daimler AG Competitors through such transfer will account for more than 3% of the total issued Shares of our Company on a fully diluted basis after completion of such transfer; or

(b) any individual nominated by such Category Two Daimler AG Competitor will be elected as a Director, unless prior written consent from Daimler AG has been obtained. For the avoidance of doubt, the above restriction does not apply to any transactions made after the Listing and through the central bidding system or by any other similar means whereby BAIC Group is unable to identify and choose the buyer.

Our Directors are of the view that the shareholder's right of Daimler AG regarding restriction on issuance of Additional Securities and transfer to competitors would be allowed to continue after the Listing for the following reasons.

(i) Considering the commercial benefits and values brought by the strategic alliance between Daimler AG and the Company, and the limited scope of competitors of Daimler AG as specified under the Share Subscription Agreement, our Directors are of the view that the above obligation of the Company to obtain the prior written consent of Daimler AG before issuing Additional Securities to certain of Daimler AG's competitors would not be egregious or contravene fundamental principles to the disadvantage of other Shareholders.

(ii) The restriction on BAIC Group, which was intended to protect Daimler AG's interest in the Company by prohibiting the Controlling Shareholder from disposing its Shares to certain of Daimler AG's competitors, was a purely contractual arrangement between two Shareholders.

(iii) In particular, Daimler AG has agreed with the Company to include an explicit "fiduciary out" clause when interpreting the Share Subscription Agreement to the effect that our Directors are allowed to ignore the above restrictions if compliance with which would constitute a breach of their fiduciary duties as supported by a legal opinion to be issued by a qualified legal counsel. Our Directors would therefore not be prevented from exercising their judgment in whether to issue Additional Securities to Daimler AG's certain competitors in the best interest of our Company and our Shareholders as a whole.

As Daimler AG is expected to be one of our Substantial Shareholders and a substantial shareholder of Beijing Benz after the Listing, the Shares held by it will not be considered as part of the public float according to Rule 8.08 of the Listing Rules.

In addition, as Daimler AG holds, and is expected to continue to hold more than 10% equity interest in our Company immediately after the Listing (assuming the Over-allotment Option is not exercised), and it is also a substantial shareholder at our subsidiary level, any transactions entered into or to be entered into between our Group and Daimler AG (and/or its associates as defined under the Listing Rules) will constitute connected transactions for our Company under Chapter 14A of the Listing Rules. Details of such continuing connected transactions and relevant waivers are set out in the section headed "Connected Transactions" of this prospectus.

The Joint Sponsors confirm that the Pre-IPO Strategic Investment detailed above is in compliance with applicable Hong Kong Stock Exchange guidance, namely, the interim guidance of the Stock Exchange on Pre-IPO Strategic Investments dated October 13, 2010 (and updated on January 16, 2012) and the Stock Exchange guidance letter HKEx-GL43-12.

Lock-up of Daimler AG

Pursuant to the Share Subscription Agreement, subject to applicable laws, listing rules and applicable stock exchange rules (including any mandatory lock-up period, if any), Daimler AG will not be subject to any lock-up period after the Listing. However, pursuant to Article 141 of the Company Law, for a period of one year from the Listing, Daimler AG will not be allowed to transfer any of the Shares it held prior to the Listing.

Information regarding Daimler AG

Daimler AG is a joint stock company incorporated and existing under the laws of the Federal Republic of Germany. As of the Latest Practicable Date, Daimler AG held 12% of the Shares of our Company.

Major Acquisitions and Disposals

In addition to the "Pre-IPO Strategic Investment" described above, set forth below is a table summarizing the major acquisitions and disposals conducted by the Company during the Track Record Period:

No.	Transaction	Date of Acquisition/ Disposal Agreement	Consideration	Basis of Consideration	Reasons for the Transaction	Completion Date(1)
			(RMB in millions)			
1	Acquisition of certain physical assets of the passenger vehicle branch and Zhuzhou branch of BAIC Group by the Company from BAIC Group	January 24, 2011	530.18	Asset evaluation by an independent valuator	BAIC Group performed its capital contribution obligation by incorporating the capacity of the related passenger vehicle branch and the Zhuzhou branch of BAIC Group to manufacture passenger vehicles into the Company	January 25, 2011
2	Acquisition of relevant research and development business and assets of Beijing Automotive Technology Center by the Company from Beijing Automotive Technology Center	January 24, 2011	445.53	Asset evaluation by an independent valuator	To incorporate the research and development capacity of Beijing Automotive Technology Center into the Company	January 25, 2011
3	Acquisition of a 50% equity interest in Beijing Benz by the Company from BAIC Group	November 2, 2012	5,140.40	Asset evaluation by an independent valuator	To diversify and upgrade the overall strength of the passenger vehicle business of the Company	January 4, 2013

No.	Transaction	Date of Acquisition/ Disposal Agreement	Consideration (RMB in millions)	Basis of Consideration	Reasons for the Transaction	Completion Date(1)
4	Disposal of a 51% equity interest in BAIC Limited by the Company to BAIC Group	November 6, 2012	467.99	Asset evaluation by an independent valuator	To improve the asset and business structure of the Company by disposing of a business irrelevant to our core businesses	November 20, 2012
5	Capital increase to Beijing Benz by the Company	February 1, 2013	216.00	Asset evaluation by an independent valuator	To improve the asset and business structure of the Company	November 18, 2013
6	Disposal of a 100% equity interest in New Energy by the Company to BAIC Group	October 11, 2013	268.38	Asset evaluation by an independent valuator	To improve the asset and business structure of the Company by disposing of the new energy vehicle business in its premature development stage and when uncertain of its development prospects	October 28, 2013
7	Disposal of its productive assets and intellectual property assets related to off-road vehicles by the Company to BAIC Group	October 12, 2013	94.64	Asset evaluation by an independent valuator	To improve the asset and business structure of the Company by disposing of its off-road vehicle business to a state-owned enterprise pursuant to the requirements of the PRC military confidentiality policy. See "Relationship with BAIC Group" in this prospectus	December 25, 2013(2)

No.	Transaction	Date of Acquisition/ Disposal Agreement	Consideration	Basis of Consideration	Reasons for the Transaction	Completion Date[(1)]
			(RMB in millions)			
8	Disposal of its assets related to the research and development business of off-road vehicles-related product by the Company to Beijing Automotive Technology Center	October 15, 2013	290.45	Asset evaluation by an independent valuator	To improve the asset and business structure of the Company by disposing of its off-road vehicle business to a state-owned enterprise pursuant to the requirements of the PRC military confidentiality policy. See "Relationship with BAIC Group" in this prospectus	December 20, 2013[(2)]
9	Acquisition of 100% equity interest in Guangzhou Company by the Company from BAIC Group	May 23, 2014	2,369.76	Asset evaluation by an independent valuator	To improve the asset and business structure of the Company	July 24, 2014

(1) According to the dates of changes in the registrations of industry and commerce authorities or the completion dates of asset transfers.

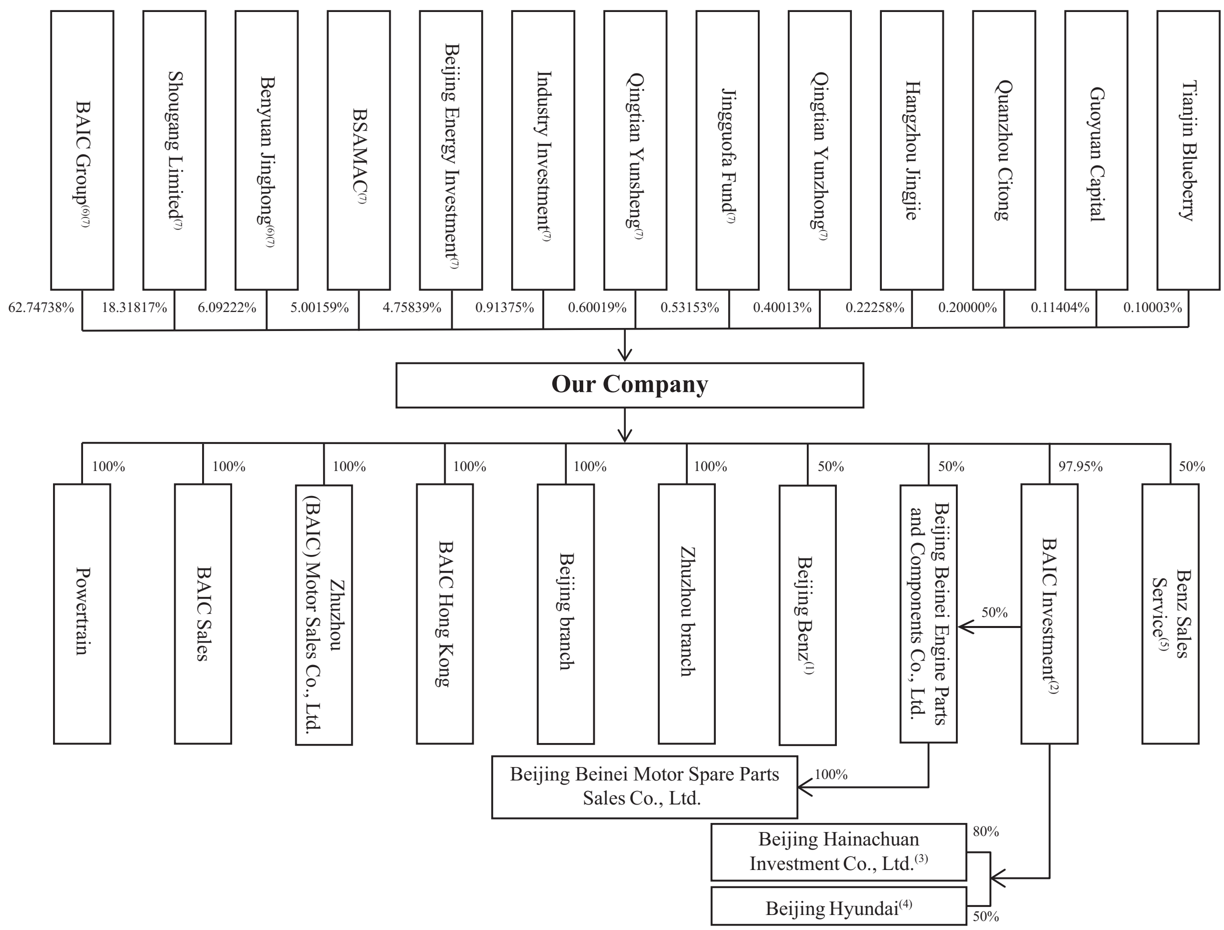
(2) The completion of such disposal is subject to the Transition Period Arrangement (as defined in "Relationship with BAIC Group").

The transferors and transferees (as the case may be) involved in the major acquisitions and disposals set out above include BAIC Group (our sole Controlling Shareholder) and Beijing Automotive Technology Center (a Connected Person of our Company). In addition, the capital increase set out above also involves Beijing Benz, which is one of our subsidiaries and also a Connected Person of our Company.

As advised by our PRC legal advisers, Jia Yuan Law Offices, all necessary consents, approvals, authorizations and permissions required to be obtained for the Reorganization steps set out above have been obtained; all the Reorganization steps have been duly completed pursuant to the applicable PRC laws, regulations and rules; and the corresponding industry and commerce formalities have been modified for other matters in connection with the Reorganization that are subject to the registration for changes with the industry and commerce authorities.

CORPORATE STRUCTURE

The following chart sets forth our simplified corporate structure immediately prior to the completion of the Pre-IPO Strategic Investment:



(1) The remaining 50% equity interest was held by Daimler AG (as of the Latest Practicable Date, it owned 38.665% equity interest in Beijing Benz, our Company's subsidiary, and it constituted a Connected Person of our Company) with 39.4540% and Daimler Greater China (as of the Latest Practicable Date, it owned 10.335% equity interest in Beijing Benz, our Company's subsidiary, and it constituted a Connected Person of our Company) with 10.5460%.

(2) The remaining 2.05% equity interest was held by BAIC Group, which is the Controlling Shareholder of our Company.

(3) The remaining 20% equity interest was held by Industry Investment, which is a Shareholder of our Company.

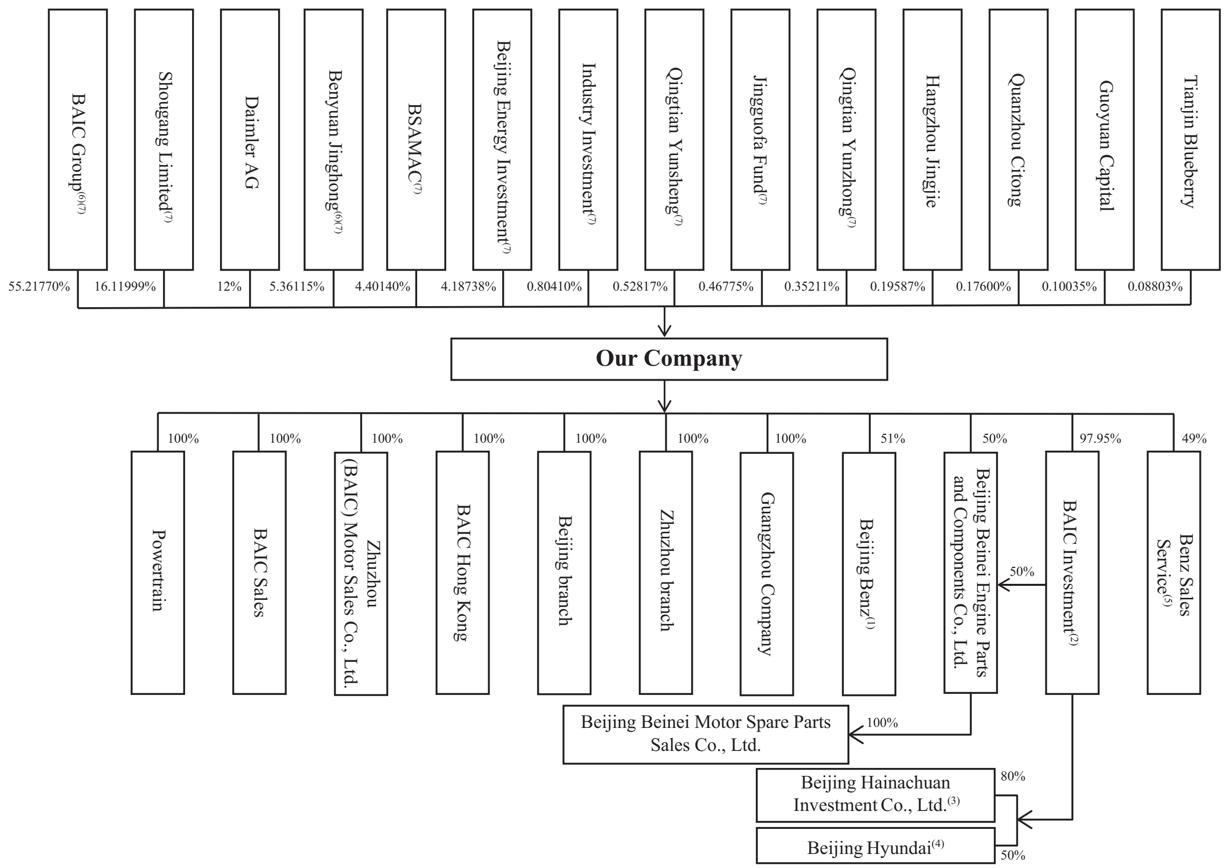
(4) The remaining 50% equity interest was held by Hyundai Motor, which is not a Connected Person of our Company.

(5) The remaining 50% equity interest was held by Daimler Greater China (as of the Latest Practicable Date, it was wholly owned by Daimler AG and it owned 10.335% equity interest in Beijing Benz, our Company's subsidiary and therefore constitutes a Connected Person of our Company).

(6) To the best knowledge of the Company, BAIC Group was, as of the Latest Practicable Date, indirectly interested in 40% of the company that indirectly invested in Benyuan Jinghong.

(7) Other than (i) that each of BAIC Group, Shougang Limited, BSAMAC, Beijing Energy Investment, Industry Investment and Jingguofa Fund was, as of the Latest Practicable Date, ultimately controlled by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality, (ii) that Qingtian Yunsheng and Qingtian Yunzhong were, as of the Latest Practicable Date, majority-held by Shen Jing (沈靜) and Wu Jingmin (吳靜敏), and (iii) the interest of BAIC Group in Benyuan Jinghong as set out above, to the best knowledge of the Company, we are not aware of any other relationship among our existing Shareholders as of the Latest Practicable Date.

The following chart sets forth our simplified corporate structure following the completion of the Reorganization and immediately prior to the Global Offering:



(1) The remaining 49% equity interest is held by Daimler AG (a Connected Person of our Company) as to 38.665% and Daimler Greater China (a Connected Person of our Company) as to 10.335%.

(2) The remaining 2.05% equity interest is held by BAIC Group, which is the Controlling Shareholder of our Company.

(3) The remaining 20% equity interest is held by Industry Investment, which is a Shareholder of our Company.

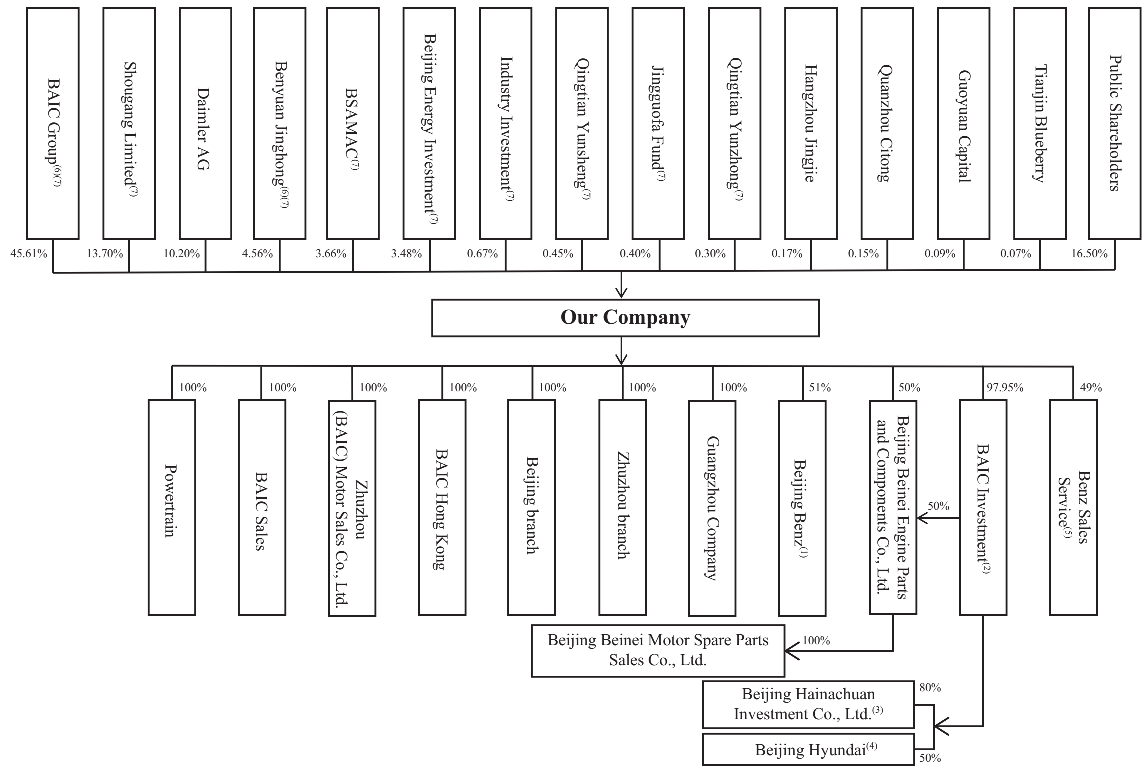
(4) The remaining 50% equity interest is held by Hyundai Motor, which is not a Connected Person of our Company.

(5) The remaining 51% equity interest is held by Daimler Greater China (as of the Latest Practicable Date, it was wholly owned by Daimler AG and it owned 10.335% equity interest in Beijing Benz, our Company's subsidiary, and it constituted a Connected Person of our Company).

(6) To the best knowledge of the Company, BAIC Group was, as of the Latest Practicable Date, indirectly interested in 40% of the company that indirectly invested in Benyuan Jinghong.

(7) Other than (i) that each of BAIC Group, Shougang Limited, BSAMAC, Beijing Energy Investment, Industry Investment and Jingguofa Fund was, as of the Latest Practicable Date, ultimately controlled by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality, (ii) that Qingtian Yunsheng and Qingtian Yunzhong were, as of the Latest Practicable Date, majority-held by Shen Jing (沈靜) and Wu Jingmin (吳靜敏), and (iii) the interest of BAIC Group in Benyuan Jinghong as set out above, to the best knowledge of the Company, we are not aware of any other relationship among our existing Shareholders as of the Latest Practicable Date.

The following chart sets forth our simplified corporate structure immediately following the Global Offering assuming the Over-allotment Option is not exercised:



(1) The remaining 49% equity interest is held by Daimler AG (a Connected Person of our Company) as to 38.665% and Daimler Greater China (a Connected Person of our Company) as to 10.335%.

(2) The remaining 2.05% equity interest is held by BAIC Group, which is the Controlling Shareholder of our Company.

(3) The remaining 20% equity interest is held by Industry Investment, which is a Shareholder of our Company.

(4) The remaining 50% equity interest is held by Hyundai Motor, which is not a Connected Person of our Company.

(5) The remaining 51% equity interest is held by Daimler Greater China (as of the Latest Practicable Date, it was wholly owned by Daimler AG and it owned 10.335% equity interest in Beijing Benz, our Company's subsidiary, and it constituted a Connected Person of our Company).

(6) To the best knowledge of the Company, BAIC Group was, as of the Latest Practicable Date, indirectly interested in 40% of the company that indirectly invested in Benyuan Jinghong.

(7) Other than (i) that each of BAIC Group, Shougang Limited, BSAMAC, Beijing Energy Investment, Industry Investment and Jingguofa Fund was, as of the Latest Practicable Date, ultimately controlled by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality, (ii) that Qingtian Yunsheng and Qingtian Yunzhong were, as of the Latest Practicable Date, majority-held by Shen Jing (沈靜) and Wu Jingmin (吳靜敏), and (iii) the interest of BAIC Group in Benyuan Jinghong as set out above, to the best knowledge of the Company, we are not aware of any other relationship among our existing Shareholders as of the Latest Practicable Date.

OVERVIEW

We are a leading manufacturer of passenger vehicles in China. According to ACMR, we are expected to be the second-largest passenger vehicle manufacturer listed on the Hong Kong Stock Exchange upon the Listing, based on the aggregate sales volume of Beijing Motor, Beijing Benz and Beijing Hyundai in 2013. We are engaged in the design, research and development, manufacture and sale of an extensive and diversified portfolio of passenger vehicle models, and the provision of related services in China.

We believe that we are a passenger vehicle manufacturer in China that is well positioned to meet market demand and that possesses high growth potential. Our business covers (i) Beijing Motor's proprietary brand (the "Beijing" brand), which has a leading technology platform and has experienced fast sales growth, (ii) the premier passenger vehicle brand of Mercedes-Benz which has a long history, and (iii) Beijing Hyundai's mid- to high-end brand with stable sales growth. We offer a diversified and highly complementary brand portfolio of passenger vehicles covering different market segments including joint-venture premium, joint-venture mid- to high-end, proprietary mid- to high-end and proprietary economy passenger vehicles. We offer a variety of passenger vehicle models, including mid- to large-size sedan, mid-size sedan, compact sedan, small-size sedan, SUV, MPV and CUV products to satisfy customer demands for different types of vehicles.

Beijing Motor's proprietary brand passenger vehicle business is carried out under three product series, including the mid- to high-end Senova series, economy BJ series and Wevan series. In 2011, 2012, 2013 and the six months ended June 30, 2014, the sales volume of Beijing Motor's proprietary brand was 24,415 units, 77,561 units, 202,280 units and 153,730 units, respectively.

We acquired 50.0% of Beijing Benz's equity interest from the BAIC Group on January 4, 2013, and increased our shareholding to 51.0% on November 18, 2013. As a result, Beijing Benz became our subsidiary and has been consolidated in our financial statements since November 18, 2013. According to ACMR, in terms of sales volume in 2013, Beijing Benz accounted for 15.3% of the joint-venture premium passenger vehicle market in China, and was the third-largest automobile manufacturer in the PRC market for premium joint-venture passenger vehicles. In 2011, 2012, 2013 and the six months ended June 30, 2014, the sales volume of Beijing Benz was 93,377 units, 103,445 units and 116,006 units and 64,494 units, respectively. Mercedes-Benz is a brand licensed to Beijing Benz by its owner, Daimler AG.

Beijing Hyundai is a joint venture between us and Hyundai Motor. Each of BAIC Investment, one of our subsidiaries, and Hyundai Motor holds 50.0% of the equity interest in Beijing Hyundai. According to ACMR, in terms of single-brand sales volume, Beijing Hyundai was the second-largest joint venture passenger vehicle brand in the PRC in 2013, accounting for 10.6% of the joint venture mid- to high-end passenger vehicle market. In 2013, the sales volume of Beijing Hyundai exceeded one million units, and as of October 2014, Beijing Hyundai reached a cumulative sales volume of over six million units since its inception in 2002. In 2011, 2012, 2013 and the six months ended June 30, 2014, the sales volume of Beijing Hyundai was 739,800 units, 859,595 units, 1,030,808 units and 552,970 units, respectively. For details of Beijing Hyundai and its products, see "—Beijing Hyundai." Hyundai is a brand licensed to Beijing Hyundai by its owner, Hyundai Motor.

Sales and marketing activities are primarily carried out separately through dealers of Beijing Motor, Beijing Benz and Beijing Hyundai, each of which has established an extensive distribution network in China.

In addition, we manufacture engines and other key automobile parts and components, which are used for manufacturing our passenger vehicles, as well as for sales to other automobile manufacturers.

COMPETITIVE STRENGTHS

We believe that we are well positioned to benefit from the continuing growth of the PRC passenger vehicle market. Our strong position in the PRC passenger vehicle market is primarily attributable to our following competitive strengths:

We are a leading manufacturer of passenger vehicles in China, with a portfolio of complementary brands and products, and strong positioning in fast-growing segments of the market

We are a leading manufacturer of passenger vehicles in China. Upon the Listing, we expect to be the second-largest passenger vehicle manufacturer among those listed on the Hong Kong Stock Exchange, according to ACMR, in terms of the aggregate sales volume of Beijing Motor, Beijing Benz and Beijing Hyundai in 2013.

In 2011, 2012, 2013 and the six months ended June 30, 2014, the aggregate sales volume of Beijing Motor, Beijing Benz and Beijing Hyundai passenger vehicles was 857,592 units, 1,040,601 units, 1,349,094 units and 771,194 units, respectively, representing a CAGR of 25.4% between 2011 and 2013, which is higher than the growth rate of 15.7% for the PRC passenger vehicle industry during the same period.

We offer a complementary brand portfolio of passenger vehicles covering the market segments of joint-venture premium, joint-venture mid- to high-end, proprietary mid- to high-end and proprietary economy passenger vehicles. Our brands include:

- ***Beijing***, a proprietary brand with leading technologies, comprising:
  - Senova, a leading mid- to high-end proprietary product series in China. Except for the D20 sedan, Senova models are developed using wholly-owned Saab-derived technology and focus on the fast-growing market of proprietary mid- to high-end passenger vehicles;
  - BJ, focusing on the market segment of economy passenger vehicles; and
  - Wevan, focusing on CUV and MPV products.
- ***Mercedes-Benz***, a leading premium brand with a long global history, which, according to ACMR, was one of the fastest growing joint-venture premium passenger vehicle brands in China in terms of sales volume in the first half of 2014; and
- ***Hyundai***, a leading global mid- to high-end brand, which, according to ACMR, was the second-largest joint-venture passenger vehicle brand in China in terms of single-brand sales volume in 2013.

As a result, we have a highly complementary portfolio of brands and products. Upon Listing, we expect to be the only automobile manufacturer listed on the Hong Kong Stock Exchange covering joint-venture premium, joint-venture mid- to high-end, proprietary mid- to high-end and proprietary economy brands.

We offer a comprehensive portfolio of passenger vehicles, including mid- to large-size sedan, mid-size sedan, compact sedan, small-size sedan, SUV, MPV and CUV products. See "—Products."

As a result, we believe we offer opportunities to market growth in all key segments.

In particular, we offer strong exposure to outperformance in two key segment markets: premium passenger vehicles and SUVs. The SUV models offered by Beijing Benz and Beijing Hyundai, namely GLK, New Santa Fe, New Tucson, New ix35 and ix25, have received high market recognition, laying a solid foundation for our continued development in the SUV market in China. In addition, Beijing Hyundai was the largest joint-venture brand SUV manufacturer in 2013 in China in terms of sales volume. We plan to launch five new or upgraded SUV models in 2015, including two premium brand SUV models, as well as one premium brand sedan. We believe our comprehensive product portfolio has allowed us, and will continue to allow us, to capture opportunities in China's fast-growing passenger vehicle market.

Our Beijing brand has a long history, advanced technology and precise market positioning, and we intend to introduce a large number of new and competitive vehicle models under our Beijing brand

The history of our proprietary brand can be traced back to 1958. We have revived the Beijing brand in recent years. In 2013, our Beijing brand was recognized as a "Well-known Trademark" by the PRC government. Our proprietary product series are equipped with world-leading production facilities and advanced technologies, which enable us to achieve high efficiency and product quality, and to reduce per unit costs as our production grows.

Leveraging our in-depth knowledge of the PRC market, we believe that we have achieved precise market positioning for our models and our proprietary brand business has grown rapidly as a consequence. We launched Senova D70 sedan in May 2013 and sold over 10,000 units that year, ranking first among mid- to high-end mid-size sedans of proprietary brands in terms of sales volume, according to ACMR. We launched BJ E-Series sedan in March 2012 (rebranded as Senova D20 in November 2014), and sold over 20,000 units that year. In 2013, the sales volume of the E-Series increased significantly to more than 60,000 units, making it one of the two best selling small-size proprietary brand models in China. We launched Wevan 306 in March 2011 and Wevan 307 in October 2013, and the sales volume of the Wevan product series (including passenger vehicles produced by Yinxiang Motor on our behalf) increased significantly from approximately 10,016 units in 2011 to 130,274 units in 2013, representing a CAGR of 260.7%.

Our near-term expansion focuses on our Senova product series, mainly based on our Saab-derived technologies. The BAIC Group acquired Saab technology, including the architecture for three Saab models, two turbo engines and two transmissions, as well as related core technologies and intellectual property rights in 2009. The purchase cost of Saab technology was approximately US$207.0 million. Our further innovation of these technologies has helped us to establish a technology platform with proprietary intellectual property rights. This platform includes four key pillars, namely vehicle development, production, supply chain management and quality management. All passenger vehicles of Senova (except Senova D20) are developed on this platform. The Senova platform provides us with great flexibility in the production of various models of passenger vehicles, enabling the potential for a passenger vehicle portfolio ranging from compact to mid- to large-size vehicles (up to five meters in length), including SUVs. We currently manufacture and sell the Senova D70 and D50 sedans based on this platform, and we plan to launch more models on the same platform in the future. As a result of this single platform strategy, by increasing the number of units produced on this platform we expect to be able to effectively reduce our procurement and production costs.

In addition, as part of our strategic partnership with Daimler AG, we have obtained permanent royalty-free licenses to use the Mercedes-Benz E-Class LWB V212 platform and related technologies from Daimler AG, which provides a solid foundation for the development of mid- to large-size premium sedans of Beijing Motor. We are currently at the early stage of developing a high-end sedan model based on the V212 platform. The new model is designed to be over five meters in vehicle length and have a wheelbase that is over three meters in length. The acquisition of the V212 platform and related technologies provides us with a significant advantage over our competitors and furthers the breadth and depth of the strategic partnership with Daimler AG, which in turn will help us succeed in the coveted high-end sedan segment market in China.

We have been continuously investing in research and development. As of the Latest Practicable Date, Beijing Motor and Beijing Benz had over 2,000 research and development personnel. As of June 30, 2014, we had 1,114 patents in the PRC, and had submitted 995 patent applications. With respect to the research and development of engines, we established the BAIC Powertrain Research and Development Center, which is capable of developing 1.3L and 1.5L naturally aspirated engine series, 1.8L, 2.0L and 2.3L turbo engine series, and F25 and F35 series of manual transmission, with experimental capacities meeting the needs of powertrain product research and development and future regulatory standards.

Our management and expert teams include individuals with international background and extensive experience. Most of the management members of our proprietary brand business have experience with leading domestic and foreign automobile manufacturers. Their experience, combined with our research and development capabilities, translates into our strength in technology development and product innovation, allowing for the rapid development of our proprietary brand business.

Beijing Benz, with the historic Mercedes-Benz premium brand, is primed for growth from new model launches, increased localization and an integrated sales platform

Through our 51% equity interest in Beijing Benz, we are the only manufacturer of Mercedes-Benz sedans and SUVs in China. The acquisition of Beijing Benz and its consequent consolidation into our Group in November 2013 had a positive impact on our results of operations and financial condition. With a brand value of US$23.8 billion in November 2014, Mercedes-Benz ranked 17th among Forbes World's Most Valuable Brands. Mercedes-Benz is a global top-three premium passenger vehicle brand in terms of sales volume in 2013. The passenger vehicles of Mercedes-Benz had the largest market share in the premium passenger vehicle market in Germany, the United States and Japan, and ranked third among all premium passenger vehicle brands in China, in terms of sales volume in 2013.

Daimler AG aims to reclaim its position as the global top-one premium passenger vehicle brand (in terms of sales volume) by 2020. Because China is the world's largest market in terms of passenger vehicles unit sales and is expected to continue to grow, Daimler's commitment to and strategies in China are pivotal to achieving its goal. As a result, we and Daimler AG have announced the intention to further develop our long-term strategic partnership.

We have a long history of cooperation with Daimler AG. Beijing Benz, with a registered capital of US$1.22 billion, is a joint venture between us and Daimler AG with a term of 50 years, from 1983 to 2033. There is no automatic renewal of the joint venture agreement. The renewal of the joint venture agreement is subject to mutual agreement, and the joint venture partners may apply to relevant regulatory authorities for renewal of the joint venture agreement no later than six months prior to the expiration of the joint venture term. Under the joint venture agreement, Beijing Benz's operations are geographically limited to the PRC (excluding Hong Kong, Macau and Taiwan), and our PRC legal advisers have advised us that there are no other limits (such as the licensing of intellectual property rights) that are not customary to joint venture agreements of a similar nature. According to ACMR, in terms of sales volume in 2013, Beijing Benz was the third largest manufacturer of premium joint-venture passenger vehicles in the PRC. Benefiting from its historical roots, the strategic relationship between our Group and Daimler AG has been deepening in recent years.

As part of the overall strategic cooperation between Daimler AG and us, Daimler AG became our shareholder with a 12% equity interest following the completion of the Pre-IPO Strategic Investment (in the amount of approximately RMB5.1 billion), and appointed two of our Directors. Daimler AG is committed to deepening the strategic cooperation with us through a number of initiatives, including, without limitation, the launch of new car models to support Beijing Benz's business expansion, the establishment of Benz Sales Service as an integrated sales organization for the sales and distribution of both locally produced and imported Mercedes-Benz passenger vehicles in China, the establishment of a new research and development center to focus on vehicle testing and adaptation as well as research and development activities with suppliers, and the establishment of the first Mercedes-Benz engine plant outside of Germany in order to support further localization of vehicles produced by Beijing Benz. These initiatives help ensure the sustainability of our business relationship with Daimler AG.

We believe that Beijing Benz will improve its profitability rapidly through the following measures:

- ***Mercedes-Benz is entering a renewal phase in its model launch cycle both globally and in China***

Mercedes-Benz is introducing approximately 20 new or facelifted models throughout 2015 as part of a global product launch plan. These new models will promote its brand image and increase its appeal to the younger generation. For example, certain new models introduced by Mercedes-Benz, such as E-Class sedan and new C-Class sedan, have two editions, namely sport and elegance, presenting more choices to its customers. We expect that this will significantly increase the appeal of the brand image and models of Mercedes-Benz, which we believe will in turn boost sales.

- ***Beijing Benz will greatly benefit from the launch of new models and increased localization of production***

Beijing Benz plans to launch three new models by 2015, including the new C-Class (regular-wheelbase version), the GLA and the facelift of GLK. According to ACMR, the SUV was the fastest growing premium joint-venture passenger vehicle segment in China from 2003 to 2013. The LWB version of the new C-Class sedan, launched in August 2014, is the first LWB model of a mid-size vehicle to be launched by Beijing Benz in China. The LWB segment of the premium sedan market is a critical segment in China. Production of premium LWB sedans represented 87% of total premium sedan production in China in 2012, according to ACMR. We expect that this launch will improve our competitiveness in the premium mid-size passenger vehicle market.

In addition, Beijing Benz aims to increase its local procurement in China, which we expect will further reduce its production costs.

- ***New manufacturing plants will expand the production capacity and promote the localization of more Mercedes-Benz models***

Beijing Benz will continue to expand its production capacity. See "—Manufacturing Facilities and Process—Manufacturing Facilities and Production Capacity—Expansion plan." Our new production line will be able to produce models based on the new flexible and lightweight MRA platform (such as the new C-Class and GLK) and the MFA platform (such as the GLA and other compact models). The platform reorganization strategy of Mercedes-Benz will allow Beijing Benz to offer a large proportion of future models based on the MRA and MFA platforms. Daimler AG plans to increase the percentage of passenger vehicles sold in China that are produced by Beijing Benz from approximately 30% in 2010 to approximately 67% in 2015, which will further increase the sales of Beijing Benz. We expect this will enable us to further localize the production of more models, minimize production costs and enhance profitability.

- ***Beijing Benz has reorganized and expanded its sales network and distribution platform***

In December 2012, we established Benz Sales Service, a joint venture with Daimler Greater China, a wholly-owned subsidiary of Daimler AG, to integrate the Mercedes-Benz sales networks in China and create a more cohesive and responsive platform. Benz Sales Service is responsible for all domestic sales and distribution of imported and domestically produced Mercedes-Benz passenger vehicles. We believe this new integrated structure allows us to better coordinate the sales and marketing strategy for new models of Mercedes-Benz. In addition, Beijing Benz has also actively expanded its sales network, with the number of dealership outlets having increased from 212 as of December 31, 2011 to 380 as of June 30, 2014. We expect that the optimization of the distribution platform and sales network will promote the sales volume of passenger vehicles offered by Beijing Benz.

- ***Beijing Benz has extended its presence in the industry value chain and is increasing its cost competitiveness***

Beijing Benz's full engine production line commenced production in November 2013 with an initial designed annual production capacity of 300,000 units. This is Daimler AG's first engine production plant outside of Germany, enabling us to expand our presence in the production value chain. Through local production, we believe that we can avoid high import costs of engines and engine components, reduce our production costs and improve our profitability.

- ***Beijing Benz has built up strong research and development capabilities***

Beijing Benz's research and development center is the largest under Daimler AG's overseas joint ventures, mainly comprised of a trial production unit, a laboratory, and test roads, and equipped with advanced laboratory facilities imported from Germany. Upon completion, this research and development center will be responsible for the trial production and test of the new models to be launched by Beijing Benz, and will be able to provide test and verification services for various parts and components, as well as passenger vehicles, which we expect will significantly enhance the competitiveness of Beijing Benz.

Beijing Hyundai is a rapidly growing mid- to high-end passenger vehicle business with a competitive product portfolio, and has grown rapidly from a new entrant to a market leader in China

Hyundai was the second-largest joint venture passenger vehicle brand in China in terms of single-brand sales volume in 2013. From 2008 to 2013, Beijing Hyundai's sales volume grew at a CAGR of 28.4%, outperforming its rivals, as well as Hyundai Motor's global growth rate of 11.2%. In 2013, the annual sales volume of Beijing Hyundai exceeded one million units, and in October 2014, the cumulative sales volume of Beijing Hyundai exceeded six million units since its establishment in 2002.

Beijing Hyundai is underpinned by our partnership with Hyundai Motor, which has exhibited significant global momentum in recent years. In terms of sales volume, Hyundai Motor grew at a CAGR of 11.2% from 2008 to 2013, representing the highest growth rate among the top five automobile manufacturers in the world. In addition, Hyundai Motor grew from the world's seventh largest automobile manufacturer in 2002 to the fifth in 2013. Hyundai Motor ranked 71st among Forbes World's Most Valuable Brands, with a brand value of US$7.8 billion in November 2014.

Beijing Hyundai continues to introduce new models to meet market demand and to further improve its product mix and overall pricing position. In recent years, Beijing Hyundai has successfully increased its sales percentage of mid-size sedans and SUVs from 15.0% in 2009 to 40.7% in 2013 and, in turn, improved its profitability. In 2013, mid-size sedans and SUVs accounted for 13.1% and 27.6% of the total sales volume of Beijing Hyundai. We are continuing to seek to optimize this mix and believe the recent launch of the Mistra in 2013 and ix25 in October 2014 will support further product mix improvement.

Beijing Hyundai follows Hyundai Motor's global passenger vehicle platform strategy by meeting customer demand through product variation based on a relatively small number of passenger vehicle model platforms. Beijing Hyundai also has high single-model sales volume. According to ACMR, the average single-model sales volume of Beijing Hyundai in 2013 was approximately 104,000 units, which surpassed most of its rivals in China.

Beijing Hyundai also benefits from the fact that it is the only Hyundai-branded passenger vehicle production joint venture in China, which enables it to benefit from significantly larger production scale than most other joint ventures that often share a brand's products with another automobile manufacturer in China. Beijing Hyundai has also successfully implemented its localization strategy in China. In 2013, more than 90% of Beijing Hyundai's parts and components were produced or sourced in China.

Beijing Hyundai has been expanding its production capacity in recent years, although the utilization rate of its production facilities remains high. To support future growth, Beijing Hyundai plans to build its No. 4 passenger vehicle factory in China.

Beijing Hyundai has also won a number of awards for its rigorous quality control system. Beijing Hyundai was ranked sixth in the "2014 China Initial Quality Study[sm] (IQS)" by J.D. Power Asia-Pacific. A number of Beijing Hyundai models enjoy high rankings in their respective market segments. For instance, Elantra Langdong ranked first and Verna ranked third in their respective market segments by J.D. Power Asia-Pacific in 2014.

Beijing Hyundai is also focused on the expansion of its dealership network. The number of its dealership outlets increased from approximately 720 by the end of 2011 to approximately 860 by the end of 2013.

We have a diversified and international shareholding structure and sound corporate governance

We have a diversified shareholding structure. BAIC Group is our Controlling Shareholder. According to ACMR, BAIC Group was the fifth-largest passenger vehicle manufacturer in China in terms of sales volume in 2013, and was ranked 248th among the "Fortune Global 500" companies in 2014. We are positioned within the BAIC Group as its key business development platform for passenger vehicles, consolidating BAIC Group's passenger vehicle assets and resources. BAIC Group and other state-owned shareholders hold 80.72% of our Shares immediately prior to the Listing.

Since February 2013, Daimler AG has been our third-largest shareholder, holding 12.0% of our Shares prior to the Listing. Daimler AG ranked 20th among the "Fortune Global 500" companies in 2014. We believe that a diversified and international shareholding structure will enhance our management structure and corporate governance, which in turn will enhance our brand value and recognition internationally and provide strong support for our long-term growth.

We have established a sound and market-oriented corporate governance structure. We set up our shareholders' meeting, Board of Directors and Board of Supervisors upon our establishment, and we have carried out our corporate governance in strict compliance with our Articles of Association. We currently have 14 non-executive Directors, including two appointed by Daimler AG. In addition, we have retained five independent non-executive Directors, which we believe will help us strengthen the supervision over our operations. We have also established the Audit Committee, Remuneration Committee, Nomination Committee and Strategy Committee in line with the modern corporate governance practice. We believe these measures will facilitate our evaluation, control and prevention of operational risks, enhance the transparency of our decision making, and provide support for our long-term growth.

We have an international management team with an excellent track record, supported by a professional workforce

Our outstanding management team is critical to our long-term business growth. Mr. Xu Heyi, Chairman of the Board, has over 30 years of industry and management experience in the automobile and related industries. Mr. Xu has won numerous awards, including the "National Model Worker" (全國勞動模範), "The Most Influential People of the 50th Anniversary of the Chinese Auto Industry" (中國汽車工業50周年最具影響力人物), "Top Ten People in the News of China's Economy" (中國經濟十大新聞人物), "2010 CCTV Person of the Year in the Chinese Economy" (2010 CCTV中國經濟年度人物) and "Person of the Year of the PRC Automobile Industry 2013-2014" (2013年-2014年中國汽車年度人物) and was granted special government allowances by the State Council of the PRC. The rich experience of Mr. Xu is crucial to the development of our Group. Mr. Li Feng, president of our Company, has 30 years of industry and management experience in the automobile and related industries. Mr. Li has received a number of awards, including the "National May First Labor Medal" (全國五一勞動獎章), and has been named a "Person of the Year in China Automobile Industry" (中國汽車年度風雲人物) twice by institutions including the research center of SASAC in 2010 and 2012. For more details, see "Directors, Supervisors, Senior Management and Employees."

In addition, our senior management members have, on average, over 20 years of industry experience and have rich experience in corporate management in many leading international and domestic automobile companies, which we believe enables us to position for future passenger vehicle trends, and technology and industry developments, and to formulate effective and visionary development strategies. Our Directors and senior management members are dedicated to creating value for us with their in-depth understanding of market dynamics, internal training and customer demands. We believe the knowledge of our management team is essential to our success and enables us to seize market opportunities, formulate effective business strategies, evaluate and control risks, implement management and production plans, and enhance our profitability.

Our professional employees with extensive experience provided strong support to our management and development. Because we believe our employees are essential to our business success, we focus on the selection, hiring and training of talented individuals. Based on our experience, we have formulated comprehensive training courses with standardized procedures in order to continuously improve the skills of our employees. We believe that the continuous improvement of our staff provides a solid basis for the sustainable development of our business.

BUSINESS STRATEGIES

Our goal is to further strengthen our leading position in China's passenger vehicle market. We believe that our future plans can be achieved through the following major business development strategies:

Further expand our product portfolio and offer new vehicle models

We will continue to expand our product portfolio to meet China's changing market demands for high-quality passenger vehicles. We plan to further expand our passenger vehicles product portfolio by developing and launching new proprietary brand vehicles. In addition, we will further cooperate with our joint-venture partners and introduce other popular models to China. We will continue to focus on the development of new passenger vehicles in order to further expand our product portfolio. For details on the new models in our pipeline, see "—Products."

We intend to increase our market share in China's growing SUV market segment by introducing new products and upgrading existing products. According to ACMR, in terms of sales volume, China's SUV market grew more rapidly than the overall passenger vehicle market from 2003 to 2013. We expect to launch five new or upgraded SUV models in 2015. For details, see "—Products". We believe that our passenger vehicles are technologically advanced, and enjoy a competitive advantage compared with those from domestic competitors.

To continuously diversify our product portfolio and respond to market demand, our proprietary brand, Beijing Benz and Beijing Hyundai all plan to increase their production capacity of passenger vehicles. For details, see "—Manufacturing Facilities and Process—Manufacturing Facilities and Production Capacity—Expansion plan." To optimize our production cost, we will continue to increase our in-house production of engines by increasing the production capacity of our engine manufacturing facilities. We may also increase our production capacity through acquisition, although we had not identified any particular acquisition target as of the Latest Practicable Date.

Continue to improve the cost structure of our Beijing brand passenger vehicle business and improve its profitability

Our product strategy is focused on maximizing the use of our Saab-derived technology platform. We plan to launch five new Senova models based on this platform in 2015. These new models will be aimed at different market segments, which will allow us to capitalize on our previous investment in the platform.

We seek to leverage the common components on models launched from this platform to reduce component costs. In addition, we will seek to employ other strategies, including using modular components and leveraging our scale as we ramp up production, to further reduce procurement costs.

We also plan to expand the production capacity of our engine plant. We expect that this expansion will improve our cost structure, and enable us to equip more models with our proprietary engines. In addition, we plan to reduce production costs by improving our operational efficiency, utilizing a modular parts system and optimizing the design of parts.

Further strengthen our research and development and innovation capabilities, enhance our competitiveness and achieve sustainable development

We plan to produce a series of Beijing brand passenger vehicles. We will continue to invest significant resources in the development of our research and development capabilities and attract experienced engineers and researchers. We will continue to cooperate with domestic and international research institutions with the aim of enhancing our research and development capabilities, in particular the capacity to develop our proprietary brand models, improve our existing technology, and successfully industrialize our proprietary technology.

In the meantime, we will continue to attract and hire professional talent from different backgrounds, in particular, those with work experience at leading domestic and foreign automobile manufacturers, and researchers with work experience in countries with a developed automobile industry.

Further explore business models in automobile sales and expand our sales network

In order to promote the long-term development of our automotive business, we plan to explore business opportunities in automobile sales and related service areas. For example, we will continue to improve the customer experience and service by hosting the "Saab Land Fly Show," inviting potential customers to participate in test drives and other activities.

We intend to further expand our sales network in the PRC to increase our sales volume and market share. We also intend to explore opportunities in overseas markets, in particular in emerging markets, which will broaden our revenue sources and promote our brand image.

OUR BRAND PORTFOLIO

We offer a complementary brand portfolio and product portfolio. We are principally engaged in the manufacture, marketing and distribution of passenger vehicles under Beijing Motor's proprietary brand, which consists of three product series, namely Senova (紳寶), BJ (北京) and Wevan (威旺). We also manufacture and distribute Mercedes-Benz-branded passenger vehicles through Beijing Benz. For the history of Beijing Benz, see "History, Reorganization and Corporate Structure."

The following table sets forth certain details of the existing brand portfolios of Beijing Motor and Beijing Benz:

	Launch year	Marketing position	Major products
Beijing Motor			
Senova (紳寶)	2013	Mid- to high-end passenger vehicle	Compact, small-size and mid-size sedan
BJ (北京)	2012	Economy passenger vehicle	Small-size sedan and off-road vehicles
Wevan (威旺)	2011	Economy passenger vehicle	CUV and MPV
Beijing Benz			
Mercedes-Benz	2006	Premium passenger vehicle	Mid- to large-size sedan, mid-size sedan and SUV

Beijing Hyundai is a joint venture between us and Hyundai Motor. For details on Hyundai-branded passenger vehicles, see "—Beijing Hyundai" in this prospectus.

Beijing Motor

Beijing Motor's proprietary brand (the "Beijing" brand) business currently manufactures passenger vehicles under three product series, namely Senova (紳寶), BJ (北京) and Wevan (威旺).

Senova

We commenced the sales of Senova passenger vehicles in May 2013. Senova passenger vehicles (except for Senova D20) are based on the Saab technologies acquired in 2009, which we have further developed. Senova is a mid- to high-end proprietary passenger vehicle product series, and targets customers who value both vehicle performance and cost-efficiency. At present, we manufacture and sell the D70, D50 and D20 sedans under the Senova product series, and we plan to launch the D60, D80 and Senova CC sedans and the X65, X55 and C33 SUVs under the Senova product series in 2015. In 2013 and the six months ended June 30, 2014, we sold 10,032 units and 10,274 units of Senova passenger vehicles.

BJ

We commenced the sales of BJ passenger vehicles in 2012. Our BJ product series focuses on economy passenger vehicles. During the Track Record Period, we manufactured and sold E-Series sedans and BJ40 off-road vehicles under the BJ product series. As part of an initiative to rebrand our proprietary brand passenger vehicles, we discontinued the E-Series product line and rebranded the E-Series facelift as the Senova D20 in November 2014. We currently manufacture and sell BJ40 off-road vehicles as part of the Transition Period Arrangement. See "Relationship with BAIC Group—III. Delineation of the Businesses between the Excluded Companies and Our Company—3. Off-road Vehicle Branch—Operational Independence." In 2012, 2013 and the six months ended June 30, 2014, we sold 20,008 units, 60,297 units and 49,526 units, respectively, of BJ passenger vehicles.

Wevan

We commenced the sale of Wevan passenger vehicles in 2011. Our Wevan product series focuses on CUV and MPV products, and targets small and micro businesses and individuals in China.

We currently manufacture and sell the CUV models Wevan 306 and Wevan 307. We sold the MPV model Wevan M20, which was manufactured by Yinxiang Motor on our behalf during the Track Record Period. We started to manufacture Wevan M20 in our Zhuzhou Branch in the third quarter of 2014. We also sell CUV models Wevan 205 and Wevan 206, each of which is manufactured by Yinxiang Motor on our behalf. We plan to launch facelifts of Wevan 306 and Wevan 307 in 2015. In 2011, 2012, 2013 and the six months ended June 30, 2014, we sold 10,016 units, 46,368 units, 130,274 units and 93,540 units, respectively, of Wevan automobiles.

Beijing Benz

Beijing Benz commenced the sale of Mercedes-Benz-branded passenger vehicles in 2006. Mercedes-Benz is a brand owned by Daimler AG, and is licensed to Beijing Benz by Daimler AG. Beijing Benz currently manufactures and sells the E-Class sedan, the C-Class sedan and the GLK SUV. Beijing Benz launched an LWB version of the new C-Class in August 2014, and plans to launch a new generation of the GLK SUV, a regular-wheelbase version of the new C-Class sedan, and the GLA SUV in 2015. For 2011, 2012, 2013 and the six months ended June 30, 2014, Beijing Benz sold 93,377 units, 103,445 units, 116,006 units and 64,494 units of passenger vehicles, respectively.

PRODUCTS

We engage in the design, research and development, manufacturing and distribution of passenger vehicles and key automobile parts and components, such as engines and transmission systems.

Passenger Vehicles

During the Track Record Period, we sold passenger vehicles across four product categories, namely, sedans, SUVs, MPVs and CUVs.

The following table sets forth sales details of passenger vehicles sold by Beijing Motor's continuing operations and Beijing Benz, by model for the periods indicated:

	Market position	Manufacturer's suggested retail price range as of the Latest Practicable Date (RMB'000)	Year ended December 31, 2011	2012	2013	Six months ended June 30, 2014
			Sales volume (units)			
Beijing Motor						
Senova (紳寶)						
D70	Mid- to high-end mid-size sedan	139.8 - 215.8	—	—	10,032	2,072
D50	Mid- to high-end compact sedan	74.8 - 119.8	—	—	—	8,202
BJ (北京)(1)						
E-Series	Economy small-size sedan	53.8 - 87.8	—	20,008	60,297	44,603
BJ40	Off-road vehicle	146.8 - 186.8	—	—	—	4,923
Wevan (威旺)(2)						
306	Economy CUV	31.8 - 46.8	10,016	46,368	82,838	31,450
307	Economy CUV	44.8 - 51.8	—	—	2,226	4,089
M20	Small-size MPV	43.8 - 63.8	—	—	12,933	37,598
205	Economy CUV	29.8 - 35.8	—	—	30,927	20,074
206	Economy CUV	32.3 - 40.8	—	—	1,350	329
New Energy(3)	—	—	—	644	1,677	390
Others(4)	—	—	14,399	10,541	—	—
Subtotal			24,415	77,561	202,280	153,730
Beijing Benz(5)						
E-Class (LWB)	Premium mid- to large-size sedan	429.0 - 798.0	44,951	36,765	39,623	24,525
C-Class	Premium mid-size sedan	315.0 - 468.0	32,585	30,970	35,411	12,843
GLK	Premium SUV	398.0 - 558.0	259	25,929	40,972	27,126
Others(6)	—	—	15,582	9,781	—	—
Subtotal			93,377	103,445	116,006	64,494

(1) As part of an initiative to rebrand our proprietary brand passenger vehicles, we discontinued the BJ E-Series product line and rebranded the BJ E-Series facelift as Senova D20 in November 2014. The BJ40 off-road vehicle was launched in late December 2013. For more information about the manufacture and sale of BJ40, see "Relationship with BAIC Group—III. Delineation of the Businesses between the Excluded Companies and Our Company—3. Off-road Vehicle Branch—Operational Independence."

(2) We utilized BAIC Limited's production capacity to manufacture a limited number of Wevan 306 in the second half of 2014, and procured the whole vehicles for re-sale through our own distribution network by means of an exclusive sales agency arrangement. For more details, see "Business—Manufacturing Facilities and Process—Provisional Arrangement with BAIC Limited." During the Track Record Period, Wevan M20, Wevan 205 and Wevan 206 were manufactured by Yinxiang Motor, from whom we purchased and resold. Our Zhuzhou Branch started to manufacture certain Wevan M20 models in the third quarter of 2014. For more details, see "Business—Manufacturing Facilities and Process—Arrangement with Yinxiang Motor."

(3) In October 2013, we disposed of New Energy to BAIC Group. For details, see "History, Reorganization and Corporate Structure—Major Acquisitions and Disposals," "Relationship with BAIC Group—III. Delineation of the Businesses between the Excluded Companies and Our Company—5. New Energy" and "Connected Transactions—Continuing Connected Transactions Relating to BAIC Group and Its Associates—Non-exempt Continuing Connected Transactions—4. Products and Services Purchasing Framework Agreement ("Transaction 4")—Arrangement of Purchasing New Energy Vehicle Components and Related Assembly Services during the New Energy Transition Period" in this prospectus.

(4) Others primarily include commercial vehicles and off-road vehicles, which were manufactured by BAIC Limited. We disposed of BAIC Limited to BAIC Group in November 2012.

(5) In 2011, 2012 and the period from January 1, 2013 to November 17, 2013, we did not consolidate Beijing Benz, and its sales volumes during these periods are intended for reference and comparison only.

(6) These passenger vehicles included the Mercedes-Benz E-Class, GLK, A-Class and B-Class, which were manufactured by Daimler AG and imported and sold by Beijing Benz in China in 2011 and 2012.

Beijing Motor

The pictures of our existing proprietary brand passenger vehicles are set out as follows:

Senova D70

Senova D50

Senova D20
(two-box)

Senova D20
(three-box)

Senova D20
(cross)

BJ E-Series Hatchback
(two-box)

BJ E-Series
(three-box)

Wevan 306/307

Wevan 205/206

Wevan M20

The following set out the pictures of our proprietary brand passenger vehicles which have been introduced in 2014 and will be commercially launched in 2015:

Senova D60

Senova D80

Senova X65

Senova CC

Senova (紳寶)

Senova is a mid- to high-end passenger vehicle product series under our proprietary brand, and its passenger vehicle models (except for D20) are developed based on our Saab-derived technologies and platforms acquired in 2009. Our Senova product series comprises three product lines, namely the D series, the X series and the CC series. We currently offer three sedan models, namely D70, D50 and D20, and plan to launch six passenger vehicle models, namely D60, D80, X65, X55, C33 and Senova CC in 2015. The following are the details of the Senova passenger vehicles:

D70

We launched the D70 model in May 2013. It is a mid- to high-end mid-size sedan of our proprietary brand. The D70 is available with 1.8L, 2.0L and 2.3L turbo engine options and with automatic transmission.

The D70 has been well accepted by the market. We sold over 10,000 units of the Senova D70 in 2013. In terms of sales volume in 2013, the D70 model ranked first in the market of mid- to high-end proprietary brand mid-size sedans, according to ACMR.

D50

We commercially launched the D50 model in April 2014. It is a mid- to high-end compact sedan model of our proprietary brand. The D50 is available with a 1.5L naturally aspirated engine option, and will be available with a 1.5L turbo engine option in 2015. The D50 is available with manual or CVT transmission.

D20

We commercially launched the D20 model (previously branded as the facelift of the BJ E-Series) in November 2014. It is a small-size sedan, available in the two-box, three-box and "cross" versions. It is available with 1.3L and 1.5L naturally aspirated engine options and with manual or automatic transmission.

D60

We introduced the compact sedan model D60 in September 2014 and plan to commercially launch this model in the first half of 2015. It is a mid- to high-end compact sedan model of our proprietary brand, available with 1.8L and 2.0L turbo engine options and with manual or automatic transmission.

D80

We introduced the mid-size sedan model D80 in November 2014 and plan to commercially launch this model in the first half of 2015. It is a high-end mid-size sedan model of our proprietary brand, available with 1.8L and 2.3L turbo engine options and with automatic transmission.

X65

We introduced the X65 model in November 2014, and expect to commercially launch this model in the first quarter of 2015. The X65 will be a mid- to high-end compact SUV model, and will be available with a 2.0L turbo engine option and with manual or automatic transmission.

X55

We expect to commercially launch the X55 model in the third quarter of 2015. The X55 will be a mid-end compact SUV model that we expect will be offered with a 1.5L naturally aspirated engine and 1.5L turbo engine options. The X55 will be available with manual or automatic transmission.

C33 (product development code)

We expect to commercially launch the SUV model C33 in the third quarter of 2015. We expect the C33 to be offered with 1.3L and 1.5L naturally aspirated engine options and with automatic or manual transmission.

Senova CC

We introduced the Senova CC model in November 2014, and plan to launch this model in the first half of 2015. The Senova CC was originally conceived as a more advanced version of the D60, and we plan to develop the Senova CC as a high performance product line of the Senova product series that may comprise both sedans and SUVs.

BJ (北京)

Our BJ product series focuses primarily on economy small-size passenger vehicles. During the Track Record Period, we manufactured and sold E-Series sedans and BJ40 off-road vehicles under the BJ product series.

E-Series

The E-Series model was commercially launched in March 2012. It was an economy small-size sedan model in two versions, namely the E-Series sedan (three-box) and the E-Series hatchback (two-box). The E-Series was available with 1.3L and 1.5L naturally aspirated engine options and with manual or automatic transmission. As part of an initiative to rebrand our proprietary brand passenger vehicles, we discontinued the E-Series product line and rebranded the E-Series facelift as the Senova D20 in November 2014.

We also manufacture and sell BJ40 off-road vehicles as part of the Transition Period Arrangement. As of the Latest Practicable Date, no manufacture or sale arrangement in relation to BJ40 after the Transition Period has been officially determined. We will fully comply with the relevant requirements of the Listing Rules (including but not limited to Chapter 14A of the Listing Rules) with respect to any manufacture and sale arrangements in relation to BJ40 after the Transition Period. See "Relationship with BAIC Group—III. Delineation of the Businesses between the Excluded Companies and Our Company—3. Off-road Vehicle Branch—Operational Independence."

Wevan (威旺)

Our Wevan product series focuses on CUV and MPV products, and targets small and micro businesses and individuals in China. We offer four CUV models under the Wevan product series, namely the 306, 307, 205 and 206, as well as the MPV model M20. Wevan 205, 206 and M20 are manufactured by Yinxiang Motor on our behalf. The following are the details of these models:

306

The 306 model was commercially launched in March 2011. The 306 is an economy CUV model, and is available with 1.0L, 1.2L and 1.3L naturally aspirated engine options and with manual transmission.

We outsourced the manufacturing of a limited number of Wevan 306 to BAIC Limited in the second half of 2014. See "—Manufacturing Facilities and Process—Provisional Arrangement with BAIC Limited."

307

The 307 model was commercially launched in October 2013. The 307 is an economy CUV model, and is available with a 1.2L naturally aspirated engine option and with manual transmission.

M20

The M20 is an MPV model which was manufactured by Yinxiang Motor and sold by BAIC Sales, one of our subsidiaries, based on a purchase arrangement during the Track Record Period. The M20 is available with a 1.5L naturally aspirated engine option and with manual transmission.

Our Zhuzhou Branch started to manufacture this model in the third quarter of 2014. Yinxiang Motor continues to produce a certain volume of M20, and we continue to purchase and distribute the M20 units manufactured by Yinxiang Motor. See "—Manufacturing Facilities and Process—Arrangement with Yinxiang Motor."

205

The 205 model was commercially launched in November 2012. The 205 is an economy CUV model. It is available with 1.0L and 1.3L naturally aspirated engine options and with manual transmission.

206

The 206 model was commercially launched in November 2012. The 206 is an economy CUV model. It is available with 1.0L and 1.3L naturally aspirated engine options and with manual transmission.

The following are the details of our planned models under Wevan:

306 facelift

We plan to manufacture a facelift of the 306 model beginning in the third quarter of 2015. The 306 model will be available with 1.2L naturally aspirated engine option and with manual transmission.

307 facelift

We plan to manufacture a facelift of the 307 model beginning in the third quarter of 2015. The 307 model will be available with 1.2L naturally aspirated engine option and with manual transmission.

Beijing Benz

Our Mercedes-Benz brand passenger vehicles focus on premium sedan and SUV, and target high net-worth customers in China. Beijing Benz currently manufactures and sells the E-Class sedan, the C-Class sedan, and the GLK SUV.

The pictures of the Mercedes-Benz brand passenger vehicles manufactured and sold by us are set out as follows:

LWB version
E-Class

LWB version
E-Class (sport)

C-Class

GLK

LWB version
New C-Class

LWB version
New C-Class
(sport)

The picture of the Mercedes-Benz brand passenger vehicle which has been introduced and will be commercially launched in 2015 is set out as follows:

GLA

The following are the details of these models:

E-Class (LWB version)

The LWB version of the E-Class model produced by Beijing Benz was commercially launched in 2010. It is a premium mid- to large-size sedan model. The current model is the ninth generation of the E-Class manufactured and sold globally. The LWB version of the E-Class model is available with 1.8L turbo engine, 3.0L naturally aspirated engine and 3.5L hybrid engine options and with automatic transmission. We also offer a sport version of the E-Class.

According to ACMR, the LWB version of the E-Class model is one of the best-selling premium sedan models in China. It ranked third and accounted for approximately 11.8% in the premium mid- to large-size joint-venture sedan market in China in terms of sales volume for 2013, according to ACMR.

C-Class

The C-Class model produced by Beijing Benz was commercially launched in 2008. It is a premium mid-size sedan model. This model is the fourth generation of C-Class manufactured and sold globally. This C-Class model is available with 1.8L turbo engine and 3.0L naturally aspirated engine options and with automatic transmission. We have ceased the production of this C-Class model shortly before the commercial launch of the new C-Class (LWB version).

According to ACMR, the C-Class model is one of the best-selling premium sedan models in China. It ranked third and accounted for approximately 16.2% in the premium mid-size joint-venture sedan market in China in terms of sales volume for 2013, according to ACMR.

GLK

The GLK model produced by Beijing Benz was commercially launched in October 2012. It is a premium SUV model. The current model is the first generation of the GLK model manufactured and sold globally. The GLK model is available with 2.0L turbo engine and 3.0L naturally aspirated engine options and with manumatic transmission.

According to ACMR, the GLK model is one of the best-selling premium joint-venture SUV models in China. It ranked second and accounted for approximately 20.0% in the premium joint-venture SUV market in China in terms of sales volume for 2013, according to ACMR.

New C-Class (LWB version)

The LWB version of the new C-Class produced by Beijing Benz was commercially launched in August 2014. Its wheelbase is eight centimeters longer than the C-Class model. It is available with 1.6L and 2.0L turbo engine options and with seven-speed automatic transmission. We also offer a sport version of the new C-Class. This is the first model based on the new MRA platform in the PRC market.

This product launch gave us a presence, for the first time, in the PRC market for joint-venture premium mid-size LWB sedans.

We plan to launch the new C-Class sedan (regular-wheelbase version), as well as the GLA and the new generation of GLK SUVs by 2015. The following are the details of our planned models under the Mercedes-Benz brand:

New C-Class (regular-wheelbase version)

We expect to commercially launch the regular-wheelbase version of the new C-Class in the second quarter of 2015. We expect the regular-wheelbase version of the new C-Class to be offered with 1.6L and 2.0L turbo engine options and with seven-speed automatic transmission.

GLA

We expect to commercially launch the GLA model in the second quarter of 2015. The GLA will be a premium SUV model. We expect the GLA to be offered with 1.6L and 2.0L turbo engine options and with automatic transmission.

This will be Beijing Benz's first compact model, based on our new MFA platform.

New GLK

We expect to commercially launch the next generation of the GLK model in the fourth quarter of 2015. We expect the new GLK to be offered with 1.8L turbo engine and 3.0L naturally aspirated engine options and with manumatic transmission. This will be the second model, produced by Beijing Benz, based on our new MRA platform in the PRC market after the new C-Class.

Engines and Automobile Parts

We manufacture engines and other key automobile parts and components, which are used for manufacturing our passenger vehicles, as well as for sale to other automobile manufacturers. In 2011, 2012, 2013 and the six months ended June 30, 2014, our revenue derived from sale of automobile parts and components from Beijing Beinei Engine Parts and Components Co., Ltd. to other automobile manufacturers was approximately RMB245.8 million, RMB278.1 million, RMB379.9 million and RMB195.5 million, respectively, accounting for approximately 12.8%, 7.9%, 3.0% and 0.8%, respectively, of our total revenue during the same periods.

Engines

We develop and manufacture engines based on the Saab technologies, and these engines are used in our passenger vehicles under our Senova product series (except for the D20). We commenced the manufacturing of the B185 (1.8L), B205 (2.0L) and B235 (2.3L) turbo engines in 2012. All of the B185, B205 and B235 engines are used in our existing Senova D70; the B185 and B205 engines will be used in our Senova D60 model; and the B205 engine will be used in our planned Senova X65 model.

In addition, we started the production of the engine model A12 (1.2L) in the second quarter of 2013, which is used in Wevan 306 and Wevan 307. We started the production of engine models A131 (1.3L) and A151 (1.5L) in the second quarter of 2014. The A131 and A151 engines were used in our BJ E-Series sedans and continue to be used in our rebranded Senova D20 sedans. The A151 engine is used in our Senova D50 sedan, and will be used in our planned SUV models Senova X55 and C33.

Beijing Benz started to import key parts and components and assemble engines in April 2006. Beijing Benz launched the manufacture of engines in 2013. The manufacturing base is located in Beijing and is the only engine manufacturing base for Mercedes-Benz-branded automobiles outside of Germany, which has enabled Beijing Benz to manufacture key parts and components of engines. Beijing Benz also sold engines that it assembled during the Track Record Period. In 2011, 2012, 2013 and the six months ended June 30, 2014, Beijing Benz sold 6,838 units, 5,674 units, 9,257 units and 5,357 units of engines, respectively, which generated revenue of approximately RMB259.0 million, RMB203.3 million, RMB289.3 million and RMB169.1 million, respectively. In mid-2014, Beijing Benz started to export key engine components (cylinder head, cylinder block and crankshaft) it manufactured to Germany for engine production.

Automobile parts and components

We mainly produce connecting rods and camshafts for our own use under Beijing Motor. In addition, we started the trial manufacturing of transmission models F25 and F35 based on the Weigl technology in September 2012, which will be used in the Senova D60. See "—Research and Development—Research and Development of Beijing Motor." We plan to produce CVT transmission models in 2015, which are and will be used in the Senova D50, D60, X55 and X65 models. We also sell connecting rods and camshafts to other automobile manufacturers in the PRC.

Daimler AG announced in August 2014 that it would reduce the prices of spare parts and components for after-sales services. We believe that such price reduction would not likely have a material and adverse impact on Beijing Benz's results of operations and financial condition, because (i) Daimler AG sells the spare parts and components for after-sales services in China through Mercedes-Benz (China) Ltd. and Daimler Northeast Asia Parts Trading and Services Co., Ltd. Our Company does not have any equity interest in either of those two companies, and would not be affected should the operating results of any of those two companies be affected by the price reduction; and (ii) Beijing Benz's business is primarily focused on the manufacture and sales of passenger vehicles. During the Track Record Period, Beijing Benz only sold a small number of automobile parts and components, which generated revenue of approximately RMB71.0 million, RMB74.2 million, RMB104.0 million and RMB34.9 million in 2011, 2012, 2013 and the six months ended June 30, 2014, respectively, accounting for 0.2%, 0.3%, 0.3% and 0.2%, respectively, of the total revenue of Beijing Benz during the same periods.

MANUFACTURING FACILITIES AND PROCESS

Manufacturing Facilities and Production Capacity

We have specialized production facilities to manufacture and assemble our products. All of our manufacturing bases are located in China, and are equipped with advanced production facilities, which not only allow us to improve efficiency and maintain the high quality of our products, but also to reduce per unit product costs as our volume ramps up. See "—Supplies—Procurement of Raw Materials, Parts and Components" for more details.

The following table sets forth certain information relating to our existing production facilities as of the Latest Practicable Date:

	Location	Production commencement date	Land area (square meters)	Gross floor area (square meters)	Product	Designed annual production capacity (units)
Passenger Vehicle						
Beijing Motor						
Beijing Branch	Beijing	March 2013	1,060,386	385,850	Passenger vehicle	150,000
Zhuzhou Branch (Phase I of No. 1 Factory)	Zhuzhou	June 2011	531,706	258,818	Passenger vehicle	100,000
Zhuzhou Branch (Phase II of No. 1 Factory)	Zhuzhou	June 2013	531,706	73,900	Passenger vehicle	100,000
Beijing Benz						
MRA Factory	Beijing	July 2006	1,983,256	358,163	Passenger vehicle	230,000
Engine						
Beijing Motor						
Powertrain	Beijing	December 2012	297,000	133,780	Engine	100,000(1)
Zhuzhou Branch (Phase II of No. 1 Factory)(2)	Zhuzhou	June 2013	531,706	73,900	Engine	100,000
Beijing Benz						
Engine Factory	Beijing	November 2013	292,518	160,700	Engine	300,000

(1) Approved designed production capacity of engines of Powertrain is 300,000 units. As of the Latest Practicable Date, designed production capacity in use was 100,000 units and designed production capacity under construction was 200,000 units.

(2) It shares the land and buildings with the passenger vehicle production unit of the Zhuzhou Branch.

In addition, we acquired the entire equity interest in Guangzhou Company from BAIC Group and this acquisition was completed in July 2014. We plan to manufacture Senova D60 and Senova X65 in Guangzhou Company's manufacturing facilities. Guangzhou Company does not have any substantial production history. The following table sets forth the information relating to its production facilities as of the Latest Practicable Date:

	Location	Production commencement date	Land area (square meters)	Gross floor area (square meters)	Product	Designed annual production capacity (units)
Guangzhou Company	Guangzhou	April 2014	831,642	207,105	Passenger vehicle	100,000

Passenger vehicle production

The following table sets forth the designed annual production capacity and the production volume of passenger vehicles and the average utilization rate of production lines of each of Beijing Motor and Beijing Benz during the Track Record Period:

	Year ended or as of December 31,									Six months ended or as of June 30,		
	2011			2012			2013			2014		
	Designed production capacity	Actual production Volume	Utilization rate(1)	Designed production capacity	Actual production Volume	Utilization rate(1)	Designed production capacity	Actual production Volume	Utilization rate(1)	Designed production capacity	Actual production Volume	Utilization rate(1)
Beijing Motor												
Beijing Branch	—	—	—	—	—	—	150,000	11,957	9.6%	150,000	17,433	23.2%
Zhuzhou Branch	100,000	14,008	24.0%	100,000	66,124	66.1%	200,000	150,088	94.8%	200,000	75,703	75.7%
Total	100,000	14,008	24.0%	100,000	66,124	66.1%	350,000	162,045	57.2%	350,000	93,136	53.2%
Beijing Benz												
MRA Factory . . .	100,000	80,172	80.2%	100,000	96,839	96.8%	120,000	118,819	101.8%	120,000	56,257	93.8%

(1) The average utilization rate is derived on the basis of the actual production volume divided by the weighted average designed production capacity for the period indicated. If the expansion of the production capacity occurs in a particular month (N) in the current year, the weighted average designed production capacity of the current year = (N-1) / 12 × annual designed production capacity immediately before the expansion + (13-N) / 12 × annual designed production capacity immediately after the expansion. If the expansion of the production capacity occurs in a particular month (N) during the six months ended June 30, 2014, the weighted average designed production capacity of the period = (N-1) / 6 × annual designed production capacity immediately before the expansion / 2 + (7-N) / 6 × annual designed production capacity immediately after the expansion / 2.

During the Track Record Period, the total utilization rate of the Zhuzhou Branch production facilities of Beijing Motor increased because we were in the process of ramping up our production of passenger vehicles and we launched new passenger vehicle models of the BJ E-Series (rebranded as Senova D20 in November 2014). Additional production capacity was added in the Zhuzhou Branch in June 2013, and the Beijing Branch facility commenced production in March 2013, which caused a decrease in the overall utilization rate of Beijing Motor's production facilities in 2013.

The total utilization rate of the production facilities of Beijing Benz increased from 80.2% in 2011 to 96.8% in 2012, and further to 101.8% in 2013, primarily because Beijing Benz increased the output of passenger vehicles due to an increased market demand for its products.

All of our production facilities are equipped with flexible production lines, which enable a production line to produce different models of passenger vehicles. We believe this has not only allowed us to enjoy flexibility in production planning to quickly respond to changing market demands, but also reduced our capital expenditures and operating costs.

Engine production

We conduct our engine manufacturing business separately under Beijing Motor and Beijing Benz. The following table sets forth the designed annual production capacity and the production volume of engines and the average utilization rate of our production lines during the Track Record Period:

	Year ended or as of December 31,									Six months ended or as of June 30,		
	2011			2012			2013			2014		
Engine	Designed production capacity	Actual production Volume	Utilization rate(1)	Designed production capacity	Actual production Volume	Utilization rate(1)	Designed production capacity	Actual production Volume	Utilization rate(1)	Designed production capacity	Actual production Volume	Utilization rate(1)
Beijing Motor												
Powertrain	—	—	—	100,000	856	10.3%	100,000	13,232	13.2%	100,000	6,944	13.9%
Zhuzhou Branch	—	—	—	—	—	—	100,000	11,801	20.2%	100,000	6,419	12.8%
Total	—	—	—	100,000	856	10.3%	200,000	25,033	15.8%	200,000	13,363	13.4%
Beijing Benz												
Engine workshop(2) . . .	101,500	87,601	89.5%	137,000	102,198	90.2%	170,000	128,577	79.5%	120,000	46,618	60.8%
Engine factory(3)	—	—	—	—	—	—	300,000	986	2.0%	300,000	15,222	10.1%
Total	101,500	87,601	89.5%	137,000	102,198	90.2%	470,000	129,563	61.2%	420,000	61,840	27.3%

(1) The average utilization rate is derived on the basis of the actual production volume divided by the weighted average designed production capacity for the period indicated. If the expansion of the production capacity occurs in a particular month (N) in the current year, the weighted average designed production capacity of the current year = (N-1) / 12 × annual designed production capacity immediately before the expansion + (13-N) / 12 × annual designed production capacity immediately after the expansion. If the expansion of the production capacity occurs in a particular month (N) during the six months ended June 30, 2014, the weighted average designed production capacity of the period = (N-1) / 6 × annual designed production capacity immediately before the expansion / 2 + (7-N) / 6 × annual designed production capacity immediately after the expansion / 2.

(2) The engine workshop of Beijing Benz began to import key parts and components and assemble engines in April 2006. With the upgrading of vehicle models of Beijing Benz, the workshop is expected to cease its production in the second half of 2015.

(3) The engine factory has a total annual designed production capacity of 500,000 units of engines, of which the annual designed production capacity of 200,000 units is under development. See "—Expansion plan."

During the Track Record Period, the utilization rate of our Powertrain engine production line was relatively low because our Senova D70 sedan was launched in May 2013, and its limited sales volume during the ramp-up period justified a proportionate scale of production. However, as we expect the sales of our existing and new vehicle models (including Senova D70, D60 and X65) to grow, we expect the utilization rate of our Powertrain engine production line to increase. In order to accommodate increasing market demand for our Senova product series, such as Senova D50, we have also planned for the strategic expansion of our Powertrain engine production line, and we expect the expanded facilities to maintain sufficiently high utilization. As a result, we intend to gradually reduce engine procurement from third-party suppliers.

During the Track Record Period, the utilization rate of our Zhuzhou Branch engine production line was relatively low, because we started the manufacturing of the engine model A12 from the second quarter of 2013, and we have mainly relied on engines procured from an outside supplier for our CUV models during the Track Record Period. For more details of such procurement, see "—Supplies—Procurement of Raw Materials, Parts and Components." Production volume at our Zhuzhou Branch engine production line has increased since the commencement of production, and notably since mid-2014. As we plan to equip more of our vehicle models with our own engines, we expect the utilization rate of our Zhuzhou Branch engine production line to continue to increase.

Expansion plan

Expansion of production capacity is crucial to our sustainable growth and long-term success. We will continue to expand our production capacity prudently in order to meet the increasing market demand for our products. See "—Business Strategies."

The following table sets forth our production facilities under construction and to be constructed as of the Latest Practicable Date:

	Location	Expected operation commencement date	Gross floor area [(1)] (sq.m.)	Products	Addition of designed annual production capacity (units)	Total investment (RMB in millions)	Capital expenditures incurred up to June 30, 2014 (RMB in millions)	Source of funds
Beijing Motor								
Under construction								
Powertrain Manufacturing Base Construction Project (Phase I)	Beijing	June 2016	133,780	Engine	200,000	4,020.0[(1)]	2,157.1	Own funds, borrowings and net proceeds from the Global Offering
To be constructed								
Beijing Branch Phase II	Beijing	December 2015	To be determined	Passenger vehicle	150,000	2,585.0	—	Own funds and borrowings
Zhuzhou Branch Factory 2	Zhuzhou	December 2016	To be determined	Passenger vehicle	200,000	3,500.0	—	Own funds and borrowings
Beijing Benz								
Under construction								
Passenger vehicle production expansion project	Beijing	July 2014–October 2015[(2)]	516,458	Passenger vehicle	300,000	21,145.6	9,209.1	Capital injections from shareholders, borrowings and net proceeds from the Global Offering
Engine Factory	Beijing	June 2015	—	Engine	200,000	3,140.9	515.3	Capital injections from shareholders, borrowings and net proceeds from the Global Offering

(1) This figure corresponds to the total approved designed production capacity of 300,000 units of engines.
(2) We completed a designed annual production capacity of 130,000 units in July 2014, and expect to complete 120,000 units in March 2015 and 50,000 units in October 2015.

Beijing Motor

As of June 30, 2014, we expected to incur approximately RMB7.9 billion of additional capital expenditures for developing the manufacturing bases of Beijing Motor. Approximately 10% of the capital expenditures will be used for acquiring land use rights, 54% for the purchase of equipment and fittings, and the remaining 36% for construction and other expenses. For the three months ended September 30, 2014, we had incurred approximately RMB0.2 billion of capital expenditures for these projects, and we expect to incur an additional RMB7.7 billion for these projects.

Beijing Benz

As of June 30, 2014, we expected to incur approximately RMB14.6 billion of additional capital expenditures to develop the manufacturing bases of Beijing Benz. Approximately 8% will be used for construction and development, 49% for purchase of equipment, 34% for installation and other expenses, 5% for initial working capital and 4% for interest payment during the development. For the three months ended September 30, 2014, we had incurred approximately RMB2.3 billion of capital expenditure for these manufacturing bases, and we expect to incur an additional RMB12.3 billion for these projects.

If we are unable to increase our production capacity, we may lose orders and, as a result, our market share. For details, see "Risk Factors—Risks Relating to Our Business—Our future success depends, in part, on our ability to expand our production capacity, which is subject to risks and uncertainties."

For 2011, 2012, 2013 and the six months ended June 30, 2014, the capital expenditures of our Group amounted to approximately RMB3,262.3 million, RMB4,427.0 million, RMB5,134.6 million and RMB3,187.5 million[(1)], respectively.

Production Planning

A production plan is formulated separately for each of Beijing Motor and Beijing Benz. Based on the sales performance for the current year and the market forecast for the next year, at the end of every year, the sales departments will set forth the annual demand plan for the following year. The board of directors of each of Beijing Motor and Beijing Benz needs to approve its respective annual sales targets. Based on such annual demand plan, the sales departments will prepare monthly production demand estimates, which cover the models, volumes, colors, engine displacements and specifications of the passenger vehicles to be sold. In accordance with such monthly production demand, the production departments will formulate the production plans.

The sales department and the production department meet every month to review the sales and production for the current month and finalize the monthly sales plan and production plan for the following month. The sales department sends the adjustment request for the monthly production plans to the production department from time to time by closely following the performance of the dealers and

(1) Inclusive of Beijing Benz's capital expenditure for the period from November 18, 2013 to December 31, 2013 and the six months ended June 30, 2014.

the changing market conditions. Similarly, the production department may also adjust the production plans with a view to reducing production costs and improving our profitability.

Once the production plan is finalized, every month the production department will notify the procurement department of the production plan for the next month and the estimated production volumes for each of the two months following the next month. The procurement department will prepare for the procurement of raw materials, automobile parts and components accordingly. See "—Supplies."

Manufacturing Process

We strive to adopt the most efficient methods and procedures at each step of the production process in order to continuously reduce waste and improve our efficiency. We believe that this allows us to reduce manufacturing costs, shorten production cycles, improve product quality and optimize the use of our resources.

Each of the production facilities of Beijing Motor and Beijing Benz is equipped with flexible production lines. Production processes vary among the different passenger vehicle categories. The diagram below illustrates the principal steps in the production of our passenger vehicles:

Preparation → Stamping → Welding → Painting → Final assembly → Final inspection

The production of passenger vehicles generally involves the following steps:

Preparation**:** At this stage, we process and assemble the parts and components into a complete chassis and powertrain. We also prepare upholstery components, including seats, interior sideboards and lights and air-conditioning equipment, and other components, such as meter boards, batteries and headlights, for final assembly.

Stamping**:** Steel plates are stamped onto body parts of vehicles. Most of the stamping operation is completed at our production facilities. Inspection facilities are installed at the end of the stamping lines. Parts with defects will be returned to the rework area for further handling. This step usually takes up to five minutes.

Welding**:** Welding is a process whereby the vehicle bodies are formed by welding together the relevant vehicle body parts produced by our stamping workshops and other stamped parts and components procured from our suppliers. This step usually takes up to ten hours.

Painting**:** Painting involves mid-electrophoresis painting, layer painting and surface coating to protect against corrosion. We have adopted environmental protection treatment processes for our painting facilities. This step usually takes up to 16 hours.

Final assembly**:** At the final stage of the assembling process, the complete chassis, powertrain, principal auxiliary system, glazing, tires, and other parts and components are assembled together to form the complete vehicle. This step usually takes up to 11 hours.

Final inspection**:** Final inspection involves road tests and final product inspections, including the inspections of exhaust emissions, steering, braking, engine, transmission and electrical appliances. It will also involve an inspection of the vehicle's interior, its exterior, and its performance that includes the vehicle's emission level, the drive and the braking function. This step usually takes up to two hours.

It usually takes about 24 hours to 36 hours to produce one passenger vehicle. The quality control procedure is engaged in each stage of our manufacturing process, in order to ensure that our products shall comply with our strict quality control standards. For details, see "—Quality Control."

We carry out regular maintenance of our production facilities. In addition, during periods of intensive production, additional maintenance work will be conducted to ensure the normal operation of our production facilities.

Provisional Arrangement with BAIC Limited

In an attempt to optimize our production capacity and further strengthen cost control, we entered into a provisional arrangement with BAIC Limited in June 2014, according to which we utilized BAIC Limited's production capacity to manufacture a limited number of Wevan 306, and procured the whole vehicles for re-sale through our own distribution network.

Under the provisional arrangement, as of the Latest Practicable Date, only approximately 800 units of Wevan 306 have been manufactured by BAIC Limited, while the majority of Wevan 306 continued to be manufactured by our Zhuzhou Branch. As of the date of this prospectus, we have reassessed our production capacity and found that our Zhuzhou Branch has sufficient capacity to manufacture Wevan 306, as a result of which, our Directors plan to discontinue the provisional arrangement with BAIC Limited after the Listing.

Arrangement with Yinxiang Motor

To expand the product portfolio of the Wevan product series, in 2013, we procured passenger vehicles, including Wevan M20, which is an MPV model, and the Wevan 205 and Wevan 206 models, which are CUVs, from Yinxiang Motor, and sold them through our distribution network.

In January 2013, Yinxiang Motor entered into an exclusive sales agency agreement with BAIC Sales, one of our subsidiaries, for the sale of passenger vehicles manufactured by Yinxiang Motor through BAIC Sales. The principal terms of this agreement are set forth below.

Duration and termination

The term of the agreement is three years commencing on January 1, 2013, expiring on December 31, 2015. Once the agreement expires, it will be automatically renewed for one year unless otherwise agreed between the relevant parties. If any party does not want to extend the agreement, such party should furnish the other party with a notice six months prior to the expiration of the agreement.

Upon the occurrence of any condition provided in the agreement (including the breach of the contract), any party is entitled to terminate the agreement with one month's prior notice.

Sales price and payment

The purchase price of the passenger vehicles between BAIC Sales and Yinxiang Motor is determined through arm's length negotiation between the parties. The parties will renegotiate the purchase prices before November 30 every year during the term of the agreement. BAIC Sales is entitled to determine the retail prices of the passenger vehicles solely at its own discretion.

The aggregate purchase price of the passenger vehicles will be determined on a monthly basis. Once both parties confirm the amount, BAIC Sales will be required to pay the full amount within ten days immediately following the confirmation.

Provision of passenger vehicles and sales volume

By the end of each year, both parties will negotiate the target annual sales volume of the passenger vehicles for the following year in the form of a supplemental agreement. The agreed sales volume is subject to adjustment pursuant to changing market conditions as agreed upon by the parties. Yinxiang Motor shall not reject any reasonable adjustment proposed by BAIC Sales. If the parties fail to agree on the sales volume for a certain year, they should follow the sales volume of the previous year until they reach a new arrangement.

After-sales services

BAIC Sales provides exclusive after-sales services to the end-user customers, and it is not allowed to subcontract the after-sales services to others. For in-warranty after-sales services, Yinxiang Motor will reimburse the costs incurred by BAIC Sales.

Recall and product liability

Yinxiang Motor is required to recall any defective passenger vehicles in accordance with applicable laws. BAIC Sales will formulate a recall plan with Yinxiang Motor, and BAIC Sales will carry out the recall with the cooperation of Yinxiang Motor. Yinxiang Motor will reimburse the costs and losses incurred by BAIC Sales in relation to the recall.

Yinxiang Motor shall be solely responsible for any product quality and liability claims against the passenger vehicles. BAIC Sales will take the lead in handling and settling these claims, and Yinxiang Motor is responsible for all relevant fees and expenses.

We purchased 45,210 units and 58,001 units of passenger vehicles from Yinxiang Motor in 2013 and the six months ended June 30, 2014, respectively. For more details, see "Relationship with BAIC Group—III. Delineation of the Businesses Between the Excluded Companies and Our Company—7. Yinxiang Motor."

Wevan M20 has been well accepted by the market and, therefore, we have decided to increase its supply to the market. We started manufacturing M20 in our Zhuzhou Branch in August 2014. Meanwhile, we will continue to purchase some M20 units from Yinxiang Motor. We have entered into a technology licensing agreement with Yinxiang Motor. See "—Intellectual Properties."

RESEARCH AND DEVELOPMENT

We believe our research and development capabilities are crucial to our future growth. Our research and development efforts stem from both our proprietary research and development efforts and alliances with our cooperative partners.

In 2011, 2012, 2013 and the six months ended June 30, 2014, the research and development expenditures of our continuing operations were RMB673.0 million, RMB1,028.7 million, RMB1,490.6

million and RMB634.2 million, respectively, among which research and development expenses were RMB15.0 million, RMB43.8 million, RMB23.5 million and RMB14.4 million, respectively, and the addition of development costs recorded as intangible assets was RMB658.0 million, RMB984.9 million, RMB1,467.1 million and RMB619.8 million, respectively, during the same periods. The continued growth of research expenditures reflects our dedication to research and development. When certain conditions are met, research and development costs will be capitalized and recorded as development costs, which include costs of raw materials and services, as well as employee costs. The capitalized development costs will be amortized using the straight-line method over the estimated useful lives of the relevant assets. See "Financial Information."

As of the Latest Practicable Date, we had over 2,000 research and development personnel under Beijing Motor and Beijing Benz.

Research and Development of Beijing Motor

We carry out research and development activities mainly through our passenger vehicle research institute. Our research and development activities mainly focus on the development of new products, quality control, manufacturing and development and procurement control. The research and development personnel for our proprietary brand include overseas professionals from South Korea, the United States, Australia and Japan. Over 30% of our research and development personnel possess a master's degree or above, and many of them have an overseas education background and/or work experience.

As of June 30, 2014, we held 1,114 patents and have made 995 patent applications in the PRC. While developing new products, technologies and designs, we also possess unregistered trade secrets, technologies, know-how, processes and other intellectual property rights.

The passenger vehicle research institute was established in 2007 and was merged into our Group in September 2010. Our passenger vehicle research institute is located in Shunyi District, Beijing, and includes product engineering center, product research center, new-energy vehicle research and development center, trial production center and modeling center. We lease office buildings and ancillary facilities (such as conference facilities, cafeterias and dormitories) from BAIC Group. In addition, our passenger vehicle research institute is equipped with advanced trial production and laboratory equipment for our research and development activities. This institute focuses on the development of new passenger vehicle models and key parts and components used in our passenger vehicles. We also have development platforms for simulation, processing techniques, trial production, laboratory and technical support, as well as management units covering operations management, human resources, finance management and overall management.

We have been actively seeking commercialization of advanced automobile manufacturing technologies and utilizing such technologies in our products, which we believe have helped us improve our product quality and customer experience. In particular, we focus on expediting the commercialization of technologies, such as energy conservation and emissions reduction, active and passive safety, intellectualization and light-weight technologies. We have developed an extensive and stringent research and development process management system for Beijing Motor. This system covers eight key aspects, including project initiation, program approval, design approval, new design announcement, product and process verification, experimental production, trial production and formal production. This system stipulates the details of the deliverables and standards at each key link, as well as the evaluation process and methods, which ensure the quality control and management of our research and development activities.

In 2009, the BAIC Group acquired Saab technology, including the architecture for three Saab models, two turbo engines, two transmissions and production tools and molds. By adapting and upgrading Saab's designs and technical standards, Beijing Motor has established its own proprietary passenger vehicle platform for the design and development of passenger vehicles, systems and parts. We also plan to use V212 platform, the basis for the Mercedes-Benz LWB version E-Class and the relevant key technology to develop mid- to large-size premium sedans under our proprietary brand. We launched new models of passenger vehicle throughout the Track Record Period. As of the Latest Practicable Date, Beijing Motor and Beijing Benz were in the process of developing at least 11 new and upgraded models to be launched by the end of 2015.

In addition, we developed three turbo engine models, B185, B205 and B235 based on the Saab turbo engine technologies. During this process, we developed capabilities related to the development of the engines, testing and verification.

We purchased transmission manufacturing facilities and technologies from the Weigl Group, in December 2010, through which we obtained a complete set of equipment and technology documents. We completed the testing of equipment and commenced trial production in September 2012. The transmissions will be used in the Senova D60.

We maintain long-term cooperative relationships with domestic and foreign research institutions, universities and enterprises to carry out technology sharing and cooperation, forming alliances for research, development, application and production. We have been developing a number of engines and other key parts and components with leading research and development institutions and manufacturers, such as MB-TECH, the Mahle Group, the FEV Group, the Southwest Research Institute, the Bosch Group and AVL LIST GmbH. Pursuant to our agreements with them, we usually bear the costs and expenses of these research and development activities, and if the cooperation partner is a research institute, we usually exclusively own the new technologies and products developed, and if the cooperation partner is our supplier, we usually share the new technologies and products with the supplier.

Research and Development through Beijing Benz

In addition, Beijing Benz opened its new research and development center in Beijing in July 2014. This new research and development center occupies a land parcel of approximately 150,000 square meters and buildings with a gross floor area of approximately 236,000 square meters. It is equipped with world-class research and development facilities, and responsible for localization of design, examination of automobiles, parts and components, trial assembly and localization of the production of parts and components. It is the largest joint-venture laboratory of Daimler AG outside of Germany.

QUALITY CONTROL

We believe that the quality of our products is crucial to our sustainable growth. We have established and implemented a stringent quality control system which conforms to national and international standards. We place a strong emphasis on maintaining consistent quality across our products and services at all levels of our management and staff for the entire production process. We have introduced various quality control measures at every stage of our operations, such as utilizing error prevention equipment, so as to avoid product defects. Parts, components and unfinished products that fail to meet our quality control requirements will not be processed at the next stage of production.

Beijing Motor has obtained the ISO9001 Quality Management System Certification, and Beijing Benz has obtained the ISO/TS16949 certification. As of the Latest Practicable Date, Beijing Motor and Beijing Benz in aggregate had over 800 dedicated quality control personnel. These quality control personnel are familiar with the relevant PRC national standards, applicable ISO standards, industry standards and the legal and regulatory requirements applicable to our products. They are also required to attend professional training before performing certain quality assurance tasks.

In addition, Daimler AG ensures the implementation of its global quality standards in the manufacturing process of each vehicle model of Beijing Benz through a number of measures, including the formulation of standardized quality control and assessment procedures, the hosting of regular professional training of quality control personnel, and the creation of an independent, specialized inspection team that visits Daimler's global production plants, including those of Beijing Benz, to conduct testing on key steps of the manufacturing process, meet with local quality control personnel, and share global best practices.

The following table sets forth the major qualifications obtained by us:

Company	Qualification	Certification Number	Product	Year of Award	Expiration	Awarded by
Our Company . . .	ISO 9001	01 100 116748	Passenger vehicle	2012	February 2, 2015	TÜV Rheinland Cert GmbH
Beijing Benz	ISO / TS 16949	01 111 1325624	Passenger vehicle	2013	December 5, 2016	TÜV Rheinland Cert GmbH

Quality Control Procedures

We have implemented stringent quality control systems and devoted significant resources to improve quality control. Our quality control starts at the design and planning of our products and production process, and covers each stage of our manufacturing process through close inter-departmental collaboration. We also devote significant resources to improve quality control management and the training programs provided to our employees with a view to ensuring the best quality of our products.

We have adopted product tracking systems, under which we record the identities of the people involved in each step of the manufacturing process of our products. Any issue discovered by us internally, or by end-user customers, will be directed to the quality control department for analysis, and then traced back to the responsible production personnel at the relevant production stage. This system not only helps ensure the quality of our products, but also helps us gather valuable information from end-user customers for the improvement and development of new products.

We have formulated our evaluation standards and established an internal audit team to review and evaluate our product quality and production processes. We conduct regular internal audits and management evaluations to ensure that our quality control system is proper, effective and adequate.

Our quality control departments hold meetings from time to time with the various production departments and suppliers in order to identify and rectify any product quality issues on a timely basis.

According to the 2013 China Initial Quality Study[sm] (IQS) issued by J.D. Power Asia Pacific, Mercedes-Benz passenger vehicles ranked the highest among all the passenger vehicle brands in China. Meanwhile, E-Class vehicles ranked first in the quality report of premium mid- to large-size passenger vehicles. During the Track Record Period, we have not had any material quality problems or material product defects, or received any material quality complaints from our end-user customers. We usually require complaints from end-user customers to be resolved within two to three days.

Recall

Like all other passenger vehicle manufacturers in China, we are subject to the Administrative Provisions on Recall of Defective Automotive Products (缺陷汽車產品召回管理規定) promulgated by State Administration of Quality Supervision, Inspection and Quarantine, the NDRC, the MOFCOM, and the General Administration of Customs on March 12, 2004, and the Administrative Regulations on Defective Automotive Product Recalls (缺陷汽車產品召回管理條例) promulgated by the State Council in October 2012.

During the Track Record Period, Beijing Motor did not recall any passenger vehicles under the Senova, BJ or Wevan product series.

The following table sets forth the recall of Beijing Benz during the Track Record Period and up to the Latest Practicable Date:

Recall period	Affected components/reason for recall	Affected models	Volume (units)
Sept. 2014–Sept. 2015	Tail light malfunction	C-Class	59,489

Our Directors confirm that Beijing Benz has not incurred any material losses from recalls during the Track Record Period.

Our Directors confirm that our Group has not suffered material losses from product liability claims during the Track Record Period.

AWARDS AND RECOGNITION

Our passenger vehicles have received recognition and numerous awards in recent years, including the following:

Brand	Year	Model	Award	By
Senova	2014	D60	Performance Car of the Year	Auto Weekly (汽車週刊) and ifeng.com (鳳凰網)
	2013	D70	Most Expected New Elite Vehicle	21st Century Business Herald (21世紀經濟報道)
		D70	Design and Performance Award	Auto Style (時尚座駕雜誌)
		D70	Business Car of the Year	Beijing Wan Bao (北京晚報)
BJ	2014	E-Series	Highest Ranked in the Compact Sedan Segment	J.D. Power Asia Pacific 2014 China Initial Quality Study℠ (IQS)
	2012	E-Series	Most Popular New Model	Hua Shang Bao (華商報)
		E-Series	Best Potential Model of the Year (Proprietary Brand)	China Auto News (中國汽車報)
		E-Series	Small-size Sedan of the Year	163.com (網易)
Wevan	2012	Wevan 306	Mini Car of the Year	China Major Auto Media Alliance (中國主流汽車媒體聯盟)
		Wevan 306	Car of the Year for Livelihood	Beijing Times (京華時報)
		Wevan 306	Most Popular Mini Car	China Auto News (中國汽車報)
	2011	Wevan 306	Best Model for Livelihood	Beijing Times (京華時報)
		Wevan 306	Model of China Best Mini CUV	West China City Daily (華西都市報)
Mercedes-Benz	2014	LWB version E-Class	Best Executive-Class Elite Car of 2013	21st Century Business Herald
	2013	GLK	2012 CCTV China Utility Vehicle of the Year	CCTV (中央電視台)
		LWB version E-Class	The Best Elite Car of the Year	China Business News (第一財經日報)
		LWB version E-Class	2013 Eco-Friendly Premium Sedan	China Youth Daily (中國青年報)
	2012	C-Class	2011 CCTV China Annual Premium Vehicle	CCTV (中央電視台)
		LWB version E-Class	2012 "Golden engine" Top10 of the Year	Moneyweek (理財週報)
		GLK	2013 Utility Vehicle of the Year	Motor Trend (汽車族雜誌)
		GLK	2012 SUV of the Year	163.com (網易)

SUPPLIES

Suppliers

We have developed long-term business relationships with our suppliers and negotiated supply agreements with favorable terms and stable pricing policies. We have established long-term relationships with a number of renowned automobile parts suppliers in the world, including ThyssenKrupp, Johnson Controls and Lear, which has ensured our products are of a high quality. In 2011, 2012 and 2013, our purchases from Lear, ThyssenKrupp and Johnson Controls amounted to approximately 1.00%, 0.47% and 0.39% of our total purchases (as measured by "raw materials used" in our cost of sales), respectively. We have had business relationships with our key suppliers for a period of over three years.

We believe that by leveraging the global procurement system of our joint venture partners, we are able to monitor the fluctuations in the prices of raw materials, parts and components in the global market, and adjust our procurement strategies accordingly.

In 2011, 2012, 2013 and the six months ended June 30, 2014, purchases from our five largest suppliers in aggregate accounted for approximately 17.5%, 22.8%, 38.0% and 48.6% of our total purchases (raw materials used in cost of sales), respectively, and purchases from our largest supplier accounted for approximately 5.4%, 9.2%, 12.7% and 28.3% of our total purchases (raw materials used in cost of sales) during the same periods, respectively.

During the Track Record Period, certain of our five largest suppliers were our related parties. In 2011, our largest supplier Beijing Beiqi Changsheng Automobile Accessories Co., Ltd. and our fifth largest supplier Beijing Pride Power Battery Technology Co., Ltd. were our related parties, accounting for 7.6% of our total procurement in that year. In 2012, our third largest supplier Beijing Penglong Material Trading Co., Ltd. and our fourth largest supplier Beijing Beiqi Changsheng Automobile Accessories Co., Ltd. were our related parties, accounting for 6.0% of our total procurement in that year. In 2013, our largest supplier Daimler AG, our second largest supplier Yinxiang Motor and our fourth largest supplier Beijing Hainachuan Johnson Automotive Parts Co., Ltd. were our related parties, accounting for 27.8% of our total procurement in that year. In the six months ended June 30, 2014, our largest supplier Daimler AG, our second largest supplier Yinxiang Motor and our fourth largest supplier Beijing Hainachuan Johnson Automotive Parts Co., Ltd. were our related parties, accounting for 41.2% of our total procurement (raw material used in cost of sales) in that period. See "Risk Factors—Risks Relating to Our Business—We rely on a limited number of suppliers to supply a large portion of raw materials, parts and components."

Other than disclosed otherwise in this prospectus, none of our Directors or their associates or, to the knowledge of our Directors, any Shareholder with over 5% of the share capital of our Company has any interest in any of our five largest suppliers in 2011, 2012, 2013 and the six months ended June 30, 2014.

Procurement of Raw Materials, Parts and Components

We purchase a wide variety of raw materials, parts and components from suppliers. The key raw materials, parts and components used in the manufacturing of our products include steel, tires and a variety of fabricated or manufactured parts and components, such as engines and axles. During the Track Record Period, we procured engines from Liuzhou Wuling Liuji Powertrain Co., Ltd. for our CUV models and from Shenyang Aerospace Mitsubishi Motors Engine Manufacturing Co., Ltd. for our BJ vehicle models. In addition, we also purchase manufacturing equipment, molds, spare parts, supporting materials and information technologies and services. During the Track Record Period, our procurement costs (raw materials used in cost of sales, exclusive of the procurement costs of vehicles from Yinxiang Motor in 2013) accounted for 88.1%, 95.1%, 87.2% and 89.5%, respectively, of our total cost of sales during the same periods.

Auto parts and components, such as engines, vehicle bodies and transmissions, constituted substantially all of our raw material costs during the Track Record Period, and we normally purchase a small amount (approximately 1% to 5% of our raw material costs) of raw materials, primarily steel plate, directly from raw material suppliers. Historically, our operations have not been subject to any material price fluctuations of raw materials. We usually enter into separate agreements with our suppliers to provide for the prices and payment terms of the raw materials, parts and components, which typically have a term of one year. To avoid any price fluctuation risk, we usually fix the prices of raw materials, parts and components procured by us during the term of such agreement.

We have taken various initiatives to reduce or control our procurement cost without compromising on the quality of our products. We believe that, as a result of our increasing production scale and procurement volume, our increasing bargaining power has helped us to reduce the prices of raw materials, parts and components through negotiation with our suppliers. In addition, we have continuously optimized the design of our passenger vehicle products to achieve higher cost effectiveness. We have also initiated the standardization and modularization of the parts and components to be used in our passenger vehicles, which has not only improved our production efficiency, but also improved the cost structure of our products.

During the Track Record Period, we have not experienced any material shortage of supply or delay of automobile parts or raw materials from our suppliers.

Selection and management of suppliers

Automobile parts, raw materials and other consumables are procured separately and purchased from pre-selected suppliers under each of Beijing Motor and Beijing Benz. We have established a system to identify and manage qualified suppliers, and we require all procurement to be made through qualified suppliers.

We have implemented stringent controls over our supplier selection process to ensure that the quality of the raw materials and automobile parts meet our standards. The supplier management department of each of Beijing Motor and Beijing Benz is in charge of the selection and management of suppliers. Before we commence the procurement of new automobile parts or raw materials, the supplier management department will collect information regarding potential suppliers and prepare a list of candidates. The research and development department, the supplier management department and the quality control development will conduct on-site inspections of these supplier candidates. The selection of suppliers is generally determined by taking into account, among other things, research and development capabilities, quality control systems and product certification systems, production capacity, after-sales services, and procurement, warehousing, logistics management and cost-control capabilities.

Procurement procedures

With respect to raw material, parts and components, we usually require bidding among our qualified suppliers. For procurement of small amounts, we may invite bids from several qualified suppliers.

We have introduced a quality-control system to ensure that all raw materials and automobile parts and components delivered to our operating entities conform to our specific quality control requirements. Our procurement system requires sampling and small-scale trial installations before we launch the mass production of new products.

For the procurement of equipment, we usually publicly invite equipment suppliers to bid for the project in accordance with our specifications.

Based on the notice of production plans from the production departments, each month, we notify the suppliers of our demand for the next month and our estimated needs for the two months following the next month, in order to secure sufficient supply. The suppliers must report to us in advance if they cannot satisfy any of our requirements.

We have stringent quality control requirements for the manufacturing facilities and raw materials, parts and components used by our suppliers. We stipulate such requirements in the supply agreements. Our quality control personnel also conduct onsite inspections to ensure the quality of our supplies.

We review our suppliers' production capacities and technical capabilities on an annual basis. Each year, we evaluate the performance of our qualified suppliers. Outperforming suppliers will have an increased chance of working on our new products in the future. On the other hand, we may cease future cooperation with underperforming suppliers for our new products.

Supply agreements

Once a supplier wins a bid, we typically enter into a legally binding framework agreement without a specified term with that supplier.

The framework agreement requires that our suppliers must possess necessary quality control certification, such as ISO9000, ISO/TS16949, QS9000 and VDA6.1. In addition, our suppliers are required to conduct full-scale production evaluation at least once every year, and they are required to submit the evaluation reports to us promptly.

Our suppliers are not allowed to change any specification stipulated in the framework agreement, such as raw materials, processing technologies and quality inspection, without our prior approval. Any necessary change must undergo our internal review and approval procedures. In addition, our suppliers are not allowed to outsource their work to third parties without our prior approval. For the sub-suppliers to our suppliers, we retain the rights to appoint the sub-suppliers of key products or services, carry out quality evaluation of the sub-suppliers, participate in the negotiation of the sub-supply agreements, and conduct quality inspection of the sub-suppliers and their products.

We usually require our suppliers to provide a warranty for a certain period, which should be no less than the warranty of the passenger vehicles sold by us to our end-user customers. All raw materials, parts and components are subject to guarantee of free repair, replacement and return in accordance with PRC laws and regulations. Our suppliers are solely responsible for any defects not caused by us and any subsequent damages incurred by us or third parties, including our end-user customers. For defective raw materials, parts and components, we may request replacements and return by the relevant supplier.

We usually enter into separate agreements with our suppliers to provide for the prices and payment terms of the raw materials, parts and components, which typically have a term of one year. To avoid price fluctuation risk, we usually fix the prices of raw materials, parts and components procured by us during the term of such agreement. We usually negotiate the prices of raw materials, parts and components with our suppliers on an annual basis. We have been able to enjoy continuous price decreases through such negotiation, which we believe was due to our increased bargaining power as a result of our business expansion. The prices are usually inclusive of all expenses, such as packing and logistics costs.

In certain cases, to ensure the quality of the parts and components provided by our suppliers and leverage our extensive procurement network, we designate the sources of raw materials to be used by such suppliers, which also helps reduce our procurement costs.

We are entitled to terminate the framework agreement for cause, including the bankruptcy or liquidation of the supplier, force majeure, material breach of the framework agreement by the supplier and material difficulty in developing the goods to be procured by us. Both we and our suppliers are entitled to terminate the framework agreements by a written notice for a certain period without cause.

Payment

For important parts and components, such as engines, transmissions and axles, Beijing Motor usually enjoys a credit term from 30 days to 90 days. For other parts and components, Beijing Motor usually enjoys a credit term from 60 days to 90 days following the month of procurement. We believe this helps us maintain a good relationship with our key suppliers, while allowing us to improve our liquidity position. Beijing Benz usually settles payment within 75 days to 105 days for domestic supplies and knock-down kits following the months when the purchases occur.

For the purchase of equipment, we usually pay 30% of the total purchase price within one month after we enter into the purchase agreement, 30% when the equipment is ready for installation and 30% upon the final quality inspection. This settlement process may last as long as two years. Upon the final quality inspection, we usually keep 10% of the total purchase price for two years as a quality deposit.

Localization

Substantially all of the procurement of Beijing Motor is carried out in China. We import certain raw materials, parts and components from countries such as Germany and Japan. The following table sets out the percentages of the raw materials and automobile parts procured domestically and overseas by Beijing Benz for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2011	2012	2013	2014
Domestic procurement	47.7%	44.0%	45.1%	45.5%
Overseas procurement	52.3%	56.0%	54.9%	54.5%

Without compromising the quality of our products, we endeavor to be more cost-effective by encouraging further localization of the supply of automobile parts, raw materials and other supplies.

Daimler AG maintains a global procurement and supply system that benefits the procurement of raw materials, parts and components of Beijing Benz, which has built a network of suppliers from all over China and intends to further enhance its localization rate. Meanwhile, in mid-2014, we started exporting core engine components (cylinder heads, cylinder blocks and crankshafts) manufactured by Beijing Benz to Germany for engine production, and we are committed to a process that would integrate our products into the global procurement and supply system of Daimler AG.

CUSTOMERS

During the Track Record Period, we sold most of our passenger vehicles through dealers in the PRC. We also sell automobile parts and components to other automobile manufacturers. During the Track Record Period, approximately 100.0%, 100.0%, 97.1% and 99.7%, respectively, of revenue was derived from our dealers. In addition, we have carried out direct sales of Senova D70 to end-user customers, which include governmental entities. We sold 2,502 units of Senova D70 directly to our end-user customers and generated revenue of approximately RMB369.8 million in 2013; and we sold 695 units of Senova D70, Senova D50 and E-Series vehicles directly to our end-user customers and generated revenue of approximately RMB75.4 million in the six months ended June 30, 2014. Revenue from direct sales contributed nil, nil, 2.9% and 0.3% of our total revenue, respectively, during the Track Record Period.

In 2011, 2012, 2013 and the six months ended June 30, 2014, sales to our five largest customers accounted for approximately 26.2%, 17.7%, 9.2% and 4.9% of our revenue, respectively, and our largest customer accounted for approximately 10.9%, 4.8%, 2.6% and 1.1% of our revenue during those same years, respectively.

During the Track Record Period, certain of our five largest customers were our related parties. In 2011, our second largest customer, Beijing Hyundai was our related party, accounting for 8.1% of our total revenue in that year. In 2012, our largest customer Beijing Hyundai, our fourth largest customer Beijing Pengyuan Automobile Sales Service Co., Ltd. and our fifth largest customer Zhongnongtong (Beijing) Automobile Sales Co., Ltd. were our related parties, accounting for 10.4% of our total revenue in that year. In 2013, our largest customer Beijing Pengyuan Automobile Sales Service Co., Ltd. and our second largest customer Beijing Hyundai were our related parties, accounting for 4.8% of our total revenue in that year. In the six months ended June 30, 2014, none of our five largest customers was our related party.

In 2011 and 2012, in terms of revenue, we exported approximately 10.0% and 6.0% of our products, respectively, mainly including passenger vehicles to overseas customers. Our products were exported mainly to Russia, Chile and Peru. We did not export any passenger vehicles in 2013 and the six months ended June 30, 2014.

Our Directors have confirmed that we do not have any reliance on our top customers, and we do not expect any material difficulties to find replacement dealers in the market. We have at least one to three years of relationships with our dealer customers.

Save as otherwise disclosed in this prospectus, none of our Directors or their associates or, to the knowledge of our Directors, any Shareholder with over 5% of the share capital of our Company had any interest in any of our five largest customers in 2011, 2012, 2013 and the six months ended June 30, 2014. During the Track Record Period, none of our major customers was our major supplier.

DEALERS, SALES AND MARKETING

As an industry norm, we primarily distribute our products through our dealers. We believe this has helped us grow our sales quickly. We have established extensive distribution networks in China. We have a seller-buyer relationship with our dealers. We retain no ownership control over the passenger vehicles sold to our dealers. Sales and marketing activities are carried out separately under Beijing Motor and Beijing Benz. We enter into a dealership agreement with each of our dealers, which stipulates the products sold by the dealers and annual sales targets. We provide the base sales prices of our products sold to our distributors every year, and the actual sales prices may be adjusted pursuant to the market conditions during the year.

Our Dealership Network

The following table sets forth the number of dealers, and dealership outlets operated by these dealers, for each of the Beijing Motor and Beijing Benz distribution networks as of the dates indicated:

	As of December 31,			As of June 30,	As of the Latest Practicable Date
	2011	2012	2013	2014	
Beijing Motor					
Dealers	73	253	413	468	527
Dealership outlets	73	253	413	468	527
Beijing Benz					
Dealers	143	173	238	274	303
Dealership outlets	212	262	341	380	406

Beijing Motor

As of the Latest Practicable Date, Beijing Motor had 527 dealers and 527 dealership outlets.

The following table sets forth the change in the number of Beijing Motor's dealers and dealership outlets operated by these dealers for the periods or as of the dates indicated:

	For the year ended or as of December 31,										For the six months ended or as of June 30,		
	2010	2011			2012			2013			2014		
	Total	New	Terminated	Total	New	Terminated	Total	New	Terminated	Total	New	Terminated	Total
Dealers	—	73	—	73	182	2	253	179	19	413	89	34	468
Dealership outlets	—	73	—	73	182	2	253	179	19	413	89	34	468

Beijing Benz

As of the Latest Practicable Date, Beijing Benz had 303 dealers and 406 dealership outlets.

Beijing Benz and Daimler AG used to manage their own distribution networks separately in the PRC. In December 2012, Beijing Motor and Daimler Greater China (a wholly-owned subsidiary of Daimler AG) established Benz Sales Service, a joint venture that functions as an integrated sales and distribution platform for imported and domestically manufactured Mercedes-Benz passenger vehicles. The passenger vehicle models imported from Daimler AG for sale in China differ from those that Beijing Benz manufacture and sell in China. We and Daimler AG work together to determine what models of Mercedes-Benz passenger vehicles would be domestically manufactured in China and at what time and pace, on the basis of our joint assessment of expected market demand for specific models and other business considerations. As a result, we have been focusing on regular models of the C-Class, the E-Class and the GLK-Class that target family and business users and have large market demand. Once a particular model under the Mercedes-Benz brand becomes domestically manufactured in China, it is no longer imported from abroad for sale in China. No passenger vehicles under the C-Class, the E-Class and the GLK-Class are imported into China except for certain special models, such as the estate, coupe and AMG high performance models for the C-Class and coupe and cabriolet models for the E-Class, which target a small group of customers in China and have lower sales volume and higher selling prices compared to the regular models manufactured by us. For the foregoing reasons, our Directors believe that the competition between the domestically manufactured and imported Mercedes-Benz passenger vehicles is limited.

Benz Sales Service is mainly responsible for the marketing and sales of both imported and domestically manufactured passenger vehicles of Mercedes-Benz, after-sale services, development of dealership networks, used vehicles and enterprise customer services and training of dealers. Beijing Benz entered into a service agreement with Benz Sales Service in February 2013. Pursuant to this agreement, Benz Sales Service will provide sales services to Beijing Benz, including:

- discussing with Beijing Benz's management and preparing the annual product sales budget and proposals;
- implementing the annual product sales budget and proposals;
- negotiating contracts on behalf of Beijing Benz;
- providing Beijing Benz with all information relating to the services provided by Benz Sales Service, including but not limited to the information of the customers and after-sales services; and
- providing Beijing Benz with other reasonable and necessary assistance.

Beijing Benz enters into contracts that are negotiated by Benz Sales Service with dealers in its own name. Beijing Benz is responsible for the logistics and settlement arrangements with its dealers. Through Benz Sales Services, our Group and Daimler AG develop the dealership network for Mercedes-Benz passenger vehicles in a joint effort. As of the Latest Practicable Date and to our best knowledge after due and careful enquiries, Daimler AG does not operate dealerships that compete with those of the Group.

Benz Sales Service charges service fees from Beijing Benz. Based on the service agreement entered into between Beijing Benz and Benz Sales Service by arm's length negotiation, the amount of the service fees is determined on an annual basis and the payment terms vary each year. For example, in 2014, the amount of service fees charged by Benz Sales Service is calculated based on projected annual sales volume and projected net income. For 2015 and thereafter, the service fee and payment terms are subject to further negotiation between Beijing Benz and Benz Sales Service and will be reflected in the supplemental agreements.

In 2013 and the six months ended June 30, 2014, the service fees charged to Beijing Benz were approximately RMB132.1 million and RMB172.1 million, respectively.

This agreement has a term of ten years, which can be automatically extended upon expiry. Both parties can terminate this agreement through a written agreement.

The following table sets forth the change in the number of Beijing Benz's dealers and dealership outlets operated by these dealers for the periods or as of the dates indicated:

	For the year ended or as of December 31,										For the six months ended or as of June 30,		
	2010	2011			2012			2013			2014		
	Total	New	Terminated	Total	New	Terminated	Total	New	Terminated	Total	New	Terminated	Total
Dealers	122	21	—	143	30	—	173	65	—	238	36	—	274
Dealership outlets	166	46	—	212	52	2	262	83	4	341	41	2	380

Domestically manufactured and imported Mercedes-Benz passenger vehicles are distributed through the same group of dealers and dealership outlets as shown in the table above. During the Track Record Period, the number of our dealers and dealership outlets increased in line with our business expansion. We terminated certain dealers and dealership outlets due to unsatisfactory performance. In addition, Beijing Benz terminated certain dealership outlets due to the reorganization of its distribution network. Our Directors have confirmed that we have not had any material dispute with our dealers during the Track Record Period.

Expansion plan

We plan to further improve the dealership network of Beijing Motor by opening more dealership outlets in first-tier and second-tier cities in coastal regions in China, such as Guangdong Province, Fujian Province, Guangxi Province, Zhejiang Province and Jiangsu Province, and increasing Beijing Motor's penetration in third-tier and fourth-tier cities in the PRC.

With the cooperation arrangement with Benz Sales Service and a more integrated structure, Beijing Benz will accelerate new dealership outlet openings and at the same time shift the expansion focus of its distribution network to third- and fourth-tier cities in an effort to establish an early foothold in more quickly developing regions.

Selecting dealers and opening new dealership outlets

We formulate our dealership network expansion plan annually. Before entering into new markets, we consider a number of factors, such as the penetration rate of passenger vehicles, our sales plan, the local economic conditions and growth potential. In addition, we take into account the profitability of our dealers to ensure the sustainable growth of our business.

An open application process is carried out to allow all candidates to apply for new dealerships and dealership outlets. We select our dealers based on their operating size, location, status of land occupied by them, credit record, financial condition, service capabilities, transportation conditions around the proposed dealership outlet, IT facilities and management team. To grant a license, we require a candidate to submit a proposal setting forth its own market analysis and business plan, together with the evidence of the ownership of or the right to use the land and/or buildings where the planned dealership outlet is to be located. After we review and compare proposals from various candidates, we identify the ones to whom a new dealership authorization may be granted. We then visit the venue of the potential dealership outlet to conduct an on-site inspection, and interview the management team candidates of the new outlet. After the interviews, we make the final decision for the new outlet. It usually takes us up to ten months to approve an application for a new dealership.

Once a new dealer is selected, we enter into a letter of intent with the dealer, which typically sets forth the detailed time frame to establish the new outlet, the minimum capital expenditures and the qualification of the management team members of the new outlet. We also provide detailed guidelines for the establishment of the new outlet, including standard internal and external decoration, display of our logos and vehicles, and the time frame for the construction and launch of the new outlet. The dealer is required to develop the dealership outlet in accordance with our requirements. In addition, we will provide the candidate with our proprietary information technology system, which is to be installed in the outlet to track the sales and inventories of the outlet and collect relevant information. We also engage third-party supervision companies to monitor the work onsite. A new outlet must strictly follow our instructions, pass our inspection and obtain our formal authorization before it can commence operations.

We plan the overall geographical distribution of our dealership network with a view to minimizing intra-network competition and promoting the organic and steady growth of our dealership network. There is no material competition among the dealers in the same area or targeting the same market.

Our Directors confirm that the increase in sales during the Track Record Period did not result in the accumulation of inventory at the dealers, because (i) we formulate the sales targets of our dealers based on their historical performance as well as market conditions, and adjustments may be made if the dealers fail to meet such sale targets; (ii) orders placed by our dealers are demand-driven and we have maintained communication with our dealers to understand the actual demand for our passenger vehicles so that we are able to manage our production levels accordingly; (iii) we keep track of our dealers' inventory information, which helps us to better monitor and manage the inventory level in the sales channel; (iv) we have a seller-buyer relationship with our dealers and we retain no ownership over the passenger vehicles sold to our dealers while our dealers do not have the right to return any unsold passenger vehicles to us except for defects; and (v) our dealership network does not adopt a multi-level structure, and our dealers are also retailers that sell directly to end-user customers, which lessens the risk of inventory accumulation at the dealers. There is nothing that leads the Joint Sponsors to disagree with our Directors' view.

Dealership agreements

We generally enter into legally binding dealership agreements with the dealers for each of the outlets. The dealership agreement governs the operations of each outlet. Under these agreements, we specify the locations of the outlets. Our personnel will conduct on-site visits, including unscheduled visits, to check for the compliance of the dealers with these requirements. We will set sales targets for the dealers, regularly evaluate their performance and end-user customer satisfaction, and conduct regular inspection. Our existing dealership agreements typically require the dealership outlets to:

- sell only our brands of passenger vehicles and other products at a particular outlet;
- make full payment for the passenger vehicles purchased prior to shipment and take ownership and assume risk for the passenger vehicles either upon shipment or upon delivery;
- provide designated services, such as passenger vehicle maintenance and repair, as well as provision of spare parts;
- carry out marketing and advertising activities for our products;
- adhere to our layout and design guidelines for the outlets; and
- observe our sales policies.

Our dealers do not have the right to return any unsold passenger vehicles, except for defects. Our Directors have confirmed that, during the Track Record Period, we have not experienced any material product return from our dealers.

The dealership agreements usually have terms between one and five years. Pursuant to these dealership agreements, we can terminate the agreements with written notice for a variety of reasons, including the dealer's failure to abide by the agreements, and unapproved changes to the dealer's ownership or management structure that would affect its ability to meet its contractual obligations.

The dealership agreements permit the outlets to use our trademarks, trade names and other marketing and branding content in ways consistent with standards set by us to promote sales at the dealership outlets.

Control and evaluation

We have established an extensive dealership management system to actively manage our dealership network. We have dedicated personnel to manage our dealers. We require the dealers to provide us promptly with their sales information, which helps us to monitor their sales activities closely. In addition, to ensure that our dealers provide us with sales information in a timely manner, our sales personnel conduct on-site visits and spot-checks from time to time and carry out analysis of the sales information on our information technology system. Our sales personnel and sales regions are responsible for submitting regular reports to the sales departments. We believe these measures allow us to gather end-user customer feedback so that we can understand our end-user customers' preferences and changing demand to improve the design, production and planning of our products promptly and efficiently.

We provide a number of training programs to our dealers. Prior to the launch of a new outlet, we require all of the outlet's key personnel to attend our mandatory training programs. In addition, we also require our dealers to attend other mandatory training programs at times such as prior to launching a new model to enable our dealers to obtain first-hand knowledge of our new products and ensure the quality of the services provided to end-user customers.

During the Track Record Period, we were not aware of any of our dealers committing any material breach of any of the dealership agreements.

Sales targets

Based on our production plan and after discussion with our dealers, we set forth the annual sales targets for each of the outlets at the beginning of each year. These sales targets specify the sales volume of each model of passenger vehicle on a monthly basis. We decide the sales volume and models available to the outlets based on the analysis of their historical performance, including whether the sales targets in the previous year or period were met. We visit our dealers regularly to discuss with them their performance and market conditions. Based on such discussions, we may adjust our monthly sales targets accordingly. We may enter into supplemental agreements with the dealerships to adjust the sales targets as necessary.

If a dealer fails to meet the sales target, we will provide marketing and sales assistance, such as on-site tutoring, to help the dealer improve its performance. We may reduce the number of passenger vehicles allocated to a dealer if the dealer fails to comply with our policies or is unable to meet the sales target. If a dealership outlet's performance exceeds the sales targets, we may allocate more passenger vehicles of more popular models to the dealership outlet, which will in turn improve its results of operations.

Rebate

Following market practice in China, we incentivize our dealers through a rebate system. The rebate is typically determined with reference to the sales volume of new automobiles which our dealers purchase or sell, together with additional rebates based on the dealers' performance relative to their respective sales targets set by us.

We may grant our dealers additional rebates based on the evaluation of their overall performance, such as customer satisfaction, sales performance and marketing efforts. From time to time, we also offer special rebates for particular models of automobiles. Our rebates are usually settled by deducting the aggregate purchase price payable by the dealers for subsequent automobile purchase orders. The aggregate amount of rebates paid to dealers by us (excluding BAIC Limited) in 2011, 2012, 2013 and the six months ended June 30, 2014 was RMB10.5 million, RMB129.9 million, RMB889.8 million and RMB2,859.9 million, respectively.

Sales process

Our dealers place orders for our passenger vehicles through our information technology system in accordance with the schedules set forth in the monthly sales targets for the dealers.

We closely track the sales of, and demand for, our products in order to manage our production process and our supply, with a view to minimizing our inventory while allowing us to meet the market demands for our products on a timely basis. We adjust our production plans in accordance with our inventory level. We maintain communication with our dealers to ensure that if actual demand differs from our projection, we will be able to adjust our production levels. In addition, we require all of our dealers to purchase spare parts and components from us or suppliers designated by us in order to ensure the quality of spare parts and components provided to our customers.

Pricing Strategy

The price of each model of passenger vehicle is determined separately by Beijing Motor and Beijing Benz. Pricing is primarily determined by the cost of the product, the prices of competitive products and market demands. We review our pricing model at the very beginning of the development of a new model, and we review the pricing when the development is complete, as well as before the formal launch of the model. In addition, we will review and adjust the prices of our passenger vehicles in a timely manner and in accordance with prevailing market conditions.

We set forth manufacturer's suggested retail prices. Our dealers are allowed to adjust the retail prices based on market conditions.

Delivery and Payment

Our dealers place orders directly with us. The monthly purchase volume and models of new passenger vehicles sold by a dealership outlet are based on the sales targets and are adjusted by taking into account the outlet's current inventories, anticipated customer demand, expected sales trends and the delivery schedule of various passenger vehicle models.

Title of passenger vehicles is passed to dealers and revenue of passenger vehicle sales is recognized upon the delivery of the documents of the passenger vehicles, including the vehicle certificates, to the dealers or the banks that provide funding to the dealers, and the delivery of the passenger vehicles to the dealers, which usually happens when we deliver the passenger vehicles to third-party logistics service providers, or when the dealers pick up the passenger vehicles from our warehouse by themselves, except for the situation disclosed under "—Tripartite Financing Arrangements." Also see "Financial Information—Critical Accounting Policies, Judgments and Estimates—Revenue Recognition."

Beijing Motor typically requires its dealers to pay for the procurement of new passenger vehicles in full, by either cash or bank acceptance notes with terms between three and six months before the delivery. Beijing Motor does not provide any credit term or financing to dealers. Beijing Benz provides a credit term between three and six months to its dealers with strong credit histories and long-term relationships with Beijing Benz. During the Track Record Period, we have not experienced any material default by our dealers.

Tripartite Financing Arrangements

We have entered into tripartite financing agreements with PRC commercial banks, pursuant to which certain dealers, which are qualified under the requirements of the commercial banks, can pledge the passenger vehicles they purchase from us to these commercial banks to secure bank borrowings. In a tripartite financing arrangement, a dealer pledges the vehicles it purchased from us to the bank to obtain financing, and in case of default by the dealer, we are obligated to repurchase the pledged vehicles and use the purchase price to repay the bank borrowing. We do not record revenue from these sales until our repurchase obligation lapses, which occurs when the dealer repays the bank borrowing and the dealer obtains the certificates of the pledged vehicles from the banks.

It is an industry practice for car dealers in China to obtain financing through tripartite financing arrangements. It is difficult and time-consuming for car dealers to obtain financing directly from banks and other financial institutions without any forms of guarantee or credit enhancement. The availability of tripartite financing arrangements provides a more accessible financing solution to car dealers, enabling them to grow their sales network and business scale more quickly and be less vulnerable to fluctuations of economic and credit conditions. This could also reduce our credit risks associated with our dealers and help us build a long-term relationship with them.

We select qualified dealers for tripartite financing arrangements based on a review and inspection of their dealership and network licenses, financing needs, track records with banks, inventory balance and compliance with PRC regulations. During the term of a tripartite financing agreement, we regularly meet with the bank and the dealer to compare our books and conduct data-based and physical checks to monitor a dealer's sales log, inventory balance and financial exposure in order to assess and control our credit risk under the tripartite financing agreement. These procedures allow us to identify any early warning signs and take precautionary measures in advance. We also create credit profiles for our dealers who participate in the tripartite financing agreements and have the right to reduce or terminate our business with a dealer whose credit standing has deteriorated. As of December 31, 2011, 2012 and 2013 and June 30, 2014, the cost of pledged vehicles under the tripartite financing agreements amounted to RMB0, RMB111.8 million, RMB938.3 million and RMB1,110.1 million, respectively.

Our Directors have confirmed that we have not experienced any incidents that would require us to repurchase the passenger vehicles from our dealers during the Track Record Period. Our PRC legal advisers have confirmed that the tripartite financing agreements we have entered into are legal, valid and enforceable under PRC laws.

Warranty and After-sales Services

We are committed to providing excellent after-sales service to our end-user customers. We comply strictly with the repair, replacement and return policies as required by relevant PRC laws and regulations. Beijing Motor offers similar services to our end-user customers one year earlier than required under the PRC government regulations on liabilities of manufacturers for repair, replacement and return of faulty automobiles. We believe our commitment to after-sales service has contributed to our brand recognition, business growth, improved performance and enlarged end-user customer base.

Our end-user customers may seek free repair and maintenance services, including replacement of parts and components due to quality defects, during the warranty period. End-user customers are entitled to services from any of our dealership outlets, regardless of their purchase location. We generally offer limited warranty coverage for certain types of repairs for new passenger vehicles. Beijing Motor offers a warranty covering repairs caused by defects in spare parts or workmanship within a period ranging from three to five years or within a mileage from 60,000 to 100,000 kilometers following sales, whichever is earlier. Beijing Benz offers a warranty covering a period of three years following sales. We generally do not conduct warranty repair services. Instead, we provide in-warranty repair services through dealership outlets, and reimburse the dealers for in-warranty repairs conducted.

Out-of-warranty repair services are provided by our dealers on a fee-basis, which includes replacement of parts due to wear and tear or repair of damage resulting from collisions or other accidents. Other than quality issues, and in compliance with the applicable PRC laws, we do not accept any return of products. During the Track Record Period, we have not experienced any material return of automobiles under our proprietary brand (including Senova, BJ and Wevan) or Mercedes-Benz from the end-user customers.

We require our dealers' sales personnel to contact end-user customers within the time periods stipulated by us after the sales of the passenger vehicle for any feedback end-user customers may have. For any quality complaint received by us, we require our dealers to contact end-user customers within the time limit stipulated by us. Whether our dealers can successfully repair passenger vehicles in the first round of services is taken into account as an important indicator during the performance evaluation of our dealers.

In 2011, 2012, 2013 and the six months ended June 30, 2014, we recorded warranty expenses on repair and maintenance in the amount of approximately RMB16.9 million, RMB53.5 million, RMB101.3 million and RMB168.6 million, respectively, and we had product warranty provisions in the amount of approximately RMB8.3 million, RMB52.5 million, RMB1,028.7 million and RMB1,161.7 million, respectively, as of December 31, 2011 and 2012 and 2013 and June 30, 2014.(1) The increase in provision as of December 31, 2013 and June 30, 2014 was mainly due to (i) the significant increase in sales of passenger vehicles of Beijing Motor; and (ii) the addition due to the consolidation of Beijing Benz's results from November 18, 2013. Our Directors have confirmed that the provision for warranty is adequate.

Marketing

We have placed great emphasis on promoting and marketing our brands and products to our end-user customers. As of the Latest Practicable Date, we had over 800 dedicated sales and marketing personnel. We intend to strengthen our marketing and promotion efforts continuously.

Marketing campaigns

Our marketing and brand-building activities include advertisements on television, print media and the internet, participating in and organizing new model launch events, seminars, trade shows and exhibitions to showcase and seek end-user feedback for our products. We organized the driving shows

(1) Inclusive of Beijing Benz's warranty expenses on repair and maintenance for the period from November 18, 2013 to December 31, 2013 and the six months ended June 30, 2014 and Beijing Benz's provision as of December 31, 2013 and June 30, 2014.

with the world-famous original "Saab Pilots" in Hong Kong and the PRC in 2013, which helped us promote customers' awareness of our Senova product series and its Saab heritage. We have continued to organize these shows in the PRC in 2014.

Beijing Motor markets its products over the Internet. It has an established marketing platform on social networks, such as Weibo and WeChat, to promote its products and closely communicate with its existing and potential end-user customers.

We rely on our dealers to carry out regional marketing campaigns. We require our dealers to submit their annual marketing budgets and plans at the beginning of every year. We will review and provide our comments on these plans, and our dealers are required to obtain our approval before they can carry out the marketing campaigns. We also invite our dealers to participate in our own marketing campaigns, including new model launches, sponsorships, owner club activities and other events.

End-user customer relations management

We strive to improve our end-user customer satisfaction and loyalty and maintain good relationships with our end-user customers. We have established and maintained a database of information regarding our customers, from which we analyze market trends and customer demand. Based on this database, we carry out personalized marketing initiatives. In addition, we also rely on our existing customers' referral for new business opportunities.

We have established vehicle owners' clubs for end-user customers of the passenger vehicles under our Beijing brand, and organize regular events, such as seminars, test-drives of new models and other promotional events. We provide toll-free hotlines to provide advice and guidance to help our end-user customers find the passenger vehicle that suits their needs.

Beijing Motor is in the process of developing a customer relations management system, which will provide us with an integrated customer relations management platform, enable us to improve our end-user customer service quality and enhance our end-user customers' loyalty to our passenger vehicles.

INVENTORY MANAGEMENT

As of December 31, 2011, 2012 and 2013 and June 30, 2014, we had inventories of approximately RMB441.4 million, RMB835.1 million, RMB7,479.1 million and RMB6,133.2 million, respectively.[1] Provision for impairment is recognized for the amount by which the carrying amount of the inventories exceeds its recoverable amount. See "Financial Information—Inventory" for further details.

Beijing Motor and Beijing Benz have established their respective inventory control systems to monitor the stock level of raw materials, parts and components, work-in-progress and finished goods. We use an enterprise resource planning, or ERP, system to ensure the efficient and effective management of our inventories. This ERP system keeps a record of our inventories so that we have ready access to inventory levels and movement. We have management procedures that monitor the planning and allocation of warehouse space and inventory of raw materials and finished products to meet the delivery requirements and schedules. We also carry out inventory counts on a regular basis to ensure that our records are up-to-date.

(1) Inclusive of Beijing Benz's inventories as of December 31, 2013 and the six months ended June 30, 2014.

Raw Materials, Automobile Parts and Components and Work-in-Progress

We implement just-in-time inventory policy to minimize our inventory costs and improve our operational efficiency. Under the just-in-time inventory system, raw materials and automobile parts and components procured are delivered directly to the production lines or delivered to a centralized temporary storage area for further delivery to the relevant production lines. Generally, the raw materials and automobile parts and components are placed into the production process only when they are used. The volume of semi-manufactured products are minimized and kept at an appropriate level to facilitate the production process. Detailed data of inventory levels is timely updated into a central database and can be checked and monitored at all times. In addition to the just-in-time inventory policy, we issue detailed guidelines in order to conduct proper reviews of inventory levels.

Finished Products

In order to shorten the lead time for delivery of our products, we adjust our planned inventory levels according to our current inventory level and the estimates of demand for the coming month. We closely monitor our finished passenger vehicles' inventory level. We also implement detailed guidelines on the recording of finished products.

In addition, the dealers of Beijing Motor and Beijing Benz are equipped with their respective proprietary information technology systems, which are installed in the dealership outlets to track the sales and inventory level of our dealers. Through this system, we are able to closely monitor the sales of, and demand for, our products in order to manage our production process and our supply, with a view to minimizing our inventory, while allowing us to meet the market demands for our products on a timely basis. Based on such information, we may adjust our production and inventory plans accordingly.

INTELLECTUAL PROPERTY RIGHTS

We believe that our intellectual property rights have been, and will continue to be, critical to our success. As of June 30, 2014, we had registered 117 trademarks. As of June 30, 2014, we have also applied for registration of 16 trademarks, including Senova (SENOVA), which are still pending approval by the relevant governmental department. We are entitled to use all of the trademarks required for our operations.

In March 2011, our Company entered into four non-exclusive trademark license agreements with BAIC Group, pursuant to which BAIC Group agreed to grant to our Company non-exclusive licenses to use four trademarks and related logos and designs registered in the name of BAIC Group in China, namely 北 京, 北京汽车, and , from March 2011 to February 2016, which are used for our BJ and Wevan passenger vehicles. The registration of the trademarks licensed to Beijing Motor under such agreements are due to expire between 2016 and 2023, and BAIC Group can apply for a successive ten-year extension before the expiration of the registration of the relevant trademarks. No license fee will be payable by us under these trademark license agreements. See "Connected Transactions."

In May 2014, we entered into a non-exclusive technology licensing agreement with Yinxiang Motor for the production of M20. Pursuant to this agreement, Yinxiang Motor licenses the production technology of M20 to us and allows us to manufacture and sell M20 in China. We are not required to pay license fees. This agreement will expire in 2024, which can be extended by mutual agreement between the parties. If any party wishes not to extend this agreement, a six-month notice before the expiration date is required.

In April 2005, June 2011 and October 2011, Beijing Benz entered into two exclusive technology license agreements and a non-exclusive trademark license agreement, respectively, with Daimler AG, which allow Beijing Benz to use the technologies and trademarks as set out in the relevant license agreements for the manufacture and sale of Mercedes-Benz passenger vehicles, as well as automobile parts and components in the PRC. These agreements will expire on the expiry date of Beijing Benz's joint venture agreement. Beijing Benz is required to pay a royalty fee to Daimler AG under each of these license agreements, which is calculated based on the sales of Beijing Benz.

The development and protection of our intellectual property portfolio is crucial to our business growth. As of June 30, 2014, we held 1,114 patents and have made 995 patent applications in the PRC. We expect that we will continue to apply for additional patents in the future as we develop new products, technology and designs. We also possess unregistered trade secrets, technologies, know-how, processes and other intellectual property rights.

We rely on trade secret protection and confidentiality and non-competition agreements to safeguard proprietary know-how that is not patentable or for which patents are difficult to enforce. All of our personnel who have access to sensitive and confidential information have entered into confidentiality and non-competition agreements with us. In addition, whenever sensitive information is being handled, there is a strict series of procedures and rules in place to protect such sensitive information, including restricted access to such sensitive information to qualified individuals who have passed the necessary background checks.

See "Appendix VI—Statutory and General Information—2. Further information about our Business—B. Our intellectual property rights" of this prospectus for additional information.

COMPETITION

The PRC passenger vehicle industry is highly competitive. According to ACMR, as of December 31, 2013, there were 113 automobile manufacturers in the PRC. We face increasing competition from international automobile manufacturers, Sino-foreign joint-ventures and other domestic automobile manufacturers. Mercedes-Benz-brand passenger vehicles mainly face competition from brands such as BMW and Audi, which are all international premium brands and are either imported into China or manufactured by Sino-foreign joint-ventures of these brands. Hyundai-brand passenger vehicles mainly face competition from international brands, such as Volkswagen, Nissan, Buick, Toyota and Honda, the majority of which include those manufactured in China by Sino-foreign joint-ventures of these brands and a few of which are imported into China. For our proprietary brand business under Beijing Motor, Senova mainly faces competition from Roewe and MG, the E-Series mainly faces competition from BYD, Chery and Geely, and Wevan mainly faces competition from Wuling and Chang'an, all of which are manufactured by domestic automobile manufacturers.

Competition among automobile manufacturers depends on the ability to develop and launch new models accepted by the market, production capacity, distribution network, brand and services. See "Industry Overview" for a more detailed discussion of the PRC passenger vehicle industry.

ENVIRONMENTAL MATTERS

Our operations are subject to extensive national and local environmental laws and regulations relating to noise control, air and water emissions, water and ground protection, hazardous substances, waste management and the remediation of environmental pollution relating to our properties and operations. Our products must comply with the applicable safety, exhaust and performance standards adopted by the respective jurisdictions into which we sell our products. For details, see "Regulatory Environment." In 2011, 2012, 2013 and the six months ended June 30, 2014, our cost of compliance with environmental protection rules and regulations was approximately RMB15.8 million, RMB28.5 million, RMB35.2 million and RMB16.4 million, respectively. We expect our environmental compliance expenses to be approximately RMB38.8 million for 2014.

We are committed to clean production, reducing the emission of carbon dioxide and volatile organic compounds, the discharge of wastes and the consumption of energy and resources, and strengthening our sense of social responsibility. We have adopted advanced technologies and equipment to prevent and minimize pollution and we have not experienced any major accident causing environmental pollution. Both of Beijing Motor and Beijing Benz have obtained the ISO14001 Environmental Management Certification.

Our PRC legal advisers have confirmed that we have obtained all material environmental permits to conduct our production activities and we have complied with the applicable environmental laws and regulations in all material aspects in the PRC during the Track Record Period. We have not received any notifications or warnings, nor have we ever been subject to any fines or penalties in relation to any breach of any applicable environmental laws or regulations which would have materially and adversely affected our financial condition or business operations during the Track Record Period.

INSURANCE

We carry occupational injury, medical and unemployment insurance and other state-mandated insurance for our employees in compliance with applicable PRC laws and regulations. We have also maintained commercial insurance for our assets, as well as business interruption insurance, public liability insurance and machinery damage insurance.

Based on an assessment of the risk exposure of our operations, we believe that our insurance is adequate and is customary for passenger vehicle manufacturers in the PRC. We continually review and assess the risk exposure of our Group and our employees, and will make necessary and appropriate adjustments to our insurance coverage in line with our needs and industry practice and in compliance with regulatory requirements. However, we may still be subject to losses resulting from risks that are not covered by the insurance we currently carry, such as losses caused by weather, disease, civil strife, difficulties or delays in obtaining raw materials and equipment, natural disasters, terrorist incidents, industrial accidents or other causes. For details, see "Risk Factors—Risks Relating to Our Business—We have limited insurance coverage."

During the Track Record Period and up to the Latest Practicable Date, we had not received any material product liability or third-party liability claims from our end-user customers or any other third parties and have not experienced any material business interruptions.

OCCUPATIONAL HEALTH AND SAFETY

We are subject to relevant rules and regulations on occupational health and safety. For further details, see "Regulatory Environment." We have established a dedicated safety management department, which is responsible for handling production safety accidents and keeping records.

We have established comprehensive work safety policies and procedures to ensure that our operations are in compliance with applicable laws and regulations. In addition, in order to increase workplace safety awareness, we provide regular safety-related training to our employees. We also prepare a monthly production safety briefing to promote the awareness of safety among our employees. We have placed a number of warning signs at our work places. Work safety is also an important factor in our annual performance evaluation, and an employee who fails to pass the work safety review will fail his or her annual performance review.

During the Track Record Period, we have not had any material incidents of work-related injuries or casualties. Our PRC legal advisers have advised us that we have been in compliance with applicable health and safety laws and regulations in all material aspects in the PRC during the Track Record Period.

DISCONTINUED OPERATIONS

We produced commercial vehicles under our proprietary brand through BAIC Limited during the Track Record Period. In November 2012, we disposed of BAIC Limited to BAIC Group, because BAIC Limited has a different business focus from ours, and it had been incurring losses during the Track Record Period. For more details of such disposal, see "Relationship with BAIC Group—III. Delineation of the Businesses between the Excluded Companies and Our Company—4. BAIC Limited—Particular reasons for exclusion." We sold 25,739 units and 15,717 units of commercial vehicles and off-road vehicles for 2011 and the period from January to November 2012, respectively. In addition, we also provided logistics and other services during the Track Record Period. The net losses from these discontinued operations were approximately RMB196.2 million and RMB80.7 million, in 2011 and 2012, respectively. For more details, see "History, Reorganization and Corporate Structure" and "Financial Information."

PROPERTIES

Our headquarters are located at No. 99 Shuanghe Street, Shunyi District, Beijing. As of June 30, 2014, in the PRC, we owned the land use rights of 24 parcels of land with an aggregate site area of approximately 6,576,974 square meters and 86 properties with an aggregate gross floor area of approximately 970,238 square meters, and we leased nine properties with an aggregate gross floor area of approximately 157,526 square meters.

As of June 30, 2014, our property interests (property, plant and equipment, and land use right) represented approximately 14.0% of our total assets. Accordingly, this prospectus is exempt from the requirements under the Hong Kong Listing Rules and the Companies Ordinance to include a property valuation report. Pursuant to Rule 5.01A of the Hong Kong Listing Rules, a prospectus is exempt from this requirement if the carrying amounts of a listing applicant's property activities and non-property activities are below 1.0% and 15.0%, respectively. A similar exemption applies under Section 6 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, with respect to the requirement under section 342(1)(b) of the Companies (Winding up and

Miscellaneous Provisions) Ordinance and paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

Properties We Own

Land use rights

As of June 30, 2014, we owned the land use rights of 23 parcels of land in the PRC with an aggregate site area of approximately 6,570,821 square meters, for which we had obtained the relevant land use right certificates. These 23 parcels of land are primarily used for industrial purposes and are located in Beijing and Hunan Province.

As of June 30, 2014, we were in the process of obtaining the land use right certificate for one parcel of land located in Zhuzhou, Hunan Province with an aggregate site area of approximately 6,153 square meters, which is primarily used for residential purposes and accounted for approximately 0.09% of the aggregate site areas of land used by us. We purchased the land use right from Zhuzhou Hi-Tech Construction Project Co., Ltd. (an Independent Third Party), which is contractually responsible for obtaining the land use right certificate on our behalf. Our Directors are of the view that failure to obtain this land use right certificate will not have a material and adverse effect on our business because (i) we have fully paid the purchase price for this parcel of land and our PRC legal advisers confirm that there is no material legal impediment for us to obtain the title certificate of such parcel of land if necessary conditions and procedures provided in PRC laws and regulations are met; (ii) our business operations do not rely on this parcel of land as it is merely for residential purposes; and (iii) our Controlling Shareholder has agreed to indemnify us against any costs, expenses and losses to our operations or business as well as penalties and/or fines imposed by the relevant PRC authorities arising from the relocation of business or assets from any property with defects in title. As the building ownership certificates of the buildings located on this parcel of land were obtained and the application of the land use right certificates of such land were submitted to the relevant government land authorities, as well as based on the communications with the relevant government land authorities, it is expected that we will be able to obtain such land use right certificate within one year from the Listing Date. In addition, our PRC legal advisers believe that, although the existence of an outstanding land use right certificate on this acquired land will prevent this land from being bought, sold or being accepted by banks as security for mortgage, no ownership controversy or dispute which will have a material effect on our business regarding this parcel of land has been found, and given that this parcel of land without title certificate accounts for only a small proportion of the total area of land we use, this title defect will not individually or collectively have a material and adverse effect on our business and the Global Offering. The commitment of Zhuzhou Hi-Tech Construction Project Co., Ltd. to apply for the land use right certificate on our behalf in our land purchase agreement is legal, valid and legally binding.

Buildings

As of June 30, 2014, we owned 14 properties in the PRC with an aggregate gross floor area of approximately 755,090 square meters, for which we had obtained relevant building ownership certificates. These 14 properties are primarily used for residential, industrial, storage and other purposes and are located in Beijing and Hunan Province.

As of June 30, 2014, we were in the process of obtaining the building ownership certificates of 72 properties with an aggregate gross floor area of approximately 215,148 square meters, which are primarily used for residential, industrial, training and other purposes and accounted for approximately 19.08% of the aggregate gross floor areas of properties used by us. Of these 72 properties, 39 properties are located in Beijing and Hunan Province. As advised by our PRC legal advisers, after completing registration for final inspection of completed construction projects pursuant to the requirements of laws and regulations and submitting the required application materials, there is no substantive legal impediment for us to apply and obtain the building ownership certificates. The other 33 properties, with an aggregate gross floor area of approximately 3,993 square meters, are located in Guangdong Province and were purchased by the Guangzhou Company, one of our wholly-owned subsidiaries, to be used as employee dormitories. As advised by our PRC legal advisers, under its purchase agreement with us, the seller is responsible for, and is currently in the process of obtaining, the building ownership certificates of these properties on our behalf, and there is no legal impediment for the seller or us to obtain the building ownership certificates. Our Directors are of the view that, although we were in the process of obtaining these building ownership certificates, this will not have a material and adverse effect on our business because (i) our PRC legal advisers confirm that there is no substantive legal impediment for us to apply and obtain the building ownership certificates; (ii) our business operations do not materially rely on these properties as they are for general operational and residential purposes; and (iii) our Controlling Shareholder has agreed to indemnify us against any costs, expenses and losses to our operations or business as well as penalties and fines imposed by the relevant PRC authorities arising from the relocation of business or assets from any property with defects in title. As the land use right certificates of the lands where such buildings are located were obtained, specific approvals, environmental evaluation approvals, planning permits on land for construction use, construction project planning permits, and construction permits were obtained during the construction of such buildings and the inspection and acceptance of completed construction projects are in progress, it is expected that we will be able to obtain building ownership certificates for such buildings within one year from the Listing Date. In addition, our PRC legal advisers have confirmed that although the existence of outstanding building ownership certificates on our buildings will prevent these buildings from being bought, sold or being accepted by banks as securities for mortgage, no ownership controversy or dispute which will have a material effect on our business regarding the building ownership certificates of these buildings has been found, and given that these buildings with defective title only account for a small proportion of the aggregate gross floor areas of properties used by us, the defective titles will not individually or collectively have a material and adverse effect on our business and the Global Offering.

Properties We Lease

As of June 30, 2014, we leased nine properties in Beijing with an aggregate gross floor area of approximately 157,526 square meters.

For four properties with an aggregate gross floor area of approximately 48,809 square meters, accounting for approximately 3.62% of the aggregate gross floor areas of properties used by us, which are primarily used for production, storage, logistics services, dormitories, canteen and offices, the landlords have not obtained the relevant building ownership certificates.

As of June 30, 2014, in respect of the four leased properties with defective titles set out above, three were used by us as dormitories, canteen and offices and we did not generate any revenue to our operations from such leased properties. During the Track Record Period, revenue derived from Beijing Beinei Engine Parts and Components Co., Ltd., which uses the remaining leased property with defective title is set out as follows:

	Year ended December 31,			Six months ended June 30,
	2011	2012	2013	2014
Revenue (RMB'000)	245,781.5	278,114.6	379,927.5	195,530.6
Percentage of our total revenue (%)	12.8	7.9	3.0	0.8

As advised by our PRC legal advisers, as these four buildings only account for a small proportion of the buildings used by us, and there is no ownership controversy or dispute which will have a material effect on our business, it will not have a material and adverse effect on the Offering and Listing and our business. Our Directors are of the view that such properties are not individually or collectively crucial to our operations since: (i) we have the contractual rights to use these leased properties and we are not subject to potential legal liabilities because of the defective titles that our landlords hold; (ii) the risk that we may be required to relocate our business on these leased properties are remote; (iii) even if required to be relocated, we will be able to have sufficient notice period in accordance with the contracts and we can readily find comparable properties to relocate our business; and (iv) our Controlling Shareholder has agreed to indemnify us against any costs, expenses and losses to our operations or business as well as penalties and fines imposed by the relevant PRC authorities arising from the relocation of business or assets from any property with defective title. For more details of the deeds of indemnity, see "Statutory and General Information—4. Other Information—A. Indemnity" in Appendix VI to this prospectus.

To the best knowledge of our Directors, no notice (including penalty, confiscation or demolition notice) has been received from the relevant regulatory authority as of the Latest Practicable Date in respect of properties with defective title.

Based on information currently available to the Company, and taking into account the time required for relocating the business located on properties with defective titles, resulting operating and business losses and relocation costs, we estimate that the total cost and expenses for relocating our businesses which are located on the leased properties with defective titles should not exceed RMB101 million. We do not expect any such relocation process and the related costs to have a material and adverse effect on our business. In addition, our Directors believe that the rental costs for these properties with defective title would not be materially different should the landlords obtain relevant building ownership certificates.

LEGAL PROCEEDINGS AND COMPLIANCE

Our PRC legal advisers have confirmed that we have been in compliance with all of the relevant regulatory requirements in all material aspects and have obtained all qualifications and permits necessary for our operations within our business scope in the PRC during the Track Record Period and up to the Latest Practicable Date.

There are no legal proceedings pending or, to the best knowledge of our Directors, threatened against us or any of our Directors which could have a material adverse effect on our financial condition or results of operations. From time to time, we may be subject to various claims and legal actions arising in the ordinary course of business which may not be sufficiently covered by our insurance policies. See "Risk Factors—Risks Relating to Our Business—We have limited insurance coverage."

RISK MANAGEMENT

We are exposed to various risks during our operations. For more details, see "Risk Factors." We have implemented various policies and procedures to ensure effective risk management.

Under our risk management policy, our key risk management objectives include: developing a comprehensive risk management strategy for our Company; identifying different types of risks and developing appropriate risk management strategies for each type of risk; identifying, monitoring and managing risk and our risk tolerance level; and achieving a proper balance between the growth strategy of our Company and risk management.

Our Board oversees and manages the overall risk in our operations. We have established an audit committee to review and supervise the financial reporting process and internal control system of our Group. The audit committee consists of three members, namely Mr. Wong Lung Tak Patrick, who serves as chairman of the committee, Mr. Ma Chuanqi and Mr. Liu Kaixiang. For the qualifications and experience of these committee members, see "Directors, Supervisors, Senior Management and Employees." We have prepared written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set forth in Appendix 14 to the Listing Rules.

We regularly monitor our sales performance and take active measures to manage our production and inventory levels. Before entering into new markets or opening new dealership outlets, we typically conduct market research and prepare budget plans.

To manage our foreign currency exposure, we use forward foreign currency contracts to manage the potential impact of fluctuations in foreign currency exchange rates on our business over time. We enter into interest rate swaps to mitigate floating interest rate exposure from long-term borrowings. As of December 31, 2011, 2012, 2013 and June 30, 2014, the total notional principal amount of outstanding contracts was approximately RMB0, RMB1,444.7 million, RMB1,414.3 million and RMB1,433.8 million, respectively. These derivative instruments were stated at fair value and amounted to RMB0, RMB8.4 million, RMB11.5 million and RMB10.6 million, respectively, at the same dates. Our Management team is responsible for supervising the hedging activities.

BEIJING HYUNDAI

Beijing Hyundai is a joint-venture between us and Hyundai Motor. Each of BAIC Investment, one of our subsidiaries, and Hyundai Motor holds 50.0% of the equity interest in Beijing Hyundai.

Beijing Hyundai commenced the production and sales of Hyundai-branded passenger vehicles in 2002. Hyundai is a major global mid- to high-end automobile brand. According to ACMR, in terms of sales volume as a single brand, Hyundai's automobiles ranked fifth in the world in 2013 and, among all joint-venture mid- to high-end passenger vehicle brands, Beijing Hyundai's passenger vehicles ranked second in China in 2013. Beijing Hyundai focuses on the development and manufacture of mid- to high-end sedans and SUVs, and targets young middle-class customers in China.

In 2011, 2012, 2013 and the six months ended June 30, 2014, Beijing Hyundai sold 739,800 units, 859,595 units, 1,030,808 units and 552,970 units, respectively, of passenger vehicles, and generated revenue of RMB68,711.0 million, RMB77,311.5 million, RMB103,167.3 million and RMB54,393.0 million, respectively, during the same periods. During the same periods, Beijing Hyundai's net profit was RMB6,832.4 million, RMB7,470.0 million and RMB10,799.2 million and RMB5,537.5 million, respectively.

In 2011, 2012, 2013 and the six months ended June 30, 2014, in terms of sales volume, Beijing Hyundai accounted for 9.8%, 10.5%, 10.6% and 10.2%, respectively, of the market share of joint venture mid- to high-end passenger vehicles in China, according to ACMR.

Beijing Hyundai will be subject to the continuing obligations governing the subsidiaries of listed issuers as defined under the Listing Rules, including those contained in Chapters 13, 14, 15, 17 and Practice Note 15 of the Listing Rules subject to the modifications as set out in the Stock Exchange listing decision HKEx-LD106-1.

Passenger Vehicles

The following table sets forth details of Beijing Hyundai's passenger vehicles by model for the periods indicated:

			Year ended December 31,			Six months ended June 30,
			2011	2012	2013	2014
	Market positioning	Manufacturer's suggested retail price range as of the Latest Practicable Date (RMB'000)	Sales volume[4] (units)	Sales volume[4] (units)	Sales volume[4] (units)	Sales volume[4] (units)
Sonata 8th Generation (第八代索納塔)	Mid- to high-end mid-size sedan	181.9 - 225.9	72,065	100,477	104,670	32,906
Sonata Moinca (名馭)	Mid- to high-end mid-size sedan	116.8 - 139.8	29,546	16,903	13,954	4,905
Mistra (名圖)	Mid- to high-end mid-size sedan	129.8 - 189.8	—	—	16,762	63,322
Elantra (伊蘭特)	Mid- to high-end compact sedan	89.8 - 98.8	113,368	64,368	34,454	20,241
Elantra Yuedong (新悅動)	Mid- to high-end compact sedan	99.8 - 146.8	190,995	214,753	171,547	76,967
Elantra Langdong (朗動)	Mid- to high-end compact sedan	105.8 - 149.8	—	81,827	206,348	114,085
Verna (瑞納)	Mid- to high-end small-size sedan	73.9 -106.9	138,525	204,963	198,667	114,327
New ix35 (新 ix35)	Mid- to high-end SUV	169.8 - 242.8	103,023	108,241	156,876	71,167
New Santa Fe (全新勝達)	Mid- to high-end SUV	219.8 - 311.8	—	7,033	74,437	37,717
New Tucson (新途勝)	Mid- to high-end SUV	165.8 - 203.8	51,188	56,184	52,692	17,333
Accent (雅紳特)[1]	Mid- to high-end small-size sedan	71.8 - 97.8	19,557	3,200	398	—
i30[2]	Mid- to high-end compact sedan	99.8 - 141.8	9,792	1,645	3	—
Sonata Ling Xiang (索納塔領翔)[3]	Mid- to high-end mid-size sedan	155.0 - 228.0	11,741	1	—	—
Total			739,800	859,595	1,030,808	552,970

(1) The production of Accent was discontinued in 2013.
(2) The production of i30 was discontinued in 2013.
(3) The production of Sonata Ling Xiang was discontinued in 2012.
(4) Source: ACMR

The pictures of Hyundai passenger vehicles offered by Beijing Hyundai as of the Latest Practicable Date are set forth as follows:

Sonata 8th Generation (第八代索納塔)

Sonata Moinca (名馭)

Mistra (名圖)

Elantra (伊蘭特)

Elantra Yuedong (新悅動)

Elantra Langdong (朗動)

Verna (瑞納)

New ix35 (新 ix35)

New Santa Fe (全新勝達)

New Tucson (新途勝)

ix25

The following are the details of these models:

Sonata 8th Generation (第八代索納塔)

The Sonata 8th Generation model produced by Beijing Hyundai was commercially launched in April 2011. It is a mid- to high-end mid-size sedan model. The current model is the eighth generation of Sonata manufactured and sold globally. The Sonata 8th Generation is available with 2.0L and 2.4L engine options. It is available with manumatic transmission.

According to ACMR, the Sonata 8th Generation model is a popular mid- to high-end sedan model in China. It ranked fifth and accounted for approximately 6.5% in the mid- to high-end mid-size joint-venture sedan market in China in terms of sales volume for 2013.

Sonata Moinca (名馭)

The Sonata Moinca model produced by Beijing Hyundai was commercially launched in August 2009. It is a mid- to high-end mid-size sedan model. This model is developed based on the Sonata model by the technology center of Beijing Hyundai in China. The Sonata Moinca is available with a 2.0L engine option. The Sonata Moinca is available with manual or automatic transmission.

Mistra (名圖)

The Mistra model produced by Beijing Hyundai was commercially launched in November 2013. It is a mid- to high-end mid-size sedan model. The current model is the upgraded generation of Moinca, which is specially designed for the PRC market and only available in the PRC. Mistra is available with 1.8L and 2.0L engine options. Mistra is available with manual or manumatic transmission.

Elantra (伊蘭特)

The Elantra model produced by Beijing Hyundai was commercially launched in December 2003. It is a mid- to high-end compact sedan model. This is the first compact model manufactured by Beijing Hyundai. Elantra has an engine displacement of 1.6L. Elantra is available with manual or automatic transmission.

According to ACMR, in terms of sales volume, Elantra ranked first among mid- to high-end compact sedans under joint-venture brands from 2009 to 2013.

Elantra Yuedong (新悅動)

The Elantra Yuedong model produced by Beijing Hyundai was commercially launched in April 2008. It is a mid- to high-end compact sedan model. The current model is the upgraded generation of Elantra. Elantra Yuedong is available with 1.6L and 1.8L engine options. Elantra Yuedong is available with manual or automatic transmission.

Elantra Langdong (朗動)

The Elantra Langdong model produced by Beijing Hyundai was commercially launched in July 2012. It is a mid- to high-end compact sedan model. The current model is the upgraded generation of Elantra Yuedong. Elantra Langdong is available with 1.6L and 1.8L engine options. Elantra Langdong is available with manual or manumatic transmission.

Verna (瑞納)

The Verna model produced by Beijing Hyundai was commercially launched in August 2010. It is a mid- to high-end compact sedan model. It is an upgraded model of Accent and targets the PRC passenger vehicle market. Beijing Hyundai currently has two models under Verna, namely Verna sedan (three-box) and Verna hatchback (two-box). Both Verna sedan and Verna hatchback are available with 1.4L and 1.6L engine options. Verna is available with manual or automatic transmission.

According to ACMR, the Verna model is a popular mid- to high-end sedan model in China. It ranked second and accounted for approximately 16.2% in the mid- to high-end small-size joint-venture sedan market in China in terms of sales volume for 2013.

New ix35 (*新 ix35*)

The ix35 model produced by Beijing Hyundai was commercially launched in April 2010. It is a mid- to high-end SUV model. The current model is the second generation of ix35 manufactured and sold globally. The ix35 model is available with 2.0L and 2.4L engine options. ix35 is available with manual or manumatic transmission.

According to ACMR, ix35 is one of the best-selling SUV models in China. It ranked third and accounted for approximately 10.1% in the mid- to high-end joint-venture SUV market in China in terms of sales volume for 2013.

New Santa Fe (*全新勝達*)

The New Santa Fe model produced by Beijing Hyundai was commercially launched in December 2012. It is a mid- to high-end SUV model. The current model is the third generation of Santa Fe manufactured and sold globally. The New Santa Fe model is available with 2.0L and 2.4L engine options. The New Santa Fe is available with manual or manumatic transmission.

New Tucson (*新途勝*)

The Tucson model produced by Beijing Hyundai was commercially launched in June 2005. It is a mid- to high-end SUV model. The current model is the third generation of Tucson manufactured and sold globally. The Tucson model has an engine displacement of 2.0L. Tucson is available with manual or manumatic transmission.

ix25

Beijing Hyundai commercially launched the ix25 in October 2014. The ix25 is a mid- to high-end SUV model. The ix25 is available with 1.6L and 2.0L naturally aspirated engine options, and with manual or automatic transmission. It is available in two-wheel drive and four-wheel drive versions.

The following sets forth the details of Beijing Hyundai's planned models under the brand of Hyundai:

New Sonata

Beijing Hyundai expects to commercially launch the next generation of Sonata in the first half of 2015. The New Sonata will feature a new vehicle body design, as well as new internal and external decoration design, which Beijing Hyundai expects to further enhance the competitiveness of New Sonata in China's passenger vehicle market. Beijing Hyundai expects the New Sonata to have two engine options of 2.0L and 2.4L, and be available with automatic transmission.

Engines

Beijing Hyundai commenced the manufacture of engines in 2004. It currently produces four series of engine, namely the Alpha series, the Beta series, the Gamma series and the Theta series. The manufacturing base is located in Beijing. Certain of the engines manufactured by Beijing Hyundai have been exported.

Manufacturing Facilities

The following table sets forth certain information relating to Beijing Hyundai's facilities as of the Latest Practicable Date:

	Location	Production commencement dates
Passenger vehicles		
Passenger Vehicle Factory 1	Beijing	December 2002
Passenger Vehicle Factory 2	Beijing	April 2008
Passenger Vehicle Factory 3	Beijing	June 2012
Engines		
Engine Factory 1	Beijing	April 2004
Engine Factory 2	Beijing	August 2007
Engine Factory 3	Beijing	May 2012

As of December 31, 2011, 2012, 2013 and June 30, 2014, Beijing Hyundai's designed annual production capacity of passenger vehicles was 600,000 units, 900,000 units, 900,000 units and 1,050,000 units, respectively.

The following table sets forth the aggregate designed annual production capacity and the production volume of passenger vehicles and the average utilization rate of Beijing Hyundai's production lines during the Track Record Period:

	For the year ended December 31,									For the six months ended June 30,		
	2011			2012			2013			2014		
	Designed production capacity	Actual Production Volume	Utilization rate[(1)]	Designed production capacity	Actual Production Volume	Utilization rate[(1)]	Designed production capacity	Actual Production Volume	Utilization rate[(1)]	Designed production Volume	Actual Production Volume	Utilization rate[(1)]
Passenger vehicles	600,000	743,888	124.0%	900,000	855,307	95.0%	900,000	1,040,018	115.6%	1,050,000	545,020	103.8%

(1) The average utilization rate is derived on the basis of the actual production volume divided by the production capacity as of the date indicated. The actual production volume was larger than the production capacities, which was primarily due to the fact that the actual working hours of the production facilities exceeded the working hours being used as a presumption to calculate the production capacity.

The utilization rate of the production facilities of Beijing Hyundai decreased from 124.0% in 2011 to 95.0% in 2012, primarily because Beijing Hyundai increased its designed annual production capacity by 300,000 units by opening Factory 3 in July 2012. The utilization rate increased to 115.6% in 2013, primarily because Beijing Hyundai ramped up the production of Factory 3 in 2013. The utilization rate further decreased to 103.8% in the six months ended June 30, 2014, primarily because Beijing Hyundai increased its designed annual production capacity by 150,000 in that period.

Given the substantial market demand for Beijing Hyundai's passenger vehicles and the high utilization level of its production facilities, Beijing Hyundai plans to increase its manufacturing capacity, including upgrading its existing production facilities and constructing new facilities. Beijing Hyundai's capacity expansion plans will be funded primarily by its internal capital resources and bank borrowings. As of June 30, 2014, Beijing Hyundai had cash and cash equivalents of RMB4,602.5 million. See "Financial Information—Summarized Financial Information of Beijing Hyundai" for more details. We currently do not plan to contribute our own funds or use the proceeds from the Global Offering to finance Beijing Hyundai's expansions.

Awards

Beijing Hyundai's passenger vehicles have received recognition and numerous awards in recent years, including the following:

Year	Model	Award	By
2014	Elantra Langdong	Highest Ranked in the Mid-size Sedan Segment	J.D. Power Asia Pacific 2014 China Initial Quality Study[SM] (IQS)
2013	New Santa Fe	Utility Vehicle of the Year	Motor Trend (汽車族)
	Mistra	Most Popular New Model of the Year	Auto Alliance of China Mainstream Media (中國主流媒體汽車聯盟)
2012	Elantra Langdong	Model of the Year with Most Market Potential	CCTV
	Elantra Langdong	Most Popular New Model of the Year	Auto Alliance of China Mainstream Media (中國主流媒體汽車聯盟)
2011	Sonata 8th Generation	China's Vehicle Model of the Year	Motor Trend (汽車族)
	Sonata 8th Generation	Grand Award for China's Vehicle of the Year	CCTV

Recall

The following table sets forth the voluntary recalls of Beijing Hyundai during the Track Record Period and up to the Latest Practicable Date:

Recall period	Affected components/reason for recall	Affected models	Volume (units)
Oct. 2013–Apr. 2014	Loose contact in the brake system	Sonata Ling Xiang and Sonata Yuxiang(1)	41,123
Sept. 2013–Dec. 2013	Crack in jack shaft	New Santa Fe	10,310
May 2013–Nov. 2013	Sporadic malfunction in stoplights	ix35	121,835
July 2012–Jan. 2013	Oversensitivity of the software governing airbag control modules	Elantra Yuedong	97,452
June 2011–Dec. 2011	Malfunction in water temperature indicator	Sonata Moinca	9,280
Apr. 2011–Oct. 2011	Tire	Elantra, Accent, Tucson, Sonata Moinca, Sonata Yuxiang, Elantra Yuedong, Verna and i30	63,588

(1) This is a model produced and sold before the beginning of the Track Record Period.

Our Directors confirm that Beijing Hyundai has not incurred any material losses from recalls during the Track Record Period.

Dealership Network

Beijing Hyundai distributes its products through its own dealers. It has established an extensive distribution network in China. During the Track Record Period, Beijing Hyundai sold all of its passenger vehicles through dealers in the PRC. As of December 31, 2011, 2012 and 2013, Beijing Hyundai had approximately 720, 800 and 860 dealership outlets, respectively.

Beijing Hyundai plans to expand its distribution network by penetrating into third- and fourth-tier cities, enhancing its coverage in cities with strong economic growth in central China and entering into the new markets in central and southern parts of China.

Beijing Hyundai does not provide any credit terms to its dealers.

Legal Proceedings

Our Directors have confirmed that, to their best knowledge, they are not aware of any legal proceedings pending or threatened against Beijing Hyundai, which could have a material adverse effect on our financial condition or results of operations.

OVERVIEW

Our Company was established as a joint stock limited company under the Company Law on September 20, 2010. Upon completion of the Reorganization (for details, see "History, Reorganization and Corporate Structure—The Reorganization" of this prospectus), BAIC Group, our sole Controlling Shareholder, owned approximately 55.22% of the total issued share capital of our Company. As of the Latest Practicable Date, BAIC Group was wholly owned by BSAMAC which is a PRC Governmental Body as defined under the Listing Rules. Upon completion of the Global Offering, BAIC Group will own approximately 45.61% of the total issued share capital of our Company (assuming the Over-allotment Option is not exercised) or approximately 44.41% of the total issued share capital of our Company (assuming the Over-allotment Option is exercised in full). BAIC Group will continue to be our sole Controlling Shareholder after the Listing.

I. THE BUSINESS OF OUR COMPANY

1. Focus on passenger vehicles

Since our establishment on September 20, 2010, our Company has been principally engaged in the manufacturing, marketing and distribution of passenger vehicles under Beijing brand, namely, Senova, BJ and Wevan; under Mercedes-Benz brand through Beijing Benz and under Hyundai brand through Beijing Hyundai. Each of these brands primarily targets customers within specific product segments, the details of which are set out below:

(A) Beijing brand: Senova, BJ and Wevan covering the economy and mid- to high-end categories.

Beijing brand	Manufacturer's suggested retail price range as of the Latest Practicable Date (RMB'000)	Product Segment(1)	Sales volumes for — The year ended December 31, (units) 2011	2012	2013	Six months ended June 30, (units) 2014
Senova						
D70	139.8-215.8	Middle-size sedan (B)	—	—	10,032	2,072
D50	74.8-119.8	Compact Sedan (A)	—	—	—	8,202
BJ(2)						
E-Series	53.8-87.8	Small-size sedan (A0)	—	20,008	60,297	44,603
BJ40	146.8-186.8	Off-road passenger vehicle	—	—	—	4,923
Wevan(3)						
M20	43.8-63.8	MPV	—	—	12,933	37,598
307	44.8-51.8	CUV	—	—	2,226	4,089
306	31.8-46.8	CUV	10,016	46,368	82,838	31,450
206	32.3-40.8	CUV	—	—	1,350	329
205	29.8-35.8	CUV	—	—	30,927	20,074
New Energy(4)	—	—	—	644	1,677	390
Others(5)	—	—	14,399	10,541	—	—
		Total	**24,415**	**77,561**	**202,280**	**153,730**

(1) According to classification by ACMR.

(2) As part of an initiative to rebrand our proprietary brand passenger vehicles, our Company discontinued the BJ E-Series product line and rebranded the BJ E-Series facelift as Senova D20 in November 2014. The BJ40 off-road vehicle was launched in late December 2013. For more information about the manufacture and sale of BJ40, see "—III. Delineation of the Businesses between the Excluded Companies and Our Company—3. Off-road Vehicle Branch—Operational Independence."

(3) Our Company utilized BAIC Limited's production capacity to manufacture a limited number of Wevan 306 in the second half of 2014, and procured the whole vehicles for re-sale through our own distribution network by means of an exclusive sales agency arrangement. For more details, see "Business—Manufacturing Facilities and Process—Provisional Arrangement with BAIC Limited." During the Track Record Period, Wevan M20, Wevan 205 and Wevan 206 were manufactured by Yinxiang Motor, from which we purchased and resold. Our Zhuzhou Branch started to manufacture some M20 models in the third quarter of 2014. For more details, see "Business—Manufacturing Facilities and Process—Arrangement with Yinxiang Motor."

(4) In October 2013, we disposed of New Energy to BAIC Group. For details, see "History, Reorganization and Corporate Structure—Major Acquisitions and Disposals," "Relationship with BAIC Group—III. Delineation of the Businesses between the Excluded Companies and Our Company—5. New Energy" and "Connected Transactions—Continuing Connected Transactions Relating to BAIC Group and Its Associates—Non-exempt Continuing Connected Transactions—4. Products and Services Purchasing Framework Agreement—Arrangement of purchasing new energy vehicle components and related assembly services during the New Energy Transition Period" in this Prospectus.

(5) Others primarily include commercial vehicles and off-road vehicles, which were manufactured by BAIC Limited. We disposed of BAIC Limited to BAIC Group in November 2012.

(B) Mercedes-Benz brand, covering the premium categories

Joint Venture Brand[1]	Manufacturer's suggested retail price range as of the Latest Practicable Date (RMB'000)	Product Segment[2]	Sales volumes for The year ended December 31, (units) 2011	2012	2013	Six months ended June 30, (units) 2014
E-Class (LWB version)	429.0-798.0	Middle- to-large-size sedan (C)	44,951	36,765	39,623	24,525
GLK	398.0-558.0	SUV	259	25,929	40,972	27,126
C-Class	315.0-468.0	Middle-size sedan (B)	32,585	30,970	35,411	12,843
Others[3]	—	—	15,582	9,781	—	—
		TOTAL	**93,377**	**103,445**	**116,006**	**64,494**

(C) Hyundai brand, covering the mid- to high-end categories

Joint Venture Brand	Manufacturer's suggested retail price range as of the Latest Practicable Date (RMB'000)	Product Segment[2]	Sales volumes for The year ended December 31, (units) 2011	2012	2013	Six months ended June 30, (units) 2014
New Santa Fe	219.8-311.8	SUV	—	7,033	74,437	37,717
New ix35	169.8-242.8	SUV	103,023	108,241	156,876	71,167
New Tucson	165.8-203.8	SUV	51,188	56,184	52,692	17,333
Sonata 8th Generation	181.9-225.9	Middle-size sedan (B)	72,065	100,477	104,670	32,906
Sonata Ling Xiang[4]	155.0-228.0	Middle-size sedan (B)	11,741	1	—	—
Mistra	129.8-189.8	Middle-size sedan (B)	—	—	16,762	63,322
Sonata Moinca	116.8-139.8	Middle-size sedan (B)	29,546	16,903	13,954	4,905
Elantra Langdong	105.8-149.8	Compact sedan (A)	—	81,827	206,348	114,085
Elantra Yuedong	99.8-146.8	Compact sedan (A)	190,995	214,753	171,547	76,967
i30[5]	99.8-141.8	Compact sedan (A)	9,792	1,645	3	—
Elantra	89.8-98.8	Compact sedan (A)	113,368	64,368	34,454	20,241
Verna	73.9-106.9	Small-size sedan (A0)	138,525	204,963	198,667	114,327
Accent[6]	71.8-97.8	Small-size sedan (A0)	19,557	3,200	398	—
		TOTAL	**739,800**	**859,595**	**1,030,808**	**552,970**

(1) In 2011, 2012 and the period from January 1, 2013 to November 17, 2013, we did not consolidate Beijing Benz, and its sales volumes during these periods are intended for reference and comparison only.
(2) According to classification by ACMR.
(3) These passenger vehicles included the Mercedes-Benz E-Class, GLK, A-Class and B-Class, which were manufactured by Daimler AG and imported and sold by Beijing Benz in China in 2011 and 2012.
(4) The production of Sonata Ling Xiang was discontinued in 2012.
(5) The production of i30 was discontinued in 2013.
(6) The production of Accent was discontinued in 2013.

2. Maintain no less than 50% equity interest in each brand of our core businesses

With a view to strengthening our focus on the production and sale of passenger vehicles, it has always been our strategy to operate businesses over which the Company will be able to exercise sufficient control through no less than 50% shareholding in such businesses. Given this strategy, the Company's current brand portfolio consists of (i) Beijing brand, which is operated by companies that are wholly owned by our Company, and (ii) joint venture brands, namely Mercedes-Benz brand that is operated by Beijing Benz in which we own 51% equity interest, and Hyundai brand that is operated by Beijing Hyundai in which we own 50% equity interest.

3. Exclude vehicles not within core businesses carried on by the Company

- Taking into account, among others, our strategy to focus our core business on passenger vehicles, we do not and do not plan to manufacture commercial vehicles which are widely recognized in the automobile market in the PRC and worldwide as being differentiated from passenger vehicles.

- Due to certain PRC military confidentiality restriction (as detailed below), we excluded military off-road vehicles and the associated civilian off-road vehicles in preparation for the Pre-IPO Strategic Investment and the Global Offering. Additionally, off-road vehicles are a specialized type of passenger vehicle, which in general could be clearly distinguished from the other categories of passenger vehicles in the following respects:

  (a) Functions and technical specifications

  Off-road vehicles are designed for off-road uses. As compared to SUVs, off-road vehicles' technical specifications are significantly more stringent as off-road vehicles require a more rigid frame, a generally higher ground clearance and larger and wider wheelbase so as to reduce ground pressure and reduce risk of sinking into soft ground when going off road. As such, the production of off-road vehicles also requires certain spare parts, such as body frame, which are typically not used in the manufacturing of SUVs. Off-road vehicles are specifically designed for users that require driving in areas distant from pavement because of their versatility. To be able to drive off the pavement, apart from the characteristics of low ground pressure and high ground clearance above, off-road vehicles also possess the following characteristics: (i) they need to keep their wheels on the ground so as not to lose traction; (ii) they have a suitable balance of large or additional tires combined with tall and flexible suspension; (iii) they are fitted with especially low gearing, which would allow the operators to make the most of the engine's available power while moving slowly through challenging terrain, and (iv) they have four-wheel drive to keep traction on slippery surfaces.

  On the other hand, since SUVs are primarily aimed at family users, the ground clearance is generally lower than off-road vehicles. SUVs have similar exterior with off-road vehicles and station wagons but they are designed to drive on urban streets or highways, and the users usually will not drive SUVs in areas distant from pavement because of its technical specifications. SUVs are characterized by building on sedan chassis with less rigid frames, and are equipped with four-wheel or two-wheel drive with relatively higher gearing, which would allow the operators to drive more comfortably.

  (b) Distinct targeted customers

  Off-road vehicles are primarily targeted at a specialized group of customers, mainly focusing on military uses, governmental uses as well as off-road vehicle enthusiasts and professionals. The market share of off-road vehicles is much smaller compared to that of SUVs, where the target end customers for SUVs are mostly family users. While it is possible to have overlapping customers on both types of passenger vehicles, we believe most customers are able to differentiate SUVs from off-road vehicles and do not consider the two as alternatives when making a purchasing decision. From 2003 to 2013, the annual sales volume of China's domestically produced SUVs has increased at a CAGR of approximately 73.3% from 11,520 units to approximately 2.81 million units, as compared to the annual sales volume of China's domestically produced off-road vehicles increasing from 132,480 units to 179,325 units during the same period, representing a much lower CAGR of approximately 3.1%. In 2013, the total combined sales volume of China's domestically produced off-road vehicles and SUVs was approximately 3.0 million, of which approximately 6.0% were off-road vehicles and the remaining approximately 94.0% were SUVs. In 2013, according to ACMR, a total of 179,325 domestically produced off-road vehicles were sold in China, representing a market share of only approximately 1.0% of all passenger vehicles sold in China for the same period.

As of the Latest Practicable Date, Off-road Vehicle Branch has not commenced manufacturing or selling any off-road vehicles as part of the Transition Period Arrangement (as detailed below). To the best knowledge of our Company and after due and careful inquiries, among all the Excluded Companies (as defined below), only BAIC Limited manufactured and sold off-road vehicles as of the Latest Practicable Date. Additionally, our SUVs can also be distinguished from the off-road vehicles of BAIC Limited with respect to their respective sales volumes, price ranges and profit margins. For details of the exclusion of BAIC Limited from our Company, see "—III. Delineation of the Businesses between the Excluded Companies and our Company—4. BAIC Limited" below.

- As the technologies for electric passenger vehicles are not yet mature and the sales of electric passenger vehicles, to a certain extent, rely on the favorable policies and subsidies of the government, the trend of which will remain in the foreseeable future, we excluded electric passenger vehicles to avoid the uncertainty of the results and success of such particular category of passenger vehicle.

- Despite that Yinxiang Motor focuses on passenger vehicles, our Company would not consider acquiring Yinxiang Motor given that BAIC Group is not able to exert sufficient or effective control over Yinxiang Motor for its 26% (less than 50%) equity interests in Yinxiang Motor. Changhe Motor's key focus is the mini passenger vehicles (A00), which is neither within our current product portfolio nor represents our development direction; meanwhile, as of the Latest Practicable Date, Changhe Motor has not obtained proper land use right certificates and/or building ownership certificates for most of its plants which constitutes a substantial hurdle for any subsequent operations if Changhe Motor were considered being acquired by us.

II. THE POTENTIAL COMPETING BUSINESS OF BAIC GROUP IN VEHICLE MANUFACTURING

In addition to its shareholding in our Company, BAIC Group also manufactures vehicles through a number of its subsidiaries and associated companies (in which it holds more than 10% equity interest), including Foton, Yunnan Motor, Off-road Vehicle Branch, BAIC Limited, New Energy, Zhenjiang Motor, Yinxiang Motor and Changhe Motor (the "**Excluded Companies**").

The following table provides a summary description of the businesses operated by the Excluded Companies.

No.	Names of Excluded Companies	BAIC Group's shareholding (direct and indirect)	Principal operation areas	Principal reasons for exclusion
1	Foton	33.58%(1)	Commercial vehicles	Not directly competing with our passenger vehicle businesses
2	Yunnan Motor	70%	Expected to focus on commercial vehicles	Not yet in operation, and not expected to directly compete with our passenger vehicle businesses after it becomes operational
3	Off-road Vehicle Branch . . .	100%	Military and civilian off-road vehicles	Against relevant PRC military confidentiality policy to include Off-road Vehicle Branch in our Company, and Off-road Vehicle Branch is not directly competing with our passenger vehicle businesses
4	BAIC Limited	51%	Commercial vehicles and off-road vehicles	Not directly competing with our passenger vehicle businesses
5	New Energy	60%	Electric passenger vehicles	Technologies used in the new energy automobile industry have not yet matured and the prospect and profitability of electric passenger vehicles is difficult to predict
6	Zhenjiang Motor	85%	Expected to produce certain passenger vehicles (except sedans)	Not yet in operation
7	Yinxiang Motor	26%	Passenger vehicles	Lack of control (less than 50%) by BAIC Group, hence not in line with our strategy of maintaining no less than 50% equity interest
8	Changhe Motor	70%	Passenger vehicles	Clear distinction in terms of core business and product focus, and proper land use right certificates and building ownership certificates not yet obtained

(1) According to the 2013 annual report of Foton.

Among the above subsidiaries and associated companies of BAIC Group, our Directors are of the view that there would be considerably limited competition between the Excluded Companies and our Group for the reasons stated below.

III. DELINEATION OF THE BUSINESSES BETWEEN THE EXCLUDED COMPANIES AND OUR COMPANY

1. FOTON

Date of incorporation

Foton was incorporated on August 28, 1996 and its A shares listed on the Shanghai Stock Exchange on June 2, 1998 under the stock code 600166.

Ownership percentage by BAIC Group

As disclosed in the 2013 annual report of Foton, BAIC Group owned approximately 33.58% equity interest of Foton. The remaining equity interest of Foton was owned by various holders, which mainly included BSAMAC, a Shareholder of our Company (5.28%), Tangshan Jianlong Industrial Co., Ltd. (5.08%), and Shougang Company (1.42%), the controlling shareholder of Shougang Limited (one of our Substantial Shareholders).

Product focus

Commercial vehicles

Foton is a leading PRC commercial vehicle enterprise focusing on the production and sale of commercial vehicles. For the year ended December 31, 2013, according to the 2013 annual report of Foton, Foton sold 656,620 commercial vehicles, which made it No.1 commercial vehicle manufacturer in the PRC for the year 2013 in terms of sales volumes according to ACMR with a domestic market share of approximately 16.2%. As disclosed in Foton's trading update dated December 4, 2014, the sales volume of "other vehicles" (which include MPVs) by Foton in the period from January 2014 to November 2014 was only 6,725, which represented a small fraction of approximately 1.33% of Foton's total sales volume in the same period. To the best knowledge of our Company and after due and careful inquiries, Foton's business focus would stay on commercial vehicles going forward, and the competition between the Group and Foton in terms of passenger vehicles would be very limited.

Product/customer differentiation

The differentiation between commercial vehicles and passenger vehicles is widely accepted in the automobile market in the PRC as well as worldwide. According to ACMR, passenger vehicles are primarily used to carry passengers and their carry-on luggage, and/or to carry items for temporary occasions, with a capacity of no more than nine seats including a driver's seat. Furthermore, passenger vehicles are commonly regarded as consumer products.

By contrast, commercial vehicles are primarily designed to transport people and cargo, and are usually regarded as productive assets. Commercial vehicles, which may be classified as passenger carriages, freight wagons, semi-trailers, and all other vehicles used for transporting cargoes.

Financial performance

Based on Foton's annual reports:

- The total assets of Foton were approximately RMB28.12 billion, RMB33.05 billion and RMB32.43 billion as of December 31, 2011, 2012 and 2013, respectively.

- The revenues of Foton were approximately RMB51.65 billion, RMB40.97 billion and RMB34.15 billion for the years ended December 31, 2011, 2012 and 2013, respectively.
- The net profits of Foton were approximately RMB1.15 billion, RMB1.40 billion and RMB0.75 billion for the years ended December 31, 2011, 2012 and 2013, respectively.

Management independence

According to the 2013 annual report of Foton, the current board of directors of Foton comprises 17 directors, the current board of supervisors comprises seven supervisors and its senior management comprises eight members. Among Foton's 17 directors, there are four non-executive or independent non-executive directors who are either non-executive Directors or independent non-executive Directors of our Company, namely Mr. Xu Heyi, Mr. Zhang Xiyong, Mr. Bao Robert Xiaochen and Mr. Qiu Yinfu. Among the seven supervisors of Foton, Mr. Yin Weijie also holds a Supervisor position in our Company. In addition, none of Foton's eight senior management members holds any Director, Supervisor or senior management position within our Company. Therefore, there is no overlapping of Foton's executive directors or senior management with the core management team of our Company.

Financial independence

Foton operates independently from our Company. There are currently no outstanding borrowings or any other non-trade payables or receivables between Foton and our Company.

Operational independence

Foton operates independently from our Company. In particular:

Production facilities and research and development facilities

Foton has its own independent production facilities and research and development facilities. Foton and our Company do not, and currently do not expect to, share production facilities or research and development facilities with each other.

Distribution network

Given Foton primarily manufactures and sells commercial vehicles, there is no reliance from us on Foton for the distribution of our passenger vehicles. Foton also has its own independent distribution network and does not rely on our distribution network for distribution of its commercial vehicles.

No continuing connected transactions

Our Company does not expect there would be any continuing connected transactions between Foton and our Group after the Listing.

Particular reasons for exclusion and whether within scope of the Non-Competition Undertaking

Given that the core businesses of our Company are the manufacturing, marketing and distribution of passenger vehicles whereas Foton focuses on the manufacturing, marketing and distribution of commercial vehicles, our Directors are of the view that the core businesses of Foton can be sufficiently delineated from those of our Company and our Directors do not consider that it is in the best interests of our Company and our Shareholders to acquire Foton.

The directors of Foton, as an A share listed company, shall seek independent shareholders' approval on certain matters, including decisions on whether or not to inject any business into our Company and whether or not to compete with our Company. Therefore, it is impracticable to obtain any undertaking made by BAIC Group with respect to the inclusion of the business of Foton into our Company or any non-competition undertaking by Foton. For this purpose, the Non-Competition Undertaking expressly carves out the compliance of the non-competition undertaking by BAIC Group with respect to Foton (see "—Non-Competition Undertaking" below for details).

2. YUNNAN MOTOR

Date of incorporation

Yunnan Motor was incorporated on December 20, 2013.

Ownership percentage by BAIC Group

BAIC Group currently owns a 70% equity interest in Yunnan Motor, of which 40% is directly owned by BAIC Group and 30% is indirectly held by BAIC Group through BAIC International (a wholly owned subsidiary of BAIC Group), with the remaining 30% held by Yunnan Jingcheng Group Co., Ltd., which is an Independent Third Party.

Product focus

Commercial vehicles

According to its preliminary construction and business operation plan, Yunnan Motor will focus on the manufacture of commercial vehicles.

Product/customer differentiation

See above "—1.Foton—Product/customer differentiation" for differentiation between commercial vehicles and passenger vehicles.

Particular reasons for exclusion and whether within scope of the Non-Competition Undertaking

Given that the core businesses of our Company are the manufacturing, marketing and distribution of passenger vehicles whereas (i) Yunnan Motor has not yet commenced its operations, (ii) even after its operations commence, Yunnan Motor is expected to focus on the manufacturing, marketing and distribution of commercial vehicles, and (iii) Yunnan Motor is subject to the Non-Competition Undertaking, our Directors are of the view that there is clear delineation of the business of Yunnan Motor and our Company and, as such, it is in the best interests of our Company and Shareholders to exclude Yunnan Motor from our Company.

3. OFF-ROAD VEHICLE BRANCH

Date of incorporation

Off-road Vehicle Branch was incorporated on May 29, 2013.

Ownership percentage by BAIC Group

As a branch of BAIC Group, Off-road Vehicle Branch is wholly owned by BAIC Group as of the Latest Practicable Date.

Product focus

Off-road vehicles

As of the Latest Practicable Date, Off-road Vehicle Branch has not yet commenced its operations. Even after it commences operation, Off-road Vehicle Branch is expected to focus on manufacturing and sales of military off-road vehicles and civilian off-road vehicles.

Product/customer differentiation

Off-road vehicles are a specialized type of passenger vehicle, which in general could be clearly distinguished from the other categories of passenger vehicles for the following reasons:

(a) Functions and technical specifications

Off-road vehicles are designed for off-road uses. As compared to SUVs, off-road vehicles' technical specifications are significantly more stringent as off-road vehicles require a more rigid frame, a generally higher ground clearance and larger and wider wheelbase so as to reduce ground pressure and reduce risk of sinking into soft ground when going off road. As such, the production of off-road vehicles also requires certain spare parts, such as body frame, which are typically not used in the manufacturing of SUVs. Off-road vehicles are specifically designed for users that require driving in areas distant from pavement because of their versatility. To be able to drive off the pavement, apart from the characteristics of low ground pressure and high ground clearance above, off-road vehicles also possess the following characteristics: (i) they need to keep their wheels on the ground so as not to lose traction; (ii) they have a suitable balance of large or additional tires combined with tall and flexible suspension; (iii) they are fitted with especially low gearing, which would allow the operators to make the most of the engine's available power while moving slowly through challenging terrain, and (iv) they have four-wheel drive to keep traction on slippery surfaces.

On the other hand, since SUVs are primarily aimed at family users, the ground clearance is generally lower than off-road vehicles. SUVs have similar exterior with off-road vehicles and station wagons but they are designed to drive on urban streets or highways, and the users usually will not drive SUVs in areas distant from pavement because of its technical specifications. SUVs are characterized by building on sedan chassis with less rigid frames, and are equipped with four-wheel or two-wheel drive with relatively higher gearing, which would allow the operators to drive more comfortably.

(b) Distinct targeted customers

Off-road vehicles are primarily targeted at a specialized group of customers, mainly focusing on military uses, governmental uses as well as off-road vehicle enthusiasts and professionals. The market share of off-road vehicles is much smaller compared to that of SUVs, where the target end customers for SUVs are mostly family users. While it is possible to have overlapping customers on both types of passenger vehicles, we believe most customers are able to differentiate SUVs from off-road vehicles and do not consider the two as alternatives when making a purchasing decision. From 2003 to 2013, the annual sales volume of China's domestically produced SUVs has increased at a CAGR of approximately 73.3% from 11,520 units to approximately 2.81 million units, as compared to the annual sales volume of China's domestically produced off-road vehicles increasing from 132,480 units to 179,325 units during the same period, representing a much lower CAGR of approximately 3.1%. In 2013, the total combined sales volume of China's domestically produced off-road vehicles and SUVs was approximately 3.0 million, of which approximately 6.0% were off-road vehicles and the remaining approximately 94.0% were SUVs. In 2013, according to ACMR, a total of 179,325 domestically produced off-road vehicles were sold in China, representing a market share of only approximately 1.0% of all passenger vehicles sold in China for the same period.

Despite the differentiations above, to the best knowledge of our Company, a separate class of driving license is not generally required for off-road vehicles.

As of the Latest Practicable Date, Off-road Vehicle Branch has not commenced manufacturing or selling any off-road vehicles as part of the Transition Period Arrangement (as detailed below).

Financial performance

Off-road Vehicle Branch was incorporated on May 29, 2013. Based on the financial statements of Off-road Vehicle Branch:

- The total assets of Off-road Vehicle Branch was approximately RMB394.9 million as of December 31, 2013.
- Off-road Vehicle Branch did not generate any revenue for the year ended December 31, 2013.
- The net loss of Off-road Vehicle Branch was approximately RMB4.6 million for the year ended December 31, 2013.

Management independence

Given that Off-road Vehicle Branch was established as a branch of BAIC Group, it is managed by a senior management team without a board of directors or supervisors. Among the members of Off-road Vehicle Branch's senior management team, no one holds any Director, Supervisor or senior management position in our Company. Therefore, our Directors are of the view that Off-road Vehicle Branch has sufficient managerial independence and is able to manage itself independently of our Company.

Financial independence

Off-road Vehicle Branch operates independently from our Company. There are currently no outstanding borrowings or any other non-trade payables or receivables between Off-road Vehicle Branch and our Company.

Operational independence

Production facilities and research and development facilities

Along with the disposal of assets related to off-road vehicles from our Company to BAIC Group, technology and certain manufacturing equipment relating to BJ40 (a civilian off-road vehicle) were disposed of by us to BAIC Group in October 2013.

The Ministry of Industry and Information Technology together with other relevant regulatory authorities implement categorization management for the automobile industry. It is expected that BAIC Group will obtain the relevant authorization to manufacture and sell BJ40 within one year after the Listing Date (the "**Transition Period**"). As discussed and agreed between BAIC Group and us, during the Transition Period, our Company would be in charge of the manufacturing and sale of BJ40 (the "**Transition Period Arrangement**"). The Transition Period Arrangement was part of the disposal of assets related to off-road vehicles from our Company to BAIC Group as a step of Reorganization. The consideration of such disposal was determined on the basis of the asset evaluation report issued by an independent valuator and the asset valuation report has taken into account the Transition Period Arrangement. Taking into account that, among others, (i) the Transition Period Arrangement is of a provisional nature and such arrangement is put in place in response to the authorization application process; and (ii) the sales volume of BJ40 was 4,923 units for the six months ended June 30, 2014, which amounted to only 3.2% of the sales volume of Beijing Motor during the same period, the Company takes the view that the Transition Period Arrangement would not lead to undue competition between the Company and BAIC Group.

As part of the Transition Period Arrangement, BAIC Group and our Company entered into (1) a leaseback agreement, pursuant to which, our Company would be allowed to utilize certain manufacturing equipment of BJ40 owned by BAIC Group, and (2) a technology licensing agreement, pursuant to which our Company would be allowed to access BAIC Group's research and development related assets of BJ40.

As of the Latest Practicable Date, no manufacture or sale arrangement in relation to BJ40 after the Transition Period has been officially determined. The Company will fully comply with the relevant requirements of the Listing Rules (including but not limited to Chapter 14A of the Listing Rules) with respect to any manufacture and sale arrangements in relation to BJ40 after the Transition Period.

Distribution network

On the one hand, given Off-road Vehicle Branch plans to primarily manufacture and sell off-road vehicles, we do not expect there will be reliance from us on Off-road Vehicle Branch in terms of the distribution of our passenger vehicles.

On the other hand, pursuant to the Transition Period Arrangement set out above, our Company would be in charge of the distribution of BJ40 during the Transition Period. As of the Latest Practicable Date, no distribution arrangement in relation to BJ40 after the Transition Period has been officially determined. The Company will fully comply with the relevant requirements of the Listing Rules (including but not limited to Chapter 14A of the Listing Rules) with respect to any distribution arrangement of BJ40 after the Transition Period.

Continuing connected transactions

For details of the aforementioned connected transactions during the Transition Period, see "Connected Transactions" of this prospectus.

Particular reasons for exclusion and whether within scope of the Non-Competition Undertaking

As confirmed by our PRC legal advisers, it is against relevant PRC military confidentiality policy to have enterprises with foreign investment being involved in conducting research and development, manufacturing and/or sale of military off-road vehicles. Therefore, in October 2013, our Company disposed of assets related to off-road vehicles to BAIC Group in preparation for the Pre-IPO Strategic Investment and the Global Offering (see "History, Reorganization and Corporate Structure—Major Acquisitions and Disposals" of this prospectus for details). The associated civilian off-road vehicles were excluded from our Company as well because civilian off-road vehicles are derived from military models and the military and its associated civilian off-road vehicles share the same research and development team and production line. Hence, it would be cost inefficient to retain the business of associated civilian off-road vehicles within our Company.

As off-road vehicles are not within the core businesses carried on by the Company, it is the intention of the Company and BAIC Group not to include off-road vehicles as part of the Restrained Businesses in the Non-Competition Undertaking (both as defined in "Relationship with BAIC Group—Non-Competition Undertaking" below). However, as reasoned above, off-road vehicles, as a specialized type of passenger vehicles, can be clearly differentiated from other types of passenger vehicles. Our Directors thus believe that Off-road Vehicle Branch does not directly compete with our passenger vehicle businesses.

4. BAIC LIMITED

Date of incorporation

BAIC Limited was incorporated on January 1, 1983.

Ownership percentage by BAIC Group

BAIC Group currently owns a 51% equity interest in BAIC Limited. To our best knowledge, the other shareholder of BAIC Limited is an Independent Third Party.

Product focus

Off-road vehicles and commercial vehicles

BAIC Limited has been primarily focused on the production and sales of commercial vehicles and off-road vehicles during the Track Record Period.

Product/customer differentiation

As set out in the paragraphs above clarifying the differentiation of product focuses between Foton, Off-road Vehicle Branch and the Company, commercial vehicles and off-road vehicles, which have been the product focuses of BAIC Limited during the Track Record Period, are distinctly distinguished from our Company's business focus for the following reasons.

(i) Commercial vehicles versus passenger vehicles

The differentiation between commercial vehicles and passenger vehicles is widely accepted in the automobile market in the PRC as well as worldwide. According to ACMR, passenger vehicles are primarily used to carry passengers and their carry-on luggage, and/or to carry items for temporary occasions, with a capacity of no more than nine seats including a driver seat. Furthermore, passenger vehicles, which can be classified into sedans, CUVs, SUVs, MPVs and off-road vehicles, are commonly regarded as consumer products.

By contrast, commercial vehicles are primarily designed to transport people and cargo, and are usually regarded as productive assets. Commercial vehicles, which may be classified as passenger carriages, freight wagons, semitrailers, and all other vehicles used for transporting cargo.

(ii) Off-road vehicles versus passenger vehicles

To the best knowledge of our Company and after due and careful inquiries, drivers in the PRC who drive light commercial vehicles and passenger vehicles, including SUVs, off-road vehicles, MPVs, CUVs as well as sedans, all use the same categories of driving licenses. Off-road vehicles are a specialized type of passenger vehicle, which in general could be clearly distinguished from the other categories of passenger vehicles in the following respects:

(a) Functions and technical specifications

Off-road vehicles are designed for off-road uses. As compared to SUVs, off-road vehicles' technical specifications are significantly more stringent as off-road vehicles require a more rigid frame, a generally higher ground clearance and larger and wider wheelbase so as to reduce ground pressure and reduce risk of sinking into soft ground when going off road. As such, the production of off-road vehicles also requires certain spare parts, such as body frame, which are typically not used in the manufacturing of SUVs. Off-road vehicles are specifically designed for users that require driving in areas distant from pavement because of their versatility. To be able to drive off the pavement, apart from the characteristics of low ground pressure and high ground clearance above, off-road vehicles also possess the following characteristics: (i) they need to keep their wheels on the ground so as not to lose traction; (ii) they have a suitable balance of large or additional tires combined with tall and flexible suspension; (iii) they are fitted with especially low gearing, which would allow the operators to make the most of the engine's available power while moving slowly through challenging terrain, and (iv) they have four-wheel drive to keep traction on slippery surfaces.

On the other hand, since SUVs are primarily aimed at family users, the ground clearance is generally lower than off-road vehicles. SUVs have similar exterior with off-road vehicles and station wagons but they are designed to drive on urban streets or highways, and the users usually will not drive SUVs in areas distant from pavement because of its technical specifications. SUVs are characterized by building on sedan chassis with less rigid frames, and are equipped with four-wheel or two-wheel drive with relatively higher gearing, which would allow the operators to drive more comfortably.

(b) Distinct targeted customers

Off-road vehicles are primarily targeted at a specialized group of customers, mainly focusing on military uses, governmental uses as well as off-road vehicle enthusiasts and professionals. The market share of off-road vehicles is much smaller compared to that of SUVs, where the target end customers for SUVs are mostly family users. While it is possible to have overlapping customers on both types of passenger vehicles, we believe most customers are able to differentiate SUVs from off-road vehicles and do not consider the two as alternatives when making a purchasing decision. From 2003 to 2013, the annual sales volume of China's domestically produced SUVs has increased at a CAGR of approximately 73.3% from 11,520 units to approximately 2.81 million units, as compared to the annual sales volume of China's domestically produced off-road vehicles increasing from 132,480 units to 179,325 units during the same period, representing a much lower

CAGR of approximately 3.1%. In 2013, the total combined sales volume of China's domestically produced off-road vehicles and SUVs was approximately 3.0 million, of which approximately 6.0% were off-road vehicles and the remaining approximately 94.0% were SUVs. In 2013, according to ACMR, a total of 179,325 domestically produced off-road vehicles were sold in China, representing a market share of only approximately 1.0% of all passenger vehicles sold in China for the same period.

Despite that SUVs and off-road vehicles may be overlapping, to a limited extent, in terms of functions and technical specifications and/or customers, based on the differentiations above, our Directors and the Joint Sponsors are of the view that there is very limited competition between BAIC Limited and us. This view is further supported by the significantly higher market shares of Beijing Benz and Beijing Hyundai in China's combined SUV and off-road vehicle segment during the Track Record Period. As of the Latest Practicable Date, Beijing Motor did not manufacture or sell SUVs. A comparison of the market shares of the SUVs sold by Beijing Benz and Beijing Hyundai and the off-road vehicles sold by BAIC Limited is set out below:

Brand	Year ended December 31, (units, except for sales revenue)			Six months ended June 30, (units, except for sales revenue)
	2011	2012	2013	2014
Mercedes Benz—GLK	259	25,929	40,972	27,126
Hyundai—New Tucson	51,188	56,184	52,692	17,333
Hyundai—New ix35	103,023	108,241	156,876	71,167
Hyundai—New Santa Fe	—	7,033	74,437	37,717
Total SUVs sold by our Company	154,470	197,387	324,977	153,343
Sales revenue from SUVs sold by Beijing Benz and Beijing Hyundai (RMB in millions)	21,173.5	29,602.1	52,772.4	26,107.6
Combined sales volume for SUVs and off-road vehicles in China	1,593,714	2,000,410	2,988,758	1,823,423
Total SUVs sold by Beijing Benz and Beijing Hyundai as percentage of the combined sales volume for SUVs and off-road vehicles in China	9.69%	9.87%	10.87%	8.41%
Beijing—Yusheng 007 (域勝 007)	1,790	1,676	1,090	150
Beijing—New Warrior (新勇士)	3,076	3,219	1,700	393
Beijing—New Knight (新騎士)	141	161	124	0
Beijing—Luba (陸霸)	984	418	318	22
Total off-road vehicles sold by BAIC Limited	5,991	5,474	3,232	565
Sales revenue from off-road vehicles sold by BAIC Limited[(1)] (RMB in millions)	471.2	422.5	200.2	29.9
Total off-road vehicles sold by BAIC Limited as percentage of the combined sales volume for SUVs and off-road vehicles in China	0.38%	0.27%	0.11%	0.03%

Source: ACMR

(1) According to the unaudited accounts of BAIC Limited.

The prices of passenger vehicles (including SUVs and off-road vehicles) depend on various factors, such as brand, model, specification, packages and accessories. As of the Latest Practicable Date, the manufacturer's suggested retail price range for the SUVs sold by Beijing Benz and Beijing Hyundai was from approximately RMB165,800 to RMB558,000, while the manufacturer's suggested retail price range for the off-road vehicles sold by BAIC Limited was from approximately RMB55,200 to RMB217,000 according to ACMR. To the best knowledge of our Company and after due and careful inquiries, the gross profit margin for SUVs manufactured and sold by us for the year ended

December 31, 2013 was generally higher than that of the off-road vehicles manufactured and sold by BAIC Limited for the same period.

As of the Latest Practicable Date, our SUVs have been manufactured under Mercedes-Benz brand and Hyundai brand, which clearly differs from the off-road vehicles of BAIC Limited manufactured under BAIC Group's Beijing brand. BAIC Limited is not allowed to manufacture any vehicles under Mercedes-Benz brand or Hyundai brand, while we have no plan to manufacture SUVs under our BJ product series in the foreseeable future. Additionally, the logos used in BAIC Limited for its off-road vehicles are distinct from the logos used on our SUVs. By way of the Non-Competition Undertaking, it is the mutual understanding of both BAIC Group and us that a particular brand will not be applied by either party to the same or similar category of passenger vehicle as the other party is or may be manufacturing. For the purpose of, among other things, enhancing transparency and minimizing potential competition between our SUVs and BAIC Limited's off-road vehicles, we will disclose the annual sales volumes of our SUVs and BAIC Limited's off-road vehicles in our annual reports after the Listing.

Financial performance

Based on the statutory audited accounts of BAIC Limited:

- The total assets of BAIC Limited were approximately RMB2.11 billion, RMB3.90 billion and RMB3.74 billion as of December 31, 2011, 2012 and 2013, respectively.
- The revenues of BAIC Limited were approximately RMB2.30 billion, RMB1.94 billion and RMB1.50 billion for the years ended December 31, 2011, 2012 and 2013, respectively.
- The net losses of BAIC Limited were approximately RMB225.6 million, RMB153.2 million and RMB579.3 million for the years ended December 31, 2011, 2012 and 2013, respectively.

Management independence

BAIC Limited's current board of directors is comprised of seven directors, its board of supervisors is comprised of three supervisors and its senior management is comprised of eleven members. Among BAIC Limited's seven directors, only one director, namely Mr. Liang Guofeng, holds a senior management position within our Company. Among BAIC Limited's three supervisors, only one supervisor, namely Mr. Yin Weijie, holds a Supervisor position within our Company. No senior management members of BAIC Limited holds any Director, Supervisor or senior management position within our Company. Therefore, there is limited overlap in the management teams of BAIC Limited and our Company. Our Directors are of the view that BAIC Limited has sufficient managerial independence and therefore is able to manage itself independently of our Company.

Financial independence

BAIC Limited operates independently from our Company. There are currently no outstanding borrowings or any other non-trade payables or receivables between BAIC Limited and our Company.

Operational independence

BAIC Limited operates independently from our Company. Specifically with respect to:

Production facilities and research and development facilities

BAIC Limited has its own independent production facilities and research and development facilities. As of the Latest Practicable Date, we and BAIC Limited do not expect to share the production facilities or research and development facilities with each other after the Listing.

Distribution network

BAIC Limited primarily manufactures and sells commercial vehicles and off-road vehicles, there is no reliance from us on BAIC Limited in terms of the distribution of our passenger vehicles. As an industry norm, we primarily distribute our passenger vehicles (including SUVs) through dealers, which, we understand, does not significantly deviate from the distribution method adopted by BAIC Limited for its off-road vehicles. Meanwhile, BAIC Limited has its own independent distribution network and does not rely on our distribution network for distribution of its commercial vehicles and off-road vehicles.

Provisional arrangement with BAIC Limited

In an attempt to optimize our production capacity and further strengthen cost control, we entered into a provisional arrangement with BAIC Limited in June 2014, pursuant to which we utilized BAIC Limited's production capacity to manufacture a limited number of Wevan 306, and procured the whole vehicles for our exclusive re-sale through our own distribution network while commencing to utilize our Zhuzhou Branch's production capacity to manufacture Wevan M20, a higher-end passenger vehicle with higher popularity. As of the date of this prospectus, we have reassessed our production capacity and found that our Zhuzhou Branch has sufficient capacity to manufacture both Wevan M20 and Wevan 306, as a result of which, our Directors plan to discontinue the provisional arrangement with BAIC Limited after the Listing.

Continuing connected transactions

Our Company does not expect there would be any continuing connected transactions between BAIC Limited and our Group after the Listing.

Particular reasons for exclusion and whether within scope of the Non-Competition Undertaking

BAIC Limited has been primarily focused on the production and sales of commercial vehicles and off-road vehicles during the Track Record Period which are distinctly distinguishable from our Company's business focus. The differentiation between commercial vehicles and passenger vehicles is widely accepted in the automobile market in the PRC as well as worldwide. Meanwhile, off-road vehicles are a specialized type of passenger vehicle, which are, as detailed above, clearly distinguishable from the other categories of passenger vehicles in terms of functions and technical specifications as well as targeted customers. Additionally, our SUVs can also be distinguished from the off-road vehicles of BAIC Limited with respect to their respective sales volumes, price ranges and profit margins. To the best knowledge of our Company and after due and careful inquiries, we are not aware of any plan of BAIC Limited to manufacture passenger vehicles which would lead to competition between BAIC Limited and our Company. In addition to the above, considering (i) the insignificance of BAIC Limited in terms of sales volume and revenue contribution and (ii) that BAIC Limited is subject to the Non-Competition Undertaking, our Directors are of the view that it is neither appropriate nor commercially justifiable to include the business of BAIC Limited into our Company at this stage.

5. New Energy

Date of incorporation

New Energy was incorporated on October 23, 2009.

Ownership percentage by BAIC Group

BAIC Group currently owns a 60% equity interest in New Energy, and the remaining equity interests in New Energy are owned 25% by Industrial Company, 10% by BSAMAC and 5% by Beijing Electronics Holding Co., Ltd.

Product focus

Focus on electric passenger vehicles

New Energy only engages in provision of parts and components and related assembly services of electric passenger vehicles. In July 2013, BAIC Group, SK Group and Beijing Electronics Holding Co., Ltd. entered into an agreement to establish a sino-foreign joint venture which plans to manufacture battery packs to be used in electric vehicles. New Energy entered into a share purchase agreement in January 2014 pursuant to which it purchased a 25.02% equity interest in Atieva, Inc., a company that is headquartered in Silicon Valley, the U.S. and is mainly engaged in the research and development and production of core engine systems of electric vehicles. The key products of Atieva, Inc. include battery systems and charging devices of electric vehicles. In April 2014, New Energy and Siemens AG also entered into an agreement to establish a sino-foreign joint venture which plans to develop and produce an electric motor and inverter to be used in new energy vehicles.

Compared with diesel passenger vehicles, electric passenger vehicles mainly use rechargeable batteries as a power source and do not emit any waste gas which would contribute to air pollution. However, the popularization of electric passenger vehicles in the PRC faces many obstacles and restrictions, including relatively high pricing of electric passenger vehicles due to high cost of batteries, insufficient recharging infrastructures and limitations in travelling distance/scope of most of existing electric passenger vehicles. Compared with traditional fuel passenger vehicles, the development of electric passenger vehicles is still at its early stage in the PRC, and a large amount of capital investment and government subsidies are needed in the manufacturing, sales and purchasing of electric passenger vehicles.

Product/customer differentiation

Due to the limitations set out above, the sales of electric passenger vehicles represent only a limited share in the total sales of passenger vehicles in the PRC. Electric passenger vehicles are usually purchased by governmental institutions, public transportation companies and environmentally friendly buyers who prefer environmental protection rather than relatively better performance of traditional fuel passenger vehicles. As a result, the Company believes that ultimate customers of electric passenger vehicles are usually different from our target customers. The following table sets forth the market size and market share of the new energy vehicles (including electric automobiles) in the PRC for the years ended December 31, 2011, 2012 and 2013:

	2011	2012	2013
Total sales of automobiles (units'000)	18,489	19,306	21,984
—Sales volume of traditional fuel automobiles (units'000)	18,481	19,293	21,966
—Sales volume of new energy vehicles (units'000)	8.159	12.791	17.642
Market share of traditional fuel automobiles (%)	99.96%	99.93%	99.92%
Market share of new energy vehicles (%)	0.04%	0.07%	0.08%

Source: ACMR

Financial performance

Based on the statutory accounts of New Energy:

- The total assets of New Energy were approximately RMB0.55 billion, RMB0.60 billion and RMB0.98 billion as of December 31, 2011, 2012 and 2013, respectively.
- The revenues of New Energy were approximately RMB35.9 million, RMB103.6 million and RMB311.7 million for the years ended December 31, 2011, 2012 and 2013, respectively.
- The losses of New Energy were approximately RMB29.6 million, RMB33.6 million and RMB52.8 million for the years ended December 31, 2011, 2012 and 2013, respectively.

Management independence

New Energy's current board of directors is comprised of nine directors, its board of supervisors is comprised of six supervisors and its senior management is comprised of ten members. Among the nine directors of New Energy, only three directors, namely Mr. Xu Heyi, Mr. Zhu Zhenghua and Ms. Wang Jing, serve as non-executive Directors and Supervisors of the Company. Remaining directors, six supervisors and the ten senior management members do not hold any Director, Supervisor or senior management position within the Company. Therefore, there is a limited overlap in the management teams of New Energy and the Company. As a result, our Directors are of the view that New Energy has sufficient managerial independence and therefore is able to manage itself independently of our Company.

Financial independence

New Energy operates independently from our Company. There are currently no outstanding borrowings or any other non-trade payables or receivables between New Energy and our Company.

Operational independence

New Energy operates independently from our Company. Specifically with respect to:

Production facilities and research and development facilities

Ministry of Industry and Information Technology and other relevant regulatory authorities have implemented categorization management for the automobile industry. It is expected that BAIC Group will obtain the related authorization to manufacture and sell electric passenger vehicles within one year after the Listing Date (the "**New Energy Transition Period**"). Based on the discussions and negotiations between BAIC Group and us, our Company shall be responsible for the production and sales of electric passenger vehicles during the New Energy Transition Period (the "**New Energy Transition Period Arrangement**").

As part of the New Energy Transition Period Arrangement, we and New Energy entered into an arrangement in respect of our procurement of automobile parts and components and related assembly services from New Energy. During the production process, we will supply semi-finished vehicles to New Energy, it will then assemble power units and components (including batteries, electronic controlling systems and seats) into such semi-finished vehicles and subsequently deliver the fully assembled electric passenger vehicles to us for sale to end customers. We will pay New Energy a total sum representing (a) the procurement costs of such power units and components and (b) a service fee for providing such assembling services to us. For further details, see "Connected Transactions—Continuing Connected Transaction Relating to BAIC Group and Its Associates—Non-exempt Continuing Connected Transactions—4. Products and Services Purchasing Framework Agreement—Arrangement of purchasing new energy vehicle components and related assembly services during the New Energy Transition Period" in this prospectus.

As of the Latest Practicable Date, no research and development and production arrangements in relation to electric passenger vehicles after the New Energy Transition Period have been officially determined. The Company will fully comply with the relevant requirements of the Listing Rules (including but not limited to Chapter 14A of the Listing Rules) with respect to any research and development and production arrangements in relation to electric passenger vehicles after the New Energy Transition Period.

Distribution network

Pursuant to the New Energy Transition Period Arrangement set out above, our Company shall be responsible for the sales of electric passenger vehicles during the New Energy Transition Period. As of the Latest Practicable Date, no sales arrangement in relation to electric passenger vehicles after the New Energy Transition Period has been officially determined. The Company will fully comply with the relevant requirements of the Listing Rules (including but not limited to Chapter 14A of the Listing Rules) with respect to any sales arrangement in relation to electric passenger vehicles after the New Energy Transition Period.

Continuing connected transactions

For details of the aforementioned connected transactions during the New Energy Transition Period, see "Connected Transactions" of this prospectus.

Particular reasons for exclusion and whether within scope of the Non-Competition Undertaking

Our Directors are of the view that there are sufficient reasons for BAIC Group to retain New Energy at this stage. Technologies used by New Energy in automobiles are not yet mature and the sales of electric passenger vehicles, to a certain extent, rely on the favorable policies and subsidies of the government. This trend will remain in the foreseeable future. Therefore, the results and success of new energy vehicles will be subject to various uncertainties, many of which cannot be controlled by the Company. As a result, it is hard (if not impossible) to predict the future prospect and profitability of electric passenger vehicles in the foreseeable future.

Notwithstanding the aforementioned, our Directors do not exclude the possibility that our Company might consider acquiring New Energy after the Listing when opportunities became mature, such acquisition would be subject to full compliance with relevant requirements of the Listing Rules (including Chapter 14 and 14A of the Listing Rules) and the corporate governance measures adopted by our Company including procedures set out in the Non-Competition Undertaking as described below.

In addition, BAIC Group granted options for acquisitions and pre-emptive rights to the Company under the Non-Competition Undertaking as described below, through which the Company will benefit from the development of new energy vehicles. Therefore, our Directors are of the view that the exclusion of New Energy from the Company is in the best interest of our Company and its Shareholders at this stage.

6. ZHENJIANG MOTOR

Date of incorporation

Zhenjiang Motor was incorporated on September 25, 2013.

Ownership percentage by BAIC Group

BAIC Group currently owns an 85% equity interest in Zhenjiang Motor, with the remaining 15% equity interests held by Zhenjiang Motor Industry Investment Company Limited which is an Independent Third Party.

Particular reasons for exclusion and whether within scope of the Non-Competition Undertaking

As of the Latest Practicable Date, Zhenjiang Motor has not launched any production of vehicles. In the event that Zhenjiang Motor will produce any vehicles which directly or indirectly compete with us, it would be subject to the Non-Competition Undertaking and our Group is entitled to exercise an option to acquire Zhenjiang Motor (See "—Non-Competition Undertaking" below for more details). Therefore, our Directors believe that there would be very limited competition between Zhenjiang Motor and our Company.

7. YINXIANG MOTOR

Date of incorporation

Yinxiang Motor was incorporated on January 21, 2011.

Ownership percentage by BAIC Group

BAIC Group currently owns a 26% equity interest in Yinxiang Motor with the remaining equity interests held 25% by Chongqing Yinxiang Industry Group, 24.5% by Chongqing Yinxiang Investment Development Company Limited and 24.5% by Chongqing Yinxiang Trading Company Limited. To our best knowledge, the remaining shareholders of Yinxiang Motor are all Independent Third Parties.

Product focus

Yinxiang Motor is primarily engaged in the manufacturing of CUVs, MPVs, a small volume of SUVs and commercial vehicles.

Product/customer differentiation

As of the Latest Practicable Date, Yinxiang Motor does not possess its own distribution network of CUVs and MPVs; all the CUVs and MPVs produced by Yinxiang Motor were and are currently expected to continue to be distributed by BAIC Sales (a wholly-owned subsidiary of our Company) pursuant to the exclusive sales agency agreement (as detailed in "Business" in this prospectus), see the paragraph headed "—Distribution network" below for more details.

Financial performance

Based on the statutory audited accounts of Yinxiang Motor:

- The total assets of Yinxiang Motor were approximately RMB0.82 billion, RMB1.59 billion and RMB3.56 billion as of December 31, 2011, 2012 and 2013, respectively.
- The revenues of Yinxiang Motor were approximately nil, RMB16.9 million and RMB1,510.7 million for the years ended December 31, 2011, 2012 and 2013, respectively.
- The net losses of Yinxiang Motor were approximately RMB11.6 million, RMB68.7 million and RMB62.4 million for the years ended December 31, 2011, 2012 and 2013, respectively.

Management independence

The current board of directors of Yinxiang Motor is comprised of five directors. It has one supervisor and its senior management is comprised of eight members. No directors, supervisors or senior management members of Yinxiang Motor hold any Director, Supervisor or senior management position in our Company. Therefore, there is no overlap in the management teams of Yinxiang Motor and our Company. Our Directors are of the view that Yinxiang Motor has sufficient managerial independence and thus is able to manage itself independently of our Company.

Financial independence

Yinxiang Motor operates independently from our Company. There are currently no outstanding borrowings or any other non-trade payables or receivables between Yinxiang Motor and our Company.

Operational independence

Production facilities and research and development facilities

Yinxiang Motor has its own independent production facilities and research and development facilities. Save as disclosed in this prospectus, Yinxiang Motor and our Company currently do not expect to share the production facilities or research and development facilities with each other.

Distribution network

As mentioned above, as of the Latest Practicable Date, Yinxiang Motor does not possess its own distribution network of CUVs and MPVs. Pursuant to the exclusive sales agency agreement entered into between our Company and Yinxiang Motor, all of the CUVs and MPVs manufactured by Yinxiang Motor will be sold to us and branded by us under the Wevan product series for re-sale through our own distribution network (see "Business" in this prospectus for more details). Our Zhuzhou branch started to manufacture Wevan M20 in the third quarter of 2014. We plan to let Yinxiang Motor continue to produce a certain volume of Wevan M20, and we will continue to purchase and distribute Wevan M20 manufactured by Yinxiang Motor. See "Business—Manufacturing facilities and process—Arrangement with Yinxiang Motor" in this prospectus for details.

The following table sets out details of the CUVs and MPVs manufactured by Yinxiang Motor and distributed by us pursuant to the exclusive sales agency agreement during the Track Record Period:

			Sales volume for			
			the year ended December 31, (units)			six months ended June 30, (units)
Model	**Manufacturer's suggested retail price range as of the Latest Practicable Date (RMB'000)**	**Product Segment(1)**	**2011**	**2012**	**2013**	**2014**
Wevan (威旺) M20	43.8-63.8	MPV	—	—	12,933	37,598
Wevan (威旺) 206	32.3-38.3	CUV	—	—	1,350	329
Wevan (威旺) 205	29.8-35.8	CUV	—	—	30,927	20,074
		TOTAL	—	—	**45,210**	**58,001**

(1) According to classification by ACMR.

No continuing connected transactions

Given BAIC Group owns only 26% of Yinxiang Motor, Yinxiang Motor is not a connected person of our Company and therefore transactions between Yinxiang Motor and our Company will not be classified as connected transactions under the Listing Rules. The material transactions between our Group and Yinxiang Motor will primarily be under the exclusive sales agency agreement as mentioned above.

Particular reasons for exclusion and whether within scope of the Non-Competition Undertaking

In addition to Yinxiang Motor's reliance upon our distribution network which would effectively eliminate competition with our Company, the primary reason for its exclusion from our Company is that our Company would not consider acquiring Yinxiang Motor given that BAIC Group is not able to exert sufficient or effective control over Yinxiang Motor for its 26% (less than 50%) equity interests in Yinxiang Motor. Given the limited interest of BAIC Group in Yinxiang Motor and the latter does not constitute an associate of BAIC Group, Yinxiang Motor is not subject to the Non-Competition Undertaking.

8. CHANGHE MOTOR

Date of incorporation

Changhe Motor was incorporated on September 17, 2008.

Ownership percentage by BAIC Group

BAIC Group owns a 70% equity interest of Changhe Motor, with the remaining 30% owned by Jiangxi Provincial State-Owned Enterprise Assets Management (Holdings) Co., Ltd., an Independent Third Party.

Product focus

Mini passenger vehicles (A00)

Changhe Motor is mainly involved in the manufacturing of passenger vehicles, which include sedans, CUVs, SUVs and MPVs. Though there is an overlap of the core businesses of Changhe Motor and our Company, there is a clear distinction in terms of product focus between Changhe Motor and our Company. Set out below is a summary of the vehicles manufactured and sold by Changhe Motor for the years ended December 31, 2011, 2012 and 2013:

Model	Manufacturer's suggested retail price range as of the Latest Practicable Date (RMB'000)	Product Segment[1]	Sales volume for The year ended December 31, (units)		
			2011	2012	2013
Liana (利亞納) A6	55.9-80.9	Small-size sedan (A0)	—	—	—
Splash (派喜)	50.0	Small-size sedan (A0)	459	2,344	1,102
Liana a+ (利亞納 a+)	57.9-61.9	Small-size sedan (A0)	18,510	7,451	9,190
Ideal (愛迪爾)	34.9-36.9	Mini car (A00)	3,809	3,470	1,902
Plough (北斗星)	44.8-53.9	Mini car (A00)	58,158	70,886	71,735
Landy (浪迪)	49.8-50.8	CUV	4,956	2,753	1,882
Furuida (福瑞達)	28.8-47.8	CUV	32,700	24,224	11,383
Fuyun (福運)	43.8-45.8	CUV	1,366	2,337	1,470
		TOTAL	**119,958**	**113,465**	**98,664**

Source: ACMR

[1] According to classification by ACMR.

As set out in the table above, Changhe Motor's key focus is the mini passenger vehicles (A00), which is clearly distinct from passenger vehicles of other categories in terms of appearance, size and targeted customers. The sales volume of Plough (北斗星) amounted to 58,158, 70,886 and 71,735 for the three years ended December 31, 2011, 2012 and 2013, representing approximately 48.5%, 62.5% and 72.7% of the vehicles sold by Changhe Motor during the same periods. By contrast, our Company, as of the Latest Practicable Date, does not manufacture vehicles within grade A00 segment. Therefore, there is a clear delineation of the core business focus between Changhe Motor and our Company.

Limited competition in small-size sedans and CUVs

Changhe Motor competes with us primarily in our small-size sedans (A0) and CUVs. Set out below is a comparison of the sales volumes of small-size sedans (A0) and CUVs sold by us and Changhe Motor for the years ended December 31, 2011, 2012 and 2013.

	Sales volumes for		
	The year ended December 31, (units)		
	2011	2012	2013
Beijing Motor	10,016	67,020	179,248
Beijing Hyundai	158,082	208,163	199,065
Total	**168,098**	**275,183**	**378,313**
Changhe Motor	57,991	39,109	25,027

Source: ACMR and the Company

As illustrated above, in terms of sales volume of small-size sedans (A0) and CUVs, our Beijing Motor together with Hyundai brands significantly outnumbered Changhe Motor for the years ended December 31, 2011, 2012 and 2013. Therefore, we believe that there is only limited competition between Changhe Motor and our Company even in the A0 segment and CUVs.

Financial performance

Based on the statutory audited accounts of Changhe Motor:

- The total assets of Changhe Motor were approximately RMB5.21 billion, RMB5.03 billion and RMB3.86 billion as of December 31, 2011, 2012 and 2013, respectively.

- The revenues of Changhe Motor were approximately RMB5.37 billion, RMB4.38 billion and RMB3.90 billion for the years ended December 31, 2011, 2012 and 2013, respectively.

- Changhe Motor generated a net profit of approximately RMB5.2 million, and a net loss of approximately RMB91.6 million and RMB154.8 million, for the years ended December 31, 2011, 2012 and 2013, respectively.

Management independence

Changhe Motor's current board of directors is comprised of seven directors, its board of supervisors is comprised of four supervisors and its senior management is comprised of eight members. Among Changhe Motor's seven directors, only Mr. Xu Heyi, who acts as the chairman of the board of Changhe Motor, holds chairman of the Board and non-executive Director positions within our Company. No supervisors or senior management members of Changhe Motor holds any Director, Supervisor or senior management position within our Company. Therefore, there is limited overlap in the management teams of Changhe Motor and our Company. Our Directors are of the view that Changhe Motor has sufficient managerial independence and therefore is able to manage itself independently of our Company.

Financial independence

Changhe Motor operates independently from our Company. There are currently no outstanding borrowings or any other non-trade payables or receivables between Changhe Motor and our Company.

Operational independence

Changhe Motor operates independently from our Company. Specifically with respect to:

Production facilities and research and development facilities

Changhe Motor has its own independent production facilities and research and development facilities. We currently do not expect to share the production facilities or research and development facilities with each other.

Distribution network

Changhe Motor has established its own independent distribution network for the sale of their passenger vehicles. Changhe Motor therefore does not rely on us for the distribution of its passenger vehicles. We also do not rely on Changhe Motor to distribute any of our passenger vehicles.

No continuing connected transactions

Our Company does not expect there will be any continuing connected transactions with Changhe Motor after the Listing.

Particular reasons for exclusion and whether within scope of the Non-Competition Undertaking

As stated above, our Directors are of the view that there is only limited competition between Changhe Motor's A0 segment and CUVs and ours, given the significant difference in volume of production and sales and the clear distinction from our core business and product focus of passenger vehicles in terms of appearance, size and targeted customers. Meanwhile, our Directors are of the view that the products we offer to consumers are more popular with potential customers as reflected in the significantly higher sales volume of our Company in terms of the A0 segment and CUVs.

In addition, to our best knowledge and after due and careful inquiries, as of the Latest Practicable Date, Changhe Motor has not obtained proper land use right certificates and/or building ownership certificates for most of its plants. In light of the above reasons, there would be substantial hurdles for any subsequent operations if Changhe Motor were considered being acquired by our Company as part of the Reorganization.

In view of the above, our Directors believe that at this stage it is neither feasible nor commercially advisable to include the business of Changhe Motor into our Company.

Although engaged in competing businesses to a limited degree as disclosed above, Changhe Motor is within the scope of the Non-Competition Undertaking. Our Directors do not exclude the possibility that our Company might consider acquiring Changhe Motor after the Listing when the land and property defects are rectified and other opportunities became mature, however, such acquisition would be subject to full compliance with relevant requirements of the Listing Rules (including Chapter 14 and 14A of the Listing Rules) and the corporate governance measures adopted by our Company including procedures set out in the Non-Competition Undertaking as described below.

COMPETING INTERESTS OF DIRECTORS

Other than the positions in BAIC Group and the Excluded Companies held by our Directors as further disclosed in this prospectus, our Directors have confirmed that they do not have any interests in any business, which directly or indirectly competes or is likely to compete with our core businesses as of the Latest Practicable Date.

NON-COMPETITION UNDERTAKING

To avoid any actual or potential competition between the business of BAIC Group and our Company, BAIC Group undertakes on December 2, 2014 ("**Non-Competition Undertaking**") that, subject to certain exceptions and except as disclosed in this prospectus, BAIC Group shall not, and shall procure that its associates (other than Foton and members of our Group) not to engage in any business which directly or indirectly competes with the core businesses (design, research and development, manufacture and sale of passenger vehicles and provision of related services) carried on by the Company ("**Restrained Businesses**") within the period during which (a) the H Shares of our Group are listed on the Stock Exchange, and (b) BAIC Group and its associates are entitled to possess no less than 30% voting power or deemed to be the Controlling Shareholder of our Group ("**Restrained Period**").

The Non-Competition Undertaking above does not apply to the following circumstances:

- BAIC Group having interests in the shares of any member of our Group;
- BAIC Group having interests in the shares of a company other than our Group *provided that*:
  - (i) any Restrained Businesses conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of our Group's consolidated revenues and consolidated assets as shown in our Group's latest audited accounts;
  - (ii) BAIC Group and its associates are not entitled to appoint a majority of the directors of that company. In addition, that company shall at any time have at least one shareholder whose shareholding is more than the shareholding in aggregate owned by BAIC Group and its associates or that company is controlled by a third party; and
  - (iii) BAIC Group and its associates are not in control of the board of directors of that company.

Option for New Business Opportunities

BAIC Group has undertaken in the Non-Competition Undertaking that:

within the Restrained Period, if BAIC Group and its associates (other than Foton and members of our Group) become aware of, notice, are recommended or provided with a new business opportunity which will directly or indirectly compete with the Restrained Businesses, including but not limited to the opportunities which are the same with or similar to the Restrained Businesses ("**New Business Opportunities**"), BAIC Group shall and shall procure its associates (other than Foton and members of our Group) to refer or recommend the New Business Opportunities to our Group subject to relevant laws, requirements or contractual arrangements with third parties:

(i) BAIC Group shall provide our Group with a written notification which includes all reasonable and necessary information known by the BAIC Group and/or its associates (including the nature of the New Business Opportunities and necessary information relating to the cost of relevant investment or acquisition) for our Group to consider (a) whether the New Business Opportunities constitute competition or potential competition to the Restrained Businesses; and (b) whether engaging in such New Business Opportunities would be in the best interests of our Group (the "**Offer Notice**"); and

(ii) our Group shall respond to BAIC Group and/or its associates (other than Foton and members of our Group) within 30 days upon receipt of the Offer Notice. If our Group fails to reply to BAIC Group and/or its associates (other than Foton and members of our Group) within the above period, it shall be deemed to have abandoned the New Business Opportunities. If our Group determines to take up the New Business Opportunities, BAIC Group and/or its associates (other than Foton and members of our Group) would be obligated to offer such New Business Opportunities to our Group.

Pre-emptive Rights

BAIC Group has undertaken that:

within the Restrained Period, if it and/or its associates (other than Foton and members of our Group) intend(s) to transfer, sell, lease or license loyalties to a third party any businesses engaged by BAIC Group and/or its associates (other than Foton and members of our Group) which competes or potentially competes with the Restrained Businesses or any other businesses which would cause direct or indirect competition with the Restrained Businesses, it shall offer our Group the pre-emptive right in terms of such opportunity with the equal terms subject to relevant laws, requirements or contractual arrangements with third parties:

(i) BAIC Group and/or its associates (other than Foton and members of our Group) shall provide our Group with written notice no later than the time of any such disposals ("**Disposal Notice**"). For the avoidance of doubt, BAIC Group and/or its associates (other than Foton and members of our Group) is entitled to provide information and/or Disposal Notice to any third parties at the same time or after providing the Disposal Notice to our Group;

(ii) our Group shall reply to BAIC Group and/or its associates in writing within, whichever the later of, the 30th day after receipt of the Disposal Notice and expiration of the period offered to third parties for them to reply by BAIC Group and/or its associates before exercising its pre-emptive rights;

(iii) if our Group intends to take up such pre-emptive rights, the terms shall be determined with reference to fair market price; and

(iv) BAIC Group and/or its associates (other than Foton and members of our Group) shall not dispose of such businesses and interests to any third parties unless (a) our Group declines to purchase such businesses and interests in writing; (b) the notice of exercising such pre-emptive rights has not been received by BAIC Group and/or its associates from our Group within, whichever the later of, the 30th day after receipt of the Disposal Notice and expiration of the period offered to third parties for them to reply by BAIC Group and/or its associates; or (c) our Group fails to offer the same or more favorable terms of acquisitions than those offered by any third parties to BAIC Group and/or its associates (other than Foton and members of our Group).

For the avoidance of doubt, the terms of disposal offered by BAIC Group and/or its associates (other than Foton and members of our Group) to any third parties shall not be more favorable than those offered to our Group.

Option for Purchase

Within the Restrained Period, on the condition that no relevant laws and regulations are breached and agreements with third parties are complied with, our Group is entitled to acquire any businesses operated by BAIC Group and/or its associates (other than Foton and members of our Group) which competes or potentially compete with the Restrained Businesses or any businesses or any interests of BAIC Group and/or its associates (other than Foton and members of our Group) which are gained through the New Business Opportunities ("**Option for Purchase**"). Our Group is entitled to exercise the Option for Purchase at any time, and BAIC Group and/or its associates (other than Foton and members of our Group) shall base on below conditions to offer the Option for Purchase to our Group:

The commercial terms of the proposed acquisition shall be formed solely by the committee consisting of our independent non-executive Directors after consulting the views of independent experts. Furthermore, such commercial terms shall be based on negotiation between the parties in line with normal commercial practice of our Group which is fair, reasonable and in compliance with the interests of our Group as a whole, as in accordance with the negotiations with BAIC Group and its associates.

However, if a third party has the pre-emptive rights in accordance with applicable laws and regulations and/or a prior legally binding document (including, but not limited, to articles of association and/or shareholders' agreements), Options for Purchase of our Group shall be subject to such third-party rights. In such a case, BAIC Group and/or its associates (other than Foton and members of our Group) will use their best efforts to persuade the third party to waive its pre-emptive rights.

BAIC Group's Further Undertaking

BAIC Group has further undertaken that, subject to relevant laws, requirements or contractual arrangements with third parties:

(i) upon the request of our Group, it shall and shall procure its associates (other than Foton and members of our Group) to provide any necessary information for the implementation of the Non-Competition Undertaking;

(ii) it would allow the authorized representatives or auditors of our Group to have reasonable access to the financial and corporate information necessary to its transactions with third parties, which would assist with the judgments of our Group in respect of whether BAIC Group and/or its associates have complied with this Non-Competition Undertaking; and

(iii) it would ensure that within 10 days of receipt of the written request from our Group, necessary confirmation shall be made in writing as to BAIC Group's and its associates' performance under the Non-Competition Undertaking and BAIC Group and its associates shall allow such confirmation to be included into the annual reports of our Group.

Corporate measures in relation to the implementation of the Non-Competition Undertaking

Our Company will also adopt the following procedures to ensure that the undertakings under the Non-Competition Undertaking are observed:

(i) *Review by independent non-executive Directors*—our independent non-executive Directors will be responsible for reviewing the options for New Business Opportunities, pre-emptive rights and Option for Purchase granted by BAIC Group, and deciding whether or not to take up business opportunities as referred to in the Offer Notice, Disposal Notice and/or the Option for Purchase. In deciding whether to take such business opportunities, our independent non-executive Directors will consider various factors including the due diligence to be conducted towards the target businesses, the purchase prices, the benefits that it will bring to our Group as well as whether we have adequate management and resources to manage and operate the business operations of such businesses.

(ii) *Increased transparency*—BAIC Group has undertaken to provide all information necessary for the enforcement of the options for New Business Opportunities, pre-emptive rights and Option for Purchase. We will provide our independent non-executive Directors with the Offer Notice and Disposal Notice (as the case may be) on the new business opportunity or pre-emptive rights referred to us by BAIC Group within seven days of receipt, and our independent non-executive Directors would be allowed to propose the exercise of the Option for Purchase at any time.

(iii) *Public disclosure of decisions*—our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to the exercise or non-exercise of options for New Business Opportunities, pre-emptive rights and Option for Purchase either through our annual report, or by way of announcements to the public. Our independent non-executive Directors will report in our annual report (a) their findings on the compliance by BAIC Group of the Non-Competition Undertaking and (b) any decision made pursuant to the options and pre-emptive rights granted to the Company, and the basis of such decision.

Our Directors are of the view that our independent non-executive Directors have sufficient experience in assessing whether or not to take up new business opportunities or exercise our pre-emptive rights. In any event, our independent non-executive Directors may appoint a financial adviser or professional expert to provide advice, at the cost of the Company, in connection with the exercise or non-exercise of the option or pre-emptive rights under the Non-Competition Undertaking.

Termination of the Non-Competition Undertaking

The Non-Competition Undertaking will become effective upon Listing and remain in full force. It will be terminated upon the earlier of:

(i) BAIC Group and its associates (other than Foton and members of our Group), individually or, directly and/or indirectly in aggregation, holding less than 30% of the voting rights or control of exercising voting rights in any shareholders' meeting; and

(ii) our H Shares no longer being listed on the Stock Exchange (except for the circumstances under which our H Shares are temporarily suspended to be listed in accordance with the Listing Rules).

Based on the legally binding obligations of BAIC Group as set out in the Non-Competition Undertaking and the related grant of the option for new business opportunities, pre-emptive rights and option for purchase, and the information sharing and other mechanisms in place as described above to monitor compliance by BAIC Group, our Directors are of the view that our Company has taken all appropriate and practicable measures to ensure compliance by BAIC Group with its obligations under the Non-Competition Undertaking.

INDEPENDENCE FROM BAIC GROUP

Having considered the following factors, our Directors are satisfied that we can conduct our business independently from BAIC Group and its associates after the Global Offering.

Operational Independence

Save as disclosed in details in the discussion of each of BAIC Group's interest in the Excluded Companies above:

- We are in possession of all production and operating facilities and technology relating to our Company's core business. Currently, we engage in our Group's core business independently, with the autonomous right to make and implement operational decisions. We have independent access to customers and suppliers and, except for otherwise disclosed in "Connected Transactions," we are not reliant on BAIC Group with respect to supplies for our business operations or distribution networks. We have sufficient capital, equipment and employees to operate our business independently from BAIC Group.
- We have our own organizational structure with self-governing departments, each with specific areas of responsibility. We also maintain a set of comprehensive internal control procedures to facilitate the effective operation of our business. We have adopted protective measures to ensure the enforceability of the Non-Competition Undertaking with BAIC Group. See "—Non-Competition Undertaking" in this section for details. We have also adopted a set of corporate governance manuals such as rules of the shareholders' meeting, rules of the board meeting, and rules of the Board of Supervisors, which are based on relevant laws, rules and regulations.
- Our Company has entered into certain continuing connected transactions with BAIC Group, pursuant to which BAIC Group and/or its associates may provide services or commodities to our Group or vice versa. During the Track Record Period, our Group's sales (the historical amounts of transactions in respect of the Provision of Products and

General Services (as defined in "Connected Transactions—Continuing connected transactions relating to BAIC Group and its associates—Non-exempt continuing connected transactions—5. Provision of Products and Services Framework Agreement" in this prospectus) for the years ended December 31, 2011, 2012 and 2013) to BAIC Group and its associates accounted for approximately 2.4%, 6.5% and 4.8% of our Group's total amount of sales during the same periods; while our Group's purchases (the historical amounts of transactions in respect of the Purchase of Products and General Services (as defined in "Connected Transactions—Continuing connected transactions relating to BAIC Group and its associates—Non-exempt continuing connected transactions—4. Products and Services Purchasing Framework Agreement" in this prospectus) for the years ended December 31, 2011, 2012 and 2013) from BAIC Group and its associates accounted for approximately 25.3%, 43.5% and 28.1% of our Group's total amount of cost of sales and expenses during the same periods. Considering, among others, that (1) the mutual provision of services and commodities between BAIC Group and/or its associates, and our Group, have been and will continue to be on a non-exclusive basis with fair and reasonable terms negotiated on arm's length basis, and (2) though such services and/or commodities are readily available from independent third parties as appropriate, BAIC Group , by understanding our business and operational requirements well, could efficiently fulfill our requirements with stable supply of products and general services with high quality and thus are in the best interest of our Company and its Shareholders as a whole, our Directors believe that despite the continuation of the connected transactions, we will be able to function and operate autonomously from BAIC Group as we do not expect to place undue reliance on BAIC Group in respect of the continuing connected transactions after the Listing.

In addition, our Directors are of the view that the increasing annual caps would not increase our Group's level of reliance on BAIC Group. As elaborated in "Connected Transactions" of this prospectus, the estimated annual caps are linked to and ultimately resulted from the business expansion plan of our Group. The historical amounts and estimated annual caps of the connected transactions during the Track Record Period and for the years ending December 31, 2014, 2015 and 2016, as percentages of the Group's total and estimated total revenues or costs of sales and expenses, as the case may be, are at similar level.

- We have secured the long-term use of BAIC Group's certain trademarks and technologies by entering into a trademark and technology licensing framework agreement with BAIC Group, pursuant to which, BAIC Group has granted us a license to use various trademarks and technologies owned by BAIC Group for an initial term which would commence on the Listing Date and end on December 31, 2016, subject to renewal through mutual consents by the relevant parties. We believe the trademark and technology licensing framework agreement is fair and reasonable and in the interest of our Shareholders as a whole. Our Directors are of the view that there is no risk for us to use the trademarks and technologies during our operations for the following reasons: (1) although the trademarks and technologies are not currently registered by the Group, BAIC Group has undertaken to grant the Group the right to use the trademarks and technologies for an initial term which would commence on the Listing Date and end on December 31, 2016, subject to renewal through mutual consents by the relevant parties, and on a repetitive basis as long as BAIC Group remains the Controlling Shareholder of the Company; and (2) although the trademarks and technologies are licensed to the Group on a non-exclusive basis, all the other licensees are intra-group companies of BAIC Group.

Based on the above, our Directors are of the view that the Company operates independently from BAIC Group.

Financial Independence

We have established our own finance department with a team of independent financial staff, who are responsible for financial control, accounting, reporting, group credit and internal control functions of our Company independent from BAIC Group.

We can make financial decisions independently and BAIC Group does not interfere with our use of funds. We have also established an independent audit system, a standardized financial and accounting system and a complete financial management system. In addition, we maintain bank accounts with banks independently and BAIC Group does not share any bank accounts with us. We have made independent tax registration in accordance with applicable laws, and paid tax independently pursuant to applicable PRC tax laws and regulations, rather than on a combined basis with BAIC Group or other enterprises under its control.

We have sufficient capital to operate our business independently, and we are capable of obtaining financing from third parties without relying on any guarantee or security provided by BAIC Group or other connected persons. In particular, we have obtained credit facilities from independent commercial banks without any assistance, guarantee or security from BAIC Group. See "Financial Information—Liquidity and Capital Resources" of this prospectus for details. Moreover, we have established long-term relationships with relevant PRC commercial banks from which we are able to obtain banking facilities on competitive terms to fund our business operations and expansions. Therefore, we operate independently from BAIC Group from a financial perspective.

In addition, we have been receiving financial services from BAG Finance (a subsidiary of BAIC Group), including deposits, loans, discounted notes services and other financial services (see "Connected Transactions" in this prospectus for more details), which will continue to be provided by BAG Finance to our Group after the Listing. Taking into account that (i) the amount of such financial services is and will continue to be considerably limited compared to the actual and estimated scale of needs for financial services by the Company, (ii) the arrangement of financial services within PRC state-owned enterprises is common, (iii) the financial services from BAG Finance to us are and will continue to be on normal commercial terms, (iv) our Group has a record of fund raising on a stand-alone basis without any credit support from BAIC Group, (v) our Group has received firm offers from a number of independent financial institutions to provide generally equivalent finance facilities, on a stand-alone basis, which is sufficient to refinance our loans from BAG Finance, (vi) our Group has a strong financial position with our business operations in a relatively matured and developed market, and (vii) the premature release of BAG Finance's financial assistance would not be commercially sound or practical in the prevailing economic climate where financial institutions might be more likely to impose stricter or less favorable terms for banking facilities on our Group which would in turn be detrimental to the best interest of our Shareholders as a whole, our Directors are of the view that the financial services provided by BAG Finance would not affect our financial independence from BAIC Group and that we operate independently from BAIC Group from a financial perspective.

Management Independence

Our Company is capable of managing our businesses independently from BAIC Group.

All the directors of BAIC Group are designated by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality with an exception of an employee representative director. For our Company, Directors are nominated by the Shareholders and must be approved by the Shareholders by ordinary resolutions at general meetings.

Upon the Listing, our Board will consist of fifteen directors, five of whom will continue to hold positions within BAIC Group after the Listing. Most of our Directors and senior management have broad experience in managing automobile manufacturing businesses. Set forth below is a table summarizing the identities of the five Directors who will continue to hold positions within BAIC Group and its subsidiaries after the Listing and their respective major positions in our Group and BAIC Group as well as its subsidiaries.

Name	Major positions in our Group	Major positions within BAIC Group and its subsidiaries
Mr. Xu Heyi	● Chairman of the Board, the secretary of the party committee and non-executive Director of the Company ● Chairman of the board of Beijing Benz ● Chairman of the board of BAIC Hong Kong ● Chairman of the board of directors of BAIC Investment	● Chairman of the board and the secretary of the party committee of BAIC Group
Mr. Zhang Xiyong	● Non-executive Director of the Company	● Director, member of the standing committee of the party committee and general manager of BAIC Group ● Chairman of the board of directors of Beijing BAIC Rocar Automobile Services & Trade Co., Ltd. (北京北汽鵬龍汽車服務貿易股份有限公司) ● Executive director of Beijing Automobile International Development Co., Ltd. (北京汽車國際發展有限公司)
Mr. Li Zhili	● Non-executive Director, deputy secretary of the party committee and secretary of discipline committee of the Company	● Director, the deputy secretary of the party committee and the secretary of the discipline committee of BAIC Group
Mr. Li Feng	● Executive Director, president and deputy secretary of the party committee of the Company ● Director of Beijing Benz	● A director and member of the standing committee of the party committee of BAIC Group

Name	Major positions in our Group	Major positions within BAIC Group and its subsidiaries
Mr. Ma Chuanqi	● Non-executive Director of the Company ● Director of BAIC Investment ● Chairman of the board of directors of Beijing Hainachuan Investment Co., Ltd. ● Director of Beijing Benz ● Director of BAIC Hong Kong	● Director and the chief financial officer of BAIC Group ● Chairman of the board of directors and secretary of the party committee of BAG Finance

For technical knowledge, expertise and experience of the overlapping Directors, see section "Directors, Supervisors, Senior Management and Employees" of this prospectus for more details. None of our independent non-executive Directors has any relationship with BAIC Group other than allowed under Rule 3.13 of the Listing Rules. Therefore, there are sufficient non-overlapping directors who are independent and have relevant experience to allow the proper functioning of the Board.

Save for that Mr. Zhang Yuguo, a supervisor of our Company, also serves as the supervisor of BAIC Group as appointed by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality, upon the Listing, none of our Supervisors serves as the directors, supervisors or senior management of BAIC Group. Among the 12 senior management members, except for Mr. Li Feng and Mr. Zhang Hui who serve as the directors of BAIC Group (Mr. Zhang Hui serves as a director representing the employees of BAIC Group), there is no other overlap of directors, supervisors and senior management of our Group with BAIC Group.

We believe that our Directors and senior management will be able to perform their roles in the Company independently and that the Company is capable of managing its business independently of BAIC Group after the Listing for the following reasons:

- 10 out of 15 members of the Board do not hold any director, supervisor of senior management position in BAIC Group. It is the Board as a whole, and not any individual Director, that makes decisions for our Company pursuant to the Articles of Association;
- the decision-making mechanism of the Board set out in the Articles of Association includes provisions to avoid conflict of interest by providing, among other things, that in the event of a conflict of interest, such as a consideration of resolutions in relation to connected transactions with BAIC Group, the relevant Director who is connected with BAIC Group shall abstain from voting and will not be counted in the quorum. Further, when considering connected transactions, our independent non-executive Directors will review the relevant transactions;
- the day-to-day operation of our Company is not only managed by our executive Director, but also by its senior management, who are all full time employees of our Company. Our executive Director together with the senior management are the core management team of our Company;
- none of our Directors, Supervisors or members of senior management have any shareholding interests in BAIC Group;
- each of our Directors is aware of his fiduciary duties as a director, which requires, among other things, that he acts for the benefit and in the best interests of our Company;

- out of the 10 Directors who are not independent non-executive Directors, five are nominated by BAIC Group and the remaining five are nominated by other Shareholders including Daimler AG, Shougang Limited, BSAMAC and Beijing Energy Investment, all of which (except for BSAMAC) are independent of BAIC Group; and
- we have appointed five independent non-executive Directors, comprising one third of the total Board members, to provide a balance in the number of interested and independent Directors with a view to promote the interests of the Company and our Shareholders as a whole.

Upon the Listing of H Shares on the Stock Exchange, transactions with us and our Connected Persons will constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

CONNECTED PERSONS

Upon Listing, the following entities, with whom we have entered into certain transactions in the ordinary and usual course of our business, will become our Connected Persons:

- **BAIC Group**

  BAIC Group (previously known as BAIC Holding), is a state-owned enterprise established on June 30, 1994 with a registered capital of approximately RMB4.55 billion. Its principal businesses include the manufacture, sales, import and export of vehicles and components, the operation and management of state-owned assets, investment and investment management, technology development, service and consultancy, and real property development and sales.

  BAIC Group has been our sole Controlling Shareholder throughout the Track Record Period. As of the Latest Practicable Date, BAIC Group owned approximately 55.22% of the total issued share capital of our Company. Upon completion of the Global Offering, BAIC Group will own approximately 45.61% of the total issued share capital of our Company (assuming the Over-allotment Option is not exercised) or approximately 44.41% of the total issued share capital of our Company (assuming the Over-allotment Option is exercised in full). BAIC Group will continue to be our sole Controlling Shareholder after the Listing.

- **Associates of BAIC Group (excluding our Group)**

  Associates of BAIC Group (excluding our Group), being the subsidiaries and companies in which BAIC Group holds a 30% or more interest, including but not limited to BAIC Group Finance Co., Ltd. (北京汽車集團財務有限公司) ("**BAG Finance**"), are our Connected Persons by virtue of them being associates of BAIC Group as defined under Chapter 14A of the Listing Rules.

- **Daimler AG**

  Daimler AG is a company established in Germany in 1886. Daimler AG is one of the largest producers of premium cars and commercial vehicles in terms of sales volume globally. Its principal businesses include producing premium automobiles, trucks, vans and buses, and providing tailored services around these products.

  Immediately prior to the completion of the Global Offering, Daimler AG will hold 12.00% of the Shares of our Company. Immediately following the completion of the Global Offering and assuming the Over-allotment Option is not exercised, Daimler AG will be our Substantial Shareholder. Furthermore, Daimler AG and Daimler Greater China will continue to hold 49% of the equity interests in Beijing Benz (our non-wholly owned subsidiary) and are substantial shareholders of Beijing Benz. As a result, Daimler AG will continue to be a Substantial Shareholder of us as well as a substantial shareholder of our subsidiary, and will hence become our Connected Person upon Listing.

- **Beijing Benz**

  Beijing Benz is a company incorporated in China on July 1, 1983. Its scope of business ranges from research and development, engines and complete vehicles production and sales and aftersales services. On November 18, 2013, following a new round of capital increase subscribed by our Company, and as part of the Pre-IPO Strategic Investment as set out in "History, Reorganization and Corporate Structure—Major Acquisitions and Disposals" of this prospectus, our Company increased our equity holding in Beijing Benz from 50% to 51% and thus Beijing Benz has been included in the consolidated financial statements of our Group, with Daimler AG and Daimler Greater China holding the remaining 38.665% and 10.335% equity interests, respectively. As such, since November 18, 2013, Beijing Benz has become and will continue to be a 51% owned subsidiary of our Company after our Listing.

  Beijing Benz is our non-wholly owned subsidiary. As Daimler AG is our Connected Person at the Company level which holds more than 10% in Beijing Benz, Beijing Benz will become a Connected Person of our Company upon Listing under Rule 14A.16 of the Listing Rules.

- **Other associates of Daimler AG**

  Other subsidiaries and companies in which Daimler AG directly or indirectly holds 30% or more interests are also Connected Persons by virtue of them being associates of Daimler AG as defined under Chapter 14A of the Listing Rules.

Accordingly, the following transactions between each of the Connected Persons and us, which have been entered into in the ordinary course of our business on a recurring and continuing nature, will constitute continuing connected transactions for us under Chapter 14A of the Listing Rules upon Listing.

CONTINUING CONNECTED TRANSACTIONS RELATING TO BAIC GROUP AND ITS ASSOCIATES

Nature of transaction	Applicable Listing Rules	Waiver sought	Historical amounts	Proposed annual cap for the year ending December 31
			(RMB million)	(RMB million)
Exempt continuing connected transactions				
Transactions with BAIC Group and/or its associates				
			For the year ended December 31	
1. Trademark and Technology Licensing Framework Agreement	14A.76	N/A	2011: 0 2012: 0 2013: 0	2014: N/A 2015: N/A 2016: N/A
			For the six months ended June 30	
			2014: 0	

Nature of transaction	Applicable Listing Rules	Waiver sought	Historical amounts (RMB million)	Proposed annual cap for the year ending December 31 (RMB million)
Non-exempt continuing connected transactions				
Transactions with BAIC Group and/or its associates				
1. Trademark licensing agreement between BAIC Group and Beijing Benz	14A.34, 14A.35, 14A.49, 14A.52, 14A.53 and 14A.71	Announcement requirements	**For the year ended December 31** 2011: N/A 2012: N/A 2013: 25.4 **For the six months ended June 30** 2014: 79.3	2014: 220.6 2015: 315.3 2016: 387.8
2. Property and Facility Leasing Framework Agreement	14A.34, 14A.35, 14A.36, 14A.49, 14A.52, 14A.53 and 14A.71	Announcement and independent Shareholders' approval requirements	**For the year ended December 31** 2011: 46.2 2012: 45.3 2013: 144.8 **For the six months ended June 30** 2014: 56.3	2014: 147.1 2015: 147.1 2016: 147.1
3. Financial Services Framework Agreement	14A.34, 14A.35, 14A.36, 14A.49, 14A.52, 14A.53 and 14A.71	Announcement and independent Shareholders' approval requirements	Maximum daily balance of deposits placed by our Group with BAG Finance **For the year ended December 31** 2011: 0 2012: 4,031.3 2013: 7,295.7 **For the six months ended June 30** 2014: 8,855.0	2014: 14,733.1
			Maximum daily balance of loans granted by BAG Finance to our Group **For the year ended December 31** 2011: 0 2012: 1,315.0 2013: 1,730.0 **For the six months ended June 30** 2014: 1,725.9	2014: 2,988.0
			Fees and charges paid by our Group to BAG Finance for other financial services **For the year ended December 31** 2011: 0 2012: 0 2013: 0 **For the six months ended June 30** 2014: 0	2014: 39.2

Nature of transaction	Applicable Listing Rules	Waiver sought	Historical amounts (RMB million)	Proposed annual cap for the year ending December 31 (RMB million)
4. Products and Services Purchasing Framework Agreement	14A.34, 14A.35, 14A.36, 14A.49, 14A.52, 14A.53 and 14A.71	Announcement and independent Shareholders' approval requirements	Products	
			For the year ended December 31	
			2011: 904.3	2014: 9,789.1
			2012: 2,270.9	2015: 15,195.0
			2013: 3,188.3	2016: 22,973.8
			For the six months ended June 30	
			2014: 2,783.2	
			Services	
			For the year ended December 31	
			2011: 171.3	2014: 3,651.0
			2012: 363.2	2015: 5,571.8
			2013: 1,258.2	2016: 7,687.0
			For the six months ended June 30	
			2014: 1,565.3	
			Total	
			For the year ended December 31	
			2011: 1,075.7	2014: 13,440.1
			2012: 2,634.2	2015: 20,766.8
			2013: 4,446.5	2016: 30,660.8
			For the six months ended June 30	
			2014: 4,348.5	
5. Provision of Products and Services Framework Agreement	14A.34, 14A.35, 14A.36, 14A.49, 14A.52, 14A.53 and 14A.71	Announcement and independent Shareholders' approval requirements	Products	
			For the year ended December 31	
			2011: 54.9	2014: 1,927.7
			2012: 266.9	2015: 2,796.8
			2013: 594.4	2016: 4,173.9
			For the six months ended June 30	
			2014: 878.5	

Nature of transaction	Applicable Listing Rules	Waiver sought	Historical amounts	Proposed annual cap for the year ending December 31
			(RMB million)	(RMB million)
			Services	
			For the year ended December 31	
			2011: 24.2	2014: 53.6
			2012: 10.5	2015: 98.4
			2013: 19.7	2016: 128.8
			For the six months ended June 30	
			2014: 17.3	
			Total	
			For the year ended December 31	
			2011: 79.1	2014: 1,981.3
			2012: 277.4	2015: 2,895.2
			2013: 614.1	2016: 4,302.7
			For the six months ended June 30	
			2014: 895.9	

EXEMPT CONTINUING CONNECTED TRANSACTIONS

1 Trademark and Technology Licensing Framework Agreement ("Transaction 1A")

Parties: BAIC Group (as the licensor); and
Our Company (as the licensee).

Reasons for the transaction: We are a major subsidiary of BAIC Group and have been the main operating platform for the production and sales of passenger vehicles under BAIC Group. We have been using the Licensed Trademarks of BAIC Group for several years and it is in the best interests of our Group and our Shareholders for us to continue to use the Licensed Trademarks after completion of the Global Offering.

Principal Terms: We entered into a trademark and technology licensing framework agreement (the "**Trademark and Technology Licensing Framework Agreement**") with BAIC Group on December 2, 2014, pursuant to which BAIC Group agreed to grant our Group (excluding Beijing Benz) a non-exclusive license for the use of certain registered trademarks owned by BAIC Group ("**Licensed Trademarks**") on a royalty-free basis. Our Group will use the Licensed Trademarks and production technologies within the scope specified in the Trademark and Technology License Framework Agreement. For details of the Licensed Trademarks, please see item 1 to item 4 under "Appendix VI—Statutory and General Information—2. Further Information about Our Business—B. Our intellectual property rights—(a) Trademarks—Trademarks under the Trademark Licensing Agreements" to this prospectus.

The initial term of the Trademark and Technology Licensing Framework Agreement will commence on the Listing Date and end on December 31, 2016. The Trademark and Technology Licensing Framework Agreement is subject to the renewal through mutual consents by the parties. Pursuant to the Share Subscription Agreement entered into with BAIC Group, Daimler AG and us on February 1, 2013 in relation to the Pre-IPO Strategic Investment, BAIC Group has undertaken that it shall permit the use of the Licensed Trademarks by our Company (excluding Beijing Benz) on a royalty-free basis for five years commencing from the date of completion of the Pre-IPO Strategic Investment, being November 18, 2013. It is therefore expected that our Company will continue to be entitled to use the Licensed Trademarks and Technology with nil consideration payable to BAIC Group for approximately two additional years upon renewal of the Trademark and Technology Licensing Framework Agreement.

Historical amounts: The amounts involved in respect of the licensing of the Licensed Trademarks and technologies by BAIC Group to our Group (excluding Beijing Benz) for each of the three years ended December 31, 2011, 2012 and 2013 and for the six months ended June 30, 2014 were nil.

The Trademark and Technology Licensing Framework Agreement was entered into on normal commercial terms and the applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will be less than 0.1% on an annual basis. By virtue of Rule 14A.76 of the Listing Rules, Transaction 1A is exempted from annual reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into the following transactions with BAIC Group and its associates in the ordinary and usual course of our business, which will, upon Listing, constitute continuing connected transactions of our Company subject to the annual reporting, announcement and (as the case may be) independent Shareholders' approval requirements under Chapter 14A of the Listing Rules (the **"Non-exempt Continuing Connected Transactions"**).

1. Trademark Licensing Agreement between BAIC Group and Beijing Benz ("Transaction 1B")

Parties: BAIC Group (as the licensor); and
Beijing Benz (as the licensee).

Reasons for the transaction: The trademark licensing arrangement was a part of the joint venture agreement regarding Beijing Benz between our Company and Daimler AG. Beijing Benz has been using the trademark "Beijing" and trademark "Benz" since its establishment. Such trademark licenses are critical to the operation and production of Beijing Benz. Beijing Benz has been using those trademarks for several years, and it will be in the best interests of our Group and our Shareholders for Beijing Benz to continue the use of those trademarks upon the completion of the Global Offering.

Principal terms: Beijing Benz, a non-wholly owned subsidiary of our Company, entered into a trademark licensing agreement respectively with each of BAIC Group and Daimler AG in respect of the company name of Beijing Benz, "Beijing Benz", and the production and the assembly of existing vehicle models. According to the trademark licensing agreement between Beijing Benz and BAIC Group, BAIC Group granted Beijing Benz a non-exclusive license for the use of the "Beijing" trademark in its company name and on the passenger vehicles manufactured and assembled by Beijing Benz. Beijing Benz shall pay a trademark licensing fee to BAIC Group on a regular basis. For details in relation to the trademark "Beijing" granted by BAIC Group, please see item 1 under "Appendix VI—Statutory and General Information—2. Further Information about Our Business—B. Our intellectual property rights—(a) Trademarks—Trademarks under the Trademark Licensing Agreements". For details regarding the trademark license granted by Daimler AG to Beijing Benz for the use of "Benz," please see the section below headed "Continuing connected transactions relating to Daimler AG and its associates—Provision of the use of intellectual property rights (including trademarks and technologies) by Daimler AG and its associates to Beijing Benz ("Daimler AG Transaction 2")."

The trademark licensing agreement entered into between Beijing Benz and BAIC Group commenced on February 28, 2003 and will be effective within the term of the joint venture agreement of Beijing Benz.

It is the normal industry practice that the term of the transactions relating to the use of intellectual property rights be fixed with reference to the expected life cycle of vehicle models and the term of the joint venture contracts which will be of a duration of longer than three years. Any early termination, variation or risk in successful renewal may have a detrimental effect on the business continuity and successful operation of the Company.

Based on the reasons set out above, our Directors (including independent non-executive Directors) and the Joint Sponsors are of the view that the trademark licensing agreement of Transaction 1B with a term longer than three years sets out above is normal business practice in the PRC automotive industry and is in the interests of the Company and its shareholders as a whole.

Pricing policy: When determining the trademark licensing fee, Beijing Benz and BAIC Group have agreed that a licensing fee will be paid to BAIC Group with reference to a pre-agreed rate of the net revenue generated by each vehicle. Net revenue generated by each vehicle will be calculated based on the suggested retail price of the manufacturer net of the value-added tax, gross margin of dealers, sales rebates to dealers, consumption tax, sales discounts and other deductions.

Historical figures: For the period between January 1, 2011 and November 17, 2013 (both days inclusive), Beijing Benz was not our subsidiary and the transactions between Beijing Benz and BAIC Group did not constitute our connected transactions. The historical figures of Transaction 1B between Beijing Benz and BAIC Group for the years ended December 31, 2011 and 2012 were not applicable. The historical figures of Transaction 1B between Beijing Benz and BAIC Group for the period from November 18, 2013 to December 31, 2013 (both days inclusive) was RMB25.4 million, during which time Beijing Benz remained our subsidiary. The historical figure for the period ended June 30, 2014 was RMB79.3 million.

Annual caps:

The maximum aggregate annual amounts in respect of the trademark licensing agreement between Beijing Benz and BAIC Group for the three years ending December 31, 2014, 2015 and 2016 shall not exceed the caps set out below:

	Proposed annual cap for the year ended December 31 (RMB/ million)		
	2014	**2015**	**2016**
Trademark licensing agreement between BAIC Group and Beijing Benz	220.6	315.3	387.8

Basis of caps: The above proposed annual caps were estimated on the basis of: (i) the historical trademark licensing fees and agreed ratio to be paid to BAIC Group by Beijing Benz; (ii) the estimated sales volume of passenger vehicles to be manufactured and assembled by Beijing Benz with steady growth by taking into account, among others, macroeconomic conditions as well as the development strategies and business expansion plan of our Group; and (iii) the estimated annual caps for 2014, 2015 and 2016 include the respective expected annual value of the connected transactions between Beijing Benz and BAIC Group and its associates, while the historical figure of Transaction 1B between Beijing Benz and BAIC Group and its associates for the year 2013 (approximately RMB25.4 million) only covered the period from November 18, 2013 to December 31, 2013 (both days inclusive), during which time Beijing Benz remained our subsidiary; meanwhile, the historical figure of the same transaction for the six months ended June 30, 2014 reached approximately RMB79.3 million, the trend of which is in line with the estimated annual cap for the year 2014 (RMB220.6 million).

2. Property and Facility Leasing Framework Agreement ("Transaction 2")

Parties: BAIC Group (as the lessor); and
Our Company (as the lessee).

Reasons for the transaction: We have leased certain properties from the BAIC Group and/or its associates. Compared with Independent Third Parties, BAIC Group has a better understanding of our property requirements in relation to office premises, warehousing and production usage. In addition, relocating our offices, warehouses and plants to other premises will cause unnecessary disruptions to our operation and unnecessary costs.

Principal terms: We entered into a property and facility leasing framework agreement (the "**Property and Facility Leasing Framework Agreement**") with BAIC Group on December 2, 2014, pursuant to which our Company and/or our subsidiaries will lease properties and facilities from BAIC Group and/or its associates for manufacturing specific passenger vehicles. The principal terms of the Property and Facility Leasing Framework Agreement are as follows:

- the rent payables under the Property and Facility Leasing Framework Agreement shall be agreed based on arm's length negotiations between the relevant parties with reference to market rates at relevant location and subject to relevant rules and regulations of the PRC;
- separate agreements stipulating the specific terms and conditions (including property rents, payment methods and other usage fees) in respect of relevant leased properties and facilities shall be entered into; and
- the initial term of the Property and Facility Leasing Framework Agreement will commence on the Listing Date and end on December 31, 2016, subject to renewal through mutual consents by the parties.

Existing leases: Pursuant to the property leasing agreements entered into between our Group and BAIC Group, our Group leased several properties from BAIC Group and/or its associates with a total gross floor area of approximately 173,180.23 sq. m. as of December 31, 2013. At present, the total gross floor area under existing property leasing agreements is approximately 182,990.23 sq. m.. Such properties are mainly located in Beijing, the PRC, and are generally used as office premises, staff dormitories, warehousing and production purpose.

Pricing policy: The monthly rents payable during the leasing term are determined after arm's length negotiations between the relevant parties with reference to the prevailing market price of properties of comparable size and quality situated in the same locality.

The independent property valuer and consultant, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, has confirmed that the current rents under the existing property leasing agreements with a total gross floor area of approximately 182,990.23 sq. m. are fair and reasonable and represent the prevailing market rates for similar properties situated in their locality that are used for similar purposes in Beijing, the PRC.

Historical figures: The annual total property rents paid to BAIC Group and/or its associates for each of the three years ended December 31, 2011, 2012 and 2013, and for the six months ended June 30, 2014, were approximately RMB46.2 million, RMB45.3 million, RMB144.8 million and RMB56.3 million, respectively.

Annual caps: The maximum aggregate annual rent payable to BAIC Group and/or its associates for the three years ending December 31, 2014, 2015 and 2016 shall not exceed the caps set out below:

	Proposed annual cap for the year ending December 31, (RMB million)		
	2014	2015	2016
Maximum aggregate annual rents to be paid to BAIC Group and/or its associates for properties leasing	147.1	147.1	147.1

Basis of Caps:

The above proposed annual caps for the rents of the leased properties were estimated on the basis of: (i) the total gross floor area of approximately 173,180.23 sq. m. of the properties leased by our Group from BAIC Group and its subsidiaries for the year ended December 31, 2013; and (ii) the unit rent agreed under the property leasing contracts entered into between BAIC Group and its subsidiaries and our Group.

3. Financial Services Framework Agreement ("Transaction 3")

Parties: BAG Finance; and
Our Company.

Background: BAG Finance is a non-banking financial institution incorporated in November 2011 in the PRC with a registered capital of RMB1,500 million. BAG Finance is 56% owned by BAIC Group, 20% owned by BAIC Investment (a subsidiary wherein our Company owns an approximate 97.95% interest), 14% owned by Foton and 10% owned by Beijing Hainachuan Automotive Parts Co., Ltd. (北京海納川汽車部件股份有限公司). It is subject to the Administrative Measures on Financial Companies of Group Enterprises (《企業集團財務公司管理辦法》) and other relevant regulations promulgated by the PBOC and CBRC. Its establishment was approved by the CBRC and its operation is subject to the ongoing supervision of the CBRC and the applicable regulations related to interest rates issued by the PBOC and CBRC. Under existing applicable PRC laws and regulations, BAG Finance is only permitted to provide financial services to the subsidiaries of the BAIC Group, including our Company.

As a non-banking financial institution, BAG Finance is subject to various regulatory and capital adequacy requirements, including capital sufficiency ratios, loan-to-deposit ratios, restrictions on interbank loans and deposit reserve thresholds. The CBRC issued a regulatory guideline, the Administrative Measures on Financial Companies of Group Enterprises (《企業集團財務公司管理辦法》) in

July 2004 (as amended in December 2006) (the "**CBRC Guideline**") with respect to the establishment and ongoing regulation of such non-banking financial institutions. The CBRC Guideline provides, among other things, that "when applying for the establishment of a financial company, the board of directors of the parent company shall undertake in writing that, if, in an emergency, the financial company faces difficulties in meeting its payment obligations, the parent company will increase the capital of the financial company as required to solve such payment difficulties. Such undertaking shall be contained in the articles of association of the financial company." BAIC Group provided such undertaking to the CBRC in June 2011 (the "**Parent Undertaking**"). The Parent Undertaking provides that, pursuant to the CBRC Guideline, BAIC Group undertakes that if, in an emergency, BAG Finance faces difficulties in meeting its payment obligations, it will increase the capital of BAG Finance as required to solve such payment difficulties. As of December 31, 2013, BAG Finance had total assets of approximately RMB12.1 billion, shareholders' equity of approximately RMB680.7 million, and registered capital of RMB500 million.

As of the Latest Practicable Date, the main scope of business of BAG Finance includes: (i) providing financial and financing consultancy, credit certification and related consultancy and agency services; (ii) assisting with settlement; (iii) conducting approved insurance agency business; (iv) providing guarantees; (v) processing entrusted loans; (vi) providing bill acceptance and discount; (vii) processing the settlement of internal transfers between accounts and formulating plans for relevant settlement and clearing; (viii) taking deposits; (ix) processing loans and finance leasing; and (x) conducting inter-borrowings; (xi) underwriting corporate bonds of its members; and (xii) providing consumption loans for products of its members, loans to purchasers and finance leasing.

Principal terms: We entered into a financial services framework agreement (the "**Financial Services Framework Agreement**") with BAG Finance on December 2, 2014, pursuant to which BAG Finance will provide financial services to us, and such financial services primarily include (i) deposits; (ii) loans; and (iii) other financial services including discounted notes service and other services subject to obtaining relevant approvals from CBRC.

The initial term of the Financial Services Framework Agreement will commence on the Listing Date and end on December 31, 2016, subject to renewal through mutual consents by the parties.

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

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

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

(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 PBOC or CBRC from time to time; (ii) comparable to, or no less favorable to our Group than, the interest rates or fees charged by independent commercial banks or financial institutions for similar types of financial services; and (iii) comparable to, or no less favorable to our Group than, fees charged by BAG Finance to the subsidiaries of BAIC Group other than our Group for similar financial services.

In relation to the discounted notes service and other financial services, the interest rates and service fees charged by BAG Finance will be determined with reference to the market rates of similar services and will not be higher than those offered by other independent PRC financial institutions to our Group. The staff in the finance center of our Group collect information on service fees from various commercial banks and BAG Finance on a regular basis for the purpose of gathering up-to-date market information on service fees for similar services. Such information will be updated when our Group enters into discounted notes service arrangements and other financial services. The financial institution that can provide the best interest rates or service fees will be selected for such financial services. The Directors consider that the above methods and procedures can ensure that the service fees charged by BAG Finance will not be higher than those offered by other independent PRC financial institutions to our Group and will not be prejudicial to the interests of our Company and our Shareholders.

Commercial rationale and benefits of the financial services: The main reasons for our Company to enter into the Financial Services Framework Agreement with BAG Finance are as follows:

(a) as all members of the BAIC Group and our Group are entitled to utilize deposit services, loan services and other financial services, the Financial Services Framework Agreement would allow for the provision of intra-group loans amongst members of our Group, thus opening another channel for our Group to raise loans and providing our Group with an alternative to raising loans from other financial institutions, which would in turn promote funding liquidity among our Group, enhance the overall ability of our Group to repay debts, and assist with monitoring and controlling financial risks;

(b) the use of BAG Finance as a platform to manage the funds of our Group would facilitate a more efficient deployment of funds of our Group;

(c) the interest rates on the deposit services and loan services offered, and the service fees in connection with the other financial services charged by BAG Finance to our Group will be no less favorable than, on a case-by-case basis, those offered to our Group by any Independent Third Party;

(d) as BAG Finance only provides financial services to members of the BAIC Group, it has acquired extensive knowledge of our industry for several years. At the same time, BAG Finance is familiar with our capital structure, business operations, funding needs and cash flow patterns, which enables it to better anticipate our business needs. BAG Finance is well-positioned in providing us with customized services;

(e) the arrangements under the Financial Services Framework Agreement would save financial costs, and accordingly increase the profitability of our Group accordingly;

(f) the arrangements under the Financial Services Framework Agreement would allow our Group to centralize our deposited funds to a certain degree (limited by the proposed deposit annual caps), which would expedite the monitoring of the use and application of funds within our Group, and would provide our Group with higher bargaining power (than when the deposited sum was split between financial institutions) with regard to the terms and interest rates of the deposit services;

(g) by virtue of our Company's indirect equity interests in BAG Finance, the expansion of the business of BAG Finance will bring economic benefits to our Company; and

(h) BAG Finance is regulated by PBOC and CBRC, and as such its services provided must be in accordance with and in compliance with the rules and operational requirements of such regulatory authorities.

Taking into account that our Group enjoys no less favorable interest rates and other commercial benefits, we believe that the continuation of provision of financial services by BAG Finance is beneficial to our Group and our Shareholders as a whole.

Historical figures:

	Historical Figures (RMB million)			
	For the year ended December 31,			For the six months ended June 30,
	2011	2012	2013	2014
Maximum daily balance of deposits placed by our Group with BAG Finance	0	4,031.3	7,295.7	8,855.0
Maximum daily balance of loans granted by BAG Finance to our Group	0	1,315.0	1,730.0	1,725.9
Fees and charges paid by our Group to BAG Finance for other financial services	0	0	0	0

Annual caps: The estimated caps in respect of the Financial Services Framework Agreement for the year ending December 31, 2014 are set out below:

	Proposed annual cap for the year ending December 31, (RMB million) 2014
Maximum daily balance of deposits placed by our Group with BAG Finance	14,733.1
Maximum daily balance of loans granted by BAG Finance to our Group	2,988.0
Fees and charges paid by our Group to BAG Finance for other financial services	39.2

Basis of caps:

Caps for deposits placed by our Group with BAG Finance: Such estimated caps are determined with reference to: (i) historical and expected sales revenues from Beijing Motor; (ii) historical and expected sales revenues from Beijing Benz; (iii) historical maximum daily balance deposited with BAG Finance as a percentage of sales revenue from Beijing Motor; and (iv) historical maximum daily balance deposited with BAG Finance as a percentage of sales revenue from Beijing Benz.

Caps for loans granted by BAG Finance to our Group: In estimating the above caps, we have made reference to: (i) historical deposits by our Group with BAG finance; (ii) historical maximum daily balance of loans granted by BAG Finance as a percentage of sales revenue from Beijing Motor; and (iii) the Group's current cash flow and expected capital needs. In particular, it is expected that Guangzhou Company and Beijing Benz will raise more capital from BAG Finance in the form of loans to support their further business expansion activities.

Caps for fees and charges paid by our Group to BAG Finance for other financial services: In determining the above annual caps for the service fees and charges in relation to discounted notes services and other financial services, we have mainly considered: (i) the increase in the historical aggregate fees and charges paid to independent commercial banks in the PRC for the discounted notes service and other financial services, which for the years ended December 31, 2011, 2012, 2013 and the six months ended June 30, 2014 (excluding those fees and charges incurred by BAIC Limited, Zhongdu Logistics and Beiqi Penlong, which were companies we disposed of in 2012), were RMB135,698.85, RMB398,146.06, RMB2,255,051.56 and RMB1,443,434.54, respectively; and (ii) the assumption that some of those financial services will be provided by BAG Finance due to favorable terms for the financial services to be provided by BAG Finance.

The estimated caps of the deposits placed by our Group with BAG Finance and loans granted by BAG Finance to our Group are determined based on a maximum limit at a specific time instead of an accumulated balance. In 2012 and 2013, the highest daily balance of deposits and loans of the year were recorded in the second half of the year. With reference to this trend as well as on the basis of the estimated increase of our use of the deposit and loan services provided by BAG Finance driven by the expected expansion of our business, we expect to record a higher maximum daily balance of both deposits and loans in the second half of the year 2014 than those recorded for the years 2012 and 2013 and for the six months ended June 30, 2014.

Internal control and corporate governance measures for transactions under the Financial Services Framework Agreement: Although there is no limit on the percentage of our total liquid and/or surplus funds to be deposited or loaned to BAG Finance, we consider that for the reasons explained above, the following measures are in the interests of our Shareholders as a whole. We have adopted the following measures with respect to the transactions under the Financial Services Framework Agreement in order to further safeguard the interests of our independent Shareholders:

(1) Independent financial system

We have established an independent financial department with a team composed of independent financial staff, and supervised by the vice president of our Company in charge of finance. We have adopted a sound and independent audit system and a comprehensive financial management system. We also maintain accounts with independent banks. BAIC Group does not share any bank account with us nor does it control the use of any of our bank accounts. We have independent tax registrations and have paid tax independently pursuant to applicable PRC laws and regulations. Please see "Relationship with BAIC Group—Independence from BAIC Group—Financial Independence" in this prospectus for details of the independence of our Group from BAIC Group.

(2) Risk management measures

- BAG Finance and BAIC Group will provide sufficient information including various financial indicators (as well as annual and interim financial statements) at the end of every quarter to enable us to monitor and review the financial condition of BAG Finance and BAIC Group. BAG Finance and BAIC Group shall notify us, subject to compliance with applicable laws and regulations, should any of them be subject to any judicial, legal or regulatory proceedings or investigations which are reasonably likely to have a material impact on the financial condition of any of them. If we consider that there is any material adverse change in the financial condition of any of the BAG Finance and BAIC Group, we will take appropriate measures (including early withdrawal of deposits and a moratorium on further deposits) to protect our financial position.

- In addition to our internal monitoring, BAG Finance is also required to monitor the maximum daily balance of the deposits and loans on a daily basis to ensure that the aggregate outstanding amounts do not exceed the applicable annual caps. BAG Finance will provide us with a periodic report on the status of our deposits and loans so as to enable us to monitor and ensure the relevant annual caps under the Financial Services Framework Agreement have not been exceeded. Should the balance at the end of any day exceed the maximum daily balance of deposits and interest income prevailing at that time, the excess funds will be transferred to our designated bank accounts with an independent commercial bank. We shall also be notified immediately once the daily balance exceeds the maximum daily balance limit.
- We will, from time to time, at our sole discretion, request that the deposits with BAG Finance be withdrawn or terminated early (either in full or in part) to assess and ensure the liquidity and safety of our deposits.

(3) Internal control measures

- We have adopted internal control policies which are implemented by our finance center. All cash inflow and outflow of our Group should be considered in light of a unified budget. In addition, the vice president of our Company in charge of finance and his team will be responsible for closely monitoring such ongoing and continuing connected transactions.
- Our management will prepare periodic risk assessment reports of the funds deposited with BAG Finance. The contents of such risk assessment reports will include the maximum daily balance of the deposits for the reporting period and the deposits with BAG Finance during the reporting period.
- In particular, our independent non-executive Directors will independently scrutinize the implementation and enforcement of the transactions under the Financial Services Framework Agreement on an annual basis. If the independent non-executive Directors consider that it would be in our interests to reduce the level of deposits with BAG Finance, we will take appropriate measures to implement the decision of our independent non-executive Directors. Any material findings in the risk assessment reports, the views of our independent non-executive Directors on the deposits under the Financial Services Framework Agreement (including their views on how the terms of the Financial Services Framework Agreement have been complied with), and their decisions on any matters in relation thereto, will be disclosed in our annual and interim reports.
- During our annual audit, we would engage our auditors to review connected transactions between us and BAIC Group to ensure that the transactions under the Financial Services Framework Agreement have been conducted in accordance with the Listing Rules and have fulfilled the relevant disclosure requirements.

4. Products and Services Purchasing Framework Agreement ("Transaction 4")

Parties: BAIC Group (as the provider); and
Our Company (as the buyer).

Background: During the Track Record Period, we had a supply relationship with BAIC Group for certain raw materials, automotive modules, automotive parts, and new energy vehicle components and related assembly services during the New Energy Transition Period (as defined in "Relationship with BAIC Group" in this prospectus) and general services including transportation services. We source such products and general services through BAIC Group in order to take advantage of economies of scale (given that many of our products and services and BAIC Group's products and services are similar in design and often use identical components and materials, and we are thus able to obtain greater price reductions and bargaining leverage by aggregating our orders for such products and general services with those of BAIC Group) as well as to benefit from BAIC Group's testing and quality assurance facilities to ensure that the relevant products and general services adhere to our safety and quality standards.

We believe that we have readily available access to identical or similar components and materials and general services from Independent Third Parties in the PRC and elsewhere, but that such direct procurement from Independent Third Parties would not be as efficient on either a cost basis or an operational basis as our current arrangement to procure through BAIC Group.

Reasons for the transaction: In the ordinary and usual course of our business, our Group purchases products and services from BAIC Group and/or its associates. We have been using the products and services provided by BAIC Group and/or its associates for several years. BAIC Group has been providing us with a long-term stable supply. As a result, BAIC Group and its associates understand our business and operational requirements well. Our Directors believe that it is crucial to maintain a stable and quality supply of products and general services for our existing and future production and operation. With reference to our previous purchasing experience with BAIC Group and its associates, we believe BAIC Group can efficiently fulfill our requirements with stable and quality supply of products and general services.

Automobile parts and components and raw materials

Our Group is capable of carrying on its business independently of BAIC Group as it can procure the parts and components and raw materials supplied by BAIC Group and its associates from Independent Third Parties.

Our Company believes that the purchases of automobile parts, components and raw materials from BAIC Group and its associates would benefit our Group for the following reasons:

(i) the purchases from BAIC Group and its associates will be at competitive prices not less favorable than those that our Group can obtain from Independent Third Parties;

(ii) BAIC Group and its associates are familiar with our Group's specifications, standards and requirements on automobile parts and components and raw materials; and

(iii) our Directors consider that it is crucial for our Group to maintain the stability in supply and quality of automobile parts and components and raw materials for our existing and future production needs. In view of our product purchasing experience with BAIC Group and its associates, our Directors are of the view that BAIC Group and its associates can effectively fulfill our requirements in supply stability as well as quality.

Arrangement of purchasing new energy vehicle components and related assembly services during the New Energy Transition Period

During the production process within the New Energy Transition Period, we will supply semi-finished vehicles to New Energy, which will then assemble power units and components (including batteries, electronic control systems and seats) into such semi-finished vehicles and subsequently deliver the fully assembled electric passenger vehicles to us for selling to end customers. We will pay New Energy a total sum representing (a) the procurement costs of such power units and components and (b) a service fee for providing such assembly services to us. For details of the arrangement of the New Energy Transition Period, please see "Relationship with BAIC Group—III. Delineation of the Businesses between the Excluded Companies and Our Company—5. New Energy."

As of the Latest Practicable Date, no research and development and production arrangements in relation to electric passenger vehicles after the New Energy Transition Period have been officially determined.

Automotive modules

We source certain automotive modules, including modules for dashboards and chassis, from several subsidiaries of BAIC Group. Our Directors consider that our Group is capable of manufacturing automotive modules independently. In order to utilize our own resources more efficiently and focus on our core business, we have outsourced the production of automotive modules to BAIC Group and/or its associates. Our Group will continue this arrangement after Listing for the following reasons:

(i) the production lines of these module systems are specifically designed for a number of our products, meeting the specific production requirements of such products of our Group;

(ii) BAIC Group has been providing us with a long-term stable supply and it is familiar with our products and requirements;

(iii) in addition, due to the geographical proximity between the subsidiaries of BAIC Group, which produce automotive modules for our Group, the transportation costs of products are low. The close cooperation with BAIC Group also facilitates our quality control and management; and

(iv) subsidiaries of BAIC Group produce quality automotive modules for our Group and provide complete after-sales services for further improving the automotive module production lines based on our feedback.

Notwithstanding the above reasons, we believe that there are many adequate automobile module suppliers in the market and that we are able to identify suitable automobile parts suppliers in the market at any time.

Purchase of whole vehicles

In order to optimize our production strategy, our Group purchased whole vehicles (i.e. Beijing Motor proprietary branded passenger vehicles and Wevan 306) produced by BAIC Limited, a subsidiary of BAIC Group, and paid purchase costs of whole vehicles to BAIC Limited. Our Directors have confirmed that such arrangements are common in the automotive industry and are in the best interests of our Shareholders as a whole.

Our Group believes that the provisional arrangement of purchasing whole vehicles from BAIC Limited would benefit our Group for the following reasons:

(i) our Group can effectively deploy its production resources and further enhance the control of costs by utilizing the production capacity of BAIC Limited;

(ii) our Group can better utilize the production facilities and products planning of BAIC Limited;

(iii) our Group believes that BAIC Limited is familiar with our Group's production requirements and is able to supply quality whole vehicles to us; and

(iv) the price charged to us by BAIC Limited is no less favorable than our internal manufacturing cost.

Based on the advice from our PRC legal advisers, our Directors are of the view that the production of Beijing Motor proprietary branded passenger vehicles and Wevan 306 by BAIC Limited does not violate any applicable laws and regulatory requirements in the PRC.

As of the date of this prospectus, we have reassessed our production capacity and found that our Zhuzhou Branch has sufficient capacity to manufacture Wevan 306, as a result of which, our Directors plan to discontinue the provisional arrangement with BAIC Limited after the Listing.

Transportation services

Zhongdu Logistics Co., Ltd. (中都物流有限公司) ("**Zhongdu Logistics**"), a subsidiary of BAIC Group, provides logistics services for our whole vehicles, parts and components, including transportation and storage services.

Our Company considers that the purchase of logistics services from BAIC Group and its associates would benefit our Group for the following reasons:

(i) Zhongdu Logistics has been providing us with long-term stable supply and consistent quality services, being familiar with our special requirements on the transportation of complete vehicles and automobile parts and components;

(ii) in addition, warehouse centers of Zhongdu Logistics are in geographical proximity to our production plant, which facilitates the transportation of complete vehicles and parts and components, thereby lowering our logistics and shortening transportation time; and

(iii) the transportation service fees charged by Zhongdu Logistics are no less favorable than the fees charged to us by Independent Third Parties.

Back-office services

Our Company believes that the purchases of ancillary administrative and back-office services from BAIC Group and/or its associates would benefit our Group for the following reasons:

(i) BAIC Group and/or its associates have been providing us with long-term stable ancillary administrative and back-office services for certain office premises of our Group in Beijing, the PRC, including meeting facilities and services, catering services and information technology services;

(ii) as the relevant services are of consistent quality, cost efficiency and localization convenience, it is in our best interests to continue to procure such services from BAIC Group and/or its associates; and

(iii) the relevant back-office service fees charged by BAIC Group and/or its associates are no less favorable than the fees charged to us by Independent Third Parties.

Principal terms: We entered into a products and services purchasing framework agreement (the "**Products and Services Purchasing Framework Agreement**") with BAIC Group on December 2, 2014, pursuant to which, BAIC Group and/or its associates will provide several types of products and services to our Company and/or our subsidiaries. These products will include automobile modules, raw materials, and components and parts, as well as labor services, logistics services, back-office services, advertising services and consultancy services ("**Purchase of Products and General Services**").

The initial term of the Products and Services Purchasing Framework Agreement will commence on the Listing Date and end on December 31, 2016, and is subject to the renewal through mutual consent by the parties.

Pricing policy:

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

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

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

(iii) to have the suppliers and pricing of products and general services determined by the collective decision of our Company's tender assessment board according to our Company's administrative measures for market quotations. Members of the tender assessment board include representatives from the components and parts development department, supplies management department, research and development department, compliance and supervision department, finance center and audit department. Procurement engineers, product engineers and supplier quality management engineers will also participate in the assessment to review and compare the quotations or proposals received and assess the same based on various factors such as pricing, flexibility, quality and after-sales service.

Where there are other independent suppliers, our Company and our subsidiaries will obtain quotations for comparable products or services that may be available from other independent suppliers in order to determine whether viable alternatives of comparable quality can be obtained in a timely manner and at the most competitive price. If alternatives are available, our Company and our subsidiaries will conduct a tender process before selecting suppliers for such alternatives. In such a tender process, the Connected Persons and their associates are treated no differently from any other independent suppliers. Consequently, the purchase of products and general services by our Company and our subsidiaries from our Connected Persons and their associates would not be made if our Company and our subsidiaries could obtain better terms from any other suppliers.

Raw materials, automotive modules, and automobile parts and components

Raw materials, automotive modules (including modules for dashboards and chassis), and automobile parts and components have historically been, and will continue to be, priced with reference to a combination of factors, including costs of materials, labor costs and employee benefit expenses, electricity and other utility costs, depreciation, machinery maintenance costs and selling and administrative expenses which are attributable to the procurement or production of such raw materials and components as well as automotive part products. Based on the above factors, each raw material, automotive module or finished automotive part product is ascribed a unit cost.

BAIC Group would then charge us a profit margin within the pre-agreed arm's length range over such unit cost. The prices of automotive modules and automobile parts and components provided by BAIC Group and/or its associates are determined with reference to actual costs or reasonable costs (whichever is lower) incurred plus a profit margin within the pre-agreed arm's length range determined in the following order: (i) at prices not higher than the market prices; and (ii) if no comparable market price, at prices with reference to actual costs or reasonable costs (whichever is lower) incurred plus a profit margin within the pre-agreed arm's length range.

To monitor that the prices charged by BAIC Group are fair and reasonable, we have historically requested, prior to entering into individual supply agreements with BAIC Group, and will continue to request that BAIC Group provide a schedule of the costs being incurred by BAIC Group in respect of the raw materials, automotive modules and automotive parts and components being supplied by BAIC Group. Once such schedule is received, we have historically and will continue to (i) assess independently whether the costs incurred are fair and reasonable; (ii) request clarification and supporting documents from BAIC Group if we are of the view that the cost of items stated by BAIC Group are materially different from the costs that were quoted by BAIC Group historically; and (iii) verify that the profit margin on the total costs incurred by BAIC Group falls within the pre-agreed range of profit margins.

Logistics services

Logistics services provided to us by BAIC Group include transportation and storage services. The fees of logistics services are charged on the basis of the value of the complete vehicles, components and parts, custodial requirements, size and level of inventories, delivery and handling requirements and the number of vehicles. When determining the prices, the procurement department of our Group has made reference to the market prices charged for logistics services by other comparable automotive enterprises based on its extensive expertise and experience.

Other services fees

The services fees for other general services charged by BAIC Group and/or its associates are determined by arm's length negotiations between the relevant parties. Our Group will make reference to the historical fees of such general services and will also refer to the comparable market prices, to ensure that the terms of services provided by BAIC Group are fair and reasonable to our Group. We believe that we are able to obtain the same or similar general services from Independent Third Parties in the PRC and other regions at any time.

Historical figures:

The amounts involved in respect of the Purchase of Products and General Services for the years ended December 31 2011, 2012 and 2013, and the six months ended June 30, 2014, are set out below:

	Historical Figures (RMB million)			
	For the year ended December 31,			For the six months ended June 30,
	2011	2012	2013	2014
Purchase of products	904.3	2,270.9	3,188.3	2,783.2
Purchase of services	171.3	363.2	1,258.2	1,565.3
Total	1,075.7	2,634.2	4,446.5	4,348.5

Annual caps: The maximum aggregate annual amounts in respect of the Purchase of Products and General Services for the years ending December 31 2014, 2015 and 2016 shall not exceed the caps set out below:

	Proposed annual cap for the year ending December 31, (RMB million)		
	2014	2015	2016
Purchase of products	9,789.1	15,195.0	22,973.8
Purchase of services	3,651.0	5,571.8	7,687.0
Total	13,440.1	20,766.8	30,660.8

Basis of caps:

The above proposed annual caps are made with reference to the following factors:

(i) unit purchase cost for each vehicle model of our Group in 2013 and the expected market condition and general cost inflation for the relevant period;

(ii) the estimated sales volume of passenger vehicles with steady growth by taking into account, among others, macroeconomic conditions as well as the development strategies and business expansion plan of our Group; and

(iii) the estimated annual caps for 2014, 2015 and 2016 include the respective expected annual value of the connected transactions between Beijing Benz and BAIC Group and its associates, while the historical figure including Beijing Benz for the year 2013 disclosed above only covered the period from November 18, 2013 to December 31, 2013 (both days inclusive), during which time Beijing Benz remained our subsidiary.

For the six months ended June 30, 2014, we experienced a significant increase in the total amount of products and services purchased from BAIC Group and its associates (RMB4,348.5 million) as compared with those of the full years of 2011 (RMB1,075.7 million) and 2012 (RMB2,634.2 million), and had reached the level of purchase close to that for the full year of 2013 (RMB4,446.5 million). The level of purchase of products in the first half of the year 2014 (RMB2,783.2 million) was comparatively higher than each of the full years of 2011 (RMB904.3 million) and 2012 (RMB2,270.9 million), and had reached the level of purchase close to that for the full year of 2013 (RMB3,188.3 million). Similarly, the level of purchase of services in the first half of the year 2014 (RMB1,565.3 million) exceeded the respective purchasing level in each of the full years of 2011 (RMB171.3 million), 2012 (RMB363.2 million) and 2013 (RMB1,258.2 million). The trends of both of these transactions are in line with the respective estimated annual caps for the year 2014, particularly considering, among others, that (i) our production plans were formulated by taking into account, among others, the seasonality of our business cycle that leads to higher production volumes in the second half of a year as compared with the first half, which would in turn result in our higher demand for purchases of products and general services from BAIC Group and its associates during the second half of the year 2014; and (ii) the phasing out of regular-wheelbase versions of C-Class sedans in the first half of the year 2014. The launch of the new C-Class (LWB version) sedans, with higher grade components and parts, in the second half of the year 2014 is expected to further increase our demand for purchases of products and general services from BAIC Group and its associates during the second half of the year 2014.

The increase in the estimated annual caps for the purchase of products and services from BAIC Group and its associates by our Group is primarily due to the expected increase of our total costs and expenses, which is ultimately driven by the business expansion plan of our Group. Our Group (including Beijing Benz) plans to launch and manufacture various new models in 2014 and 2015, which is expected to result in significant increases in our total costs and expenses for such years. In addition, the expected sales volume of existing models will continue to rise driven by the continued demand growth in their respective segments, which will also result in the increase of our total costs and expenses (cost of sales, selling and distribution expenses, and general and administrative expenses).

5. Provision of Products and Services Framework Agreement ("Transaction 5")

Parties: BAIC Group (as the buyer); and
Our Company (as the provider)

Background: During the Track Record Period, we had a supply relationship with BAIC Group in relation to the completed vehicles, automobile parts and general services including sales services and consultancy services.

Reasons for the transaction: In the ordinary and usual course of our business, our Group provides various products and general services to BAIC Group and/or its associates. Our Directors consider that the provision of products and general services to BAIC Group would benefit our Group for the following reasons:

(i) BAIC Group and/or its associates can benefit from our professional sales team which has a solid understanding of China's automobile market and diversified sales channels thereby reducing their sales cost;

(ii) subsidiaries of BAIC Group operating dealership outlets purchase vehicles manufactured and assembled by Beijing Benz and vehicles under our proprietary brand for resale in its dealership outlets. Our Company and those subsidiaries of BAIC Group have established a long-term relationship and understand the business plan, quality control and other special requirements of each other;

(iii) BAIC Group and/or its associates purchase automobile components, such as automobile engines, from our subsidiary, Powertrain, for their daily production; and

(iv) prices and terms for the products and general services provided by us to BAIC Group are not less favorable than those offered to Independent Third Parties.

Principal terms: We entered into a Provision of Products and Services Framework Agreement (the "**Provision of Products and Services Framework Agreement**") with BAIC Group on December 2, 2014, pursuant to which BAIC Group and/or its associates will purchase the following types of products and services from our Company and/or our subsidiaries: facilities, raw materials, components and parts and complete vehicles as well as sales agency services, transportation services and consultancy services ("**Provision of Products and General Services**"). We expect that our Group will mainly sell complete vehicles and provide relevant automotive parts and components to BAIC Group.

The initial term of the Provision of Products and Services Framework Agreement will commence on the Listing Date and end on December 31, 2016, and is subject to renewal through mutual consents by the parties.

Pricing policy:

To ensure that the terms of the transactions contemplated under the Provision of Products and Services Framework Agreement are on terms no less favorable than those entered into between our Group and Independent Third Parties, the Provision of Products and Services Framework Agreement specifically provides that terms of transactions contemplated thereunder are to be on terms no less favorable than those entered into between our Company and Independent Third Parties.

The service fees charged to BAIC Group by us were determined on the basis of arm's length negotiations between the relevant parties. We will make reference to the applicable historical prices of products and services and will base such on the principle of cost plus a reasonable margin, to ensure that the terms of supplying products and services to BAIC Group are fair and reasonable.

Complete vehicles and relevant automotive parts

In determining the prices of the raw materials, automobile parts, components and complete vehicles, we will refer to the average profit margin in the market or the principle of the cost plus a reasonable profit margin. The underlying costs include raw materials, accessories, depreciation, salary, energy, cutters/tools, technology consumption, equipment maintenance, management fees and financial fees. With the assistance of the relevant procurement experience of our procurement department, we gather information on market prices and profit margin levels of automobile products in the industry through industrial associations and independent automobile products suppliers in the PRC.

Historical figures: The amounts of transactions in respect of the Provision of Products and General Services for the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014 are set out below:

	Historical Figures (RMB million)			
	For the year ended December 31,			For the six months ended June 30,
	2011	2012	2013	2014
Provision of products	54.9	266.9	594.4	878.5
Provision of services	24.2	10.5	19.7	17.3
Total	79.1	277.4	614.1	895.9

Annual caps: The maximum aggregate annual amounts in respect of the Provision of Products and General Services for the years ending December 31, 2014, 2015 and 2016 shall not exceed the caps set out below:

	Proposed annual cap for the year ending December 31, (RMB million)		
	2014	2015	2016
Provision of products	1,927.7	2,796.8	4,173.9
Provision of services	53.6	98.4	128.8
Total	1,981.3	2,895.2	4,302.7

Basis of caps:

The above proposed annual caps are estimated on the basis of:

(i) the steady growth on future sales of complete vehicles to be manufactured and assembled by Beijing Benz and Beijing Motor by taking into account, among others, macroeconomic conditions as well as the development strategies and business expansion plan of our Group;

(ii) the percentage of our sales to the dealership outlets operated by the associates of BAIC Group in the future, which is determined with reference to the historical percentage of our sales of complete vehicles manufactured and assembled by Beijing Benz and Beijing Motor to the dealership outlets operated by the associates of BAIC Group; and

(iii) the estimated annual caps for 2014, 2015 and 2016 include the respective expected annual value of the connected transactions, while the historical figure including Beijing Benz for the year 2013 disclosed above only covered the period from November 18, 2013 to December 31, 2013 (both days inclusive), during which time Beijing Benz remained our subsidiary and Beijing Benz provided whole vehicles to dealerships that were connected persons of the Company by virtue of them being associates of BAIC Group.

The increase in the estimated annual caps for the provision of products and services to BAIC Group and its associates by the Group is primarily linked to the expected increase of our revenues, which is ultimately driven by our business expansion plan. Our revenue increased significantly from RMB2,293.8 million for the six months ended June 30, 2013 to RMB25,126.9 million for the same period in 2014, which was due to the contribution of revenue from Beijing Benz of RMB19,156.7 million and a 160.3% increase in Beijing Motor's revenue. Correspondingly, for the six months ended June 30, 2014, we experienced a significant increase in the provision of products and services to BAIC Group and its associates as compared with those of previous years, which amounted approximately RMB878.5 million and RMB17.3 million, respectively. The trends of both transactions are in line with the respective estimated annual caps for the year 2014.

Internal control procedures adopted by our Company for the implementation of Non-exempt Continuing Connected Transactions

Our Company has adopted the following internal control procedures to ensure that the Non-exempt Continuing Connected Transactions are fair and reasonable and on normal commercial terms:

- our Company has adopted and implemented a management system on connected transactions. Under this system, our finance center is responsible for conducting reviews on compliance with relevant laws, regulations, company policies and Listing Rules in respect of Non-exempt Continuing Connected Transactions. In addition, the finance center, procurement center, legal affairs department and other relevant operation departments of our Company are jointly responsible for evaluating the transaction terms under the agreements for Non-exempt Continuing Connected Transactions, in particular, the fairness of the pricing terms under each agreement; and

- the independent non-executive Directors have also reviewed and will continue to review the agreements for Non-exempt Continuing Connected Transactions to ensure such agreements are entered into on normal commercial terms, are fair and reasonable, and are carried out pursuant to the terms of such agreements. The auditor of our Company will also conduct an annual review on the pricing and annual caps of such agreements.

When determining the actual prices of products and services to be supplied to our Company, the corresponding vendor will provide our Company with a proposed price. As mentioned above, in order to ensure that the pricing terms under the agreements for Non-exempt Continuing Connected Transactions are fair and reasonable, our Company's finance center and other relevant operation departments will review the proposed price provided by the vendor in the following manner:

- if a comparable market price is available, the proposed price will be compared with the market price to ensure that such proposed price is not higher than the selling price of the part or product with similar specifications, technology and quality requirements provided by any other manufacturers in the market;
- our Company has established a stringent market price inquiry system. The selection of suppliers shall be determined by the collective decision of a tender assessment board with members from the components and parts development department, suppliers management department, research and development department, compliance and supervision department, finance center and audit department as well as procurement engineers, product engineers and suppliers' quality management engineers. Tenders will be sought from various suppliers and assessed internally over several rounds before a decision is made on the basis of pricing, quality, technology, product risks and after-sales services;
- if no comparable market price is available, the fairness and reasonableness of the proposed price will be determined with reference to the total cost of the part or product, which is estimated with reference to (i) the market price of the raw materials or semi-finished products forming the part or product; and (ii) the cost estimated to be required for manufacturing such part or product with reference to requirements in relation to its nature, functionality, technology and quality standards etc., plus a profit margin of not more than the maximum profit margin level as stipulated under the relevant agreement, depending on the complexity of technologies and quality control procedures involved; and
- the proposed price will be reviewed to ensure that it is in line with the pricing terms of the relevant agreement and that the terms provided to our Company are no less favorable than those offered by the supplier to independent third parties.

Our Directors' Confirmation

Our Directors (including our independent non-executive Directors) are of the view that the Non-exempt Continuing Connected Transactions set out above have been and will be entered into in our ordinary and usual course of business on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and the proposed annual caps for the Non-exempt Continuing Connected Transactions set out above are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

The Joint Sponsors' Confirmation

The Joint Sponsors are of the view that the Non-exempt Continuing Connected Transactions set out above have been and will be entered into in the ordinary and usual course of business of our Group, on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and the proposed annual caps for the Non-exempt Continuing Connected Transactions set out above are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Waivers from the Exchange

In relation to the continuing connected transactions under Transaction 1B for each of the three financial years ending December 31, 2014, 2015 and 2016, the highest applicable percentage ratio is expected to be more than 0.1% but less than 5%. Accordingly, the continuous connected transactions of Transaction 1B are subject to the announcement requirements under Rule 14A.35 of the Listing Rules and the annual reporting requirements under Rules 14A.49 and 14A.71 of the Listing Rules.

In relation to the continuing connected transactions under Transaction 2, Transaction 4 and Transaction 5 for each of the three financial years ending December 31, 2014, 2015 and 2016 and under Transaction 3 for the year ending December 31, 2014, the highest applicable percentage ratio is expected to be more than 5%. Accordingly, the transactions under Transaction 2 to Transaction 5 are subject to the announcement requirements under Rule 14A.35 of the Listing Rules, the annual reporting requirements under Rules 14A.49 and 14A.71 of the Listing Rules and the independent Shareholders' approval requirements under Rule 14A.36 of the Listing Rules.

We have applied to the Stock Exchange, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement requirements of the Listing Rules in respect of the transactions under Transaction 1B; as well as from strict compliance with the announcement and independent Shareholders' approval requirements pursuant to Rule 14A.105 of the Listing Rules in respect of Transaction 2 to Transaction 5, provided that the total value of transactions under the Non-exempt Continuing Connected Transactions for each of the three financial years ending December 31, 2014, 2015 and 2016 will not exceed the relevant annual caps set forth above. Our independent non-executive Directors and auditors of our Company will review whether the Non-exempt Continuing Connected Transactions have been entered into based on the principal terms and pricing policies under the relevant agreements as disclosed in this section. The confirmations of our independent non-executive Directors and our auditors will be disclosed annually, as required by the Listing Rules.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this prospectus, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

The waiver granted by the Stock Exchange for the non-exempt continuing connected transactions in respect of Transaction 3 under the Financial Services Framework Agreement will be for one year up to the next annual general meeting. If independent Shareholders' approval cannot be obtained before or at the next annual general meeting, we will not continue such financial services under the Financial Services Framework Agreement to the extent that they constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS RELATING TO DAIMLER AG AND ITS ASSOCIATES

Background of Daimler AG, Beijing Benz and the continuing connected transactions

Our Company is principally engaged in the manufacturing, marketing and distribution of passenger vehicles under Beijing Motor proprietary brand and the Mercedes-Benz branded passenger vehicles through Beijing Benz.

Daimler AG is one of the world's most well-known automotive companies and has formed a long-standing partnership with our Group over the past two decades, which was further deepened by the completion of a series of transactions between Daimler AG (and its associates) and our Company in November 2013. For details of the transactions and strategic relationship between the two parties, please see the "History, Reorganization and Corporate Structure" and "Business" sections of the prospectus.

As part of such strategic cooperation alliance, immediately following the completion of the Global Offering, Daimler AG is expected to, directly and indirectly, own 10% or more of the share capital of our Company and thus will be a Substantial Shareholder of our Company. Furthermore, Daimler AG will, and through Daimler Greater China, continue to be a Substantial Shareholder of Beijing Benz (a non-wholly owned subsidiary of our Company), holding 49% of the equity interest in Beijing Benz. As a result, Daimler AG will continue to be a Substantial Shareholder of our Company as well as a Substantial Shareholder at the subsidiary level of our Company, hence Daimler AG and its associates will become our Company's Connected Persons upon the Listing. Therefore, the transactions between our Group and Daimler AG and its associates constitute connected transactions of our Company.

In addition, as Daimler AG (a Connected Person at our Company level) will continue to be a Substantial Shareholder (excluding any indirect interest in Beijing Benz which is held by Daimler AG through our Company) of Beijing Benz, a non-wholly owned subsidiary of our Company upon the Listing, Beijing Benz constitutes a Connected Person of our Company after the Listing under Rule 14A.16 of the Listing Rules. Therefore, the transactions between our Group (excluding Beijing Benz) and Beijing Benz constitute connected transactions of our Company.

Our Group has entered, and will enter into, agreements with Daimler AG and its associates in relation to various types of transactions, including, among other matters, the purchase of components and accessories from Daimler AG and its associates (Daimler AG Transaction 1A referred to below), sales of vehicles to Daimler AG and its associates (Daimler AG Transaction 1B referred to below), provision of the use of intellectual property rights (including trademarks and technologies) by Daimler AG and its associates (Daimler AG Transaction 2 referred to below), provision of services by Daimler AG and its associates to Beijing Benz (Daimler AG Transaction 3A referred to below) and provision of services, parts and accessories by Beijing Benz to Daimler AG and its associates (Daimler AG Transaction 3B referred to below). All of the above transactions constitute continuing connected transactions of our Company. Please refer to continuing connected transactions set out below for further details:

Nature of transaction	Applicable Listing Rules	Waiver sought	Historical amounts (RMB million)	Proposed annual cap (RMB million)
Transactions with Daimler AG and/or its associates				
1A. Purchase of components and accessories from Daimler AG and its associates by Beijing Benz	14A.34, 14A.35, 14A.36, 14A.49, 14A.52, 14A.53 and 14A.71	Written agreement, annual cap, annual reporting, announcement, and independent Shareholders' approval requirements	N/A	N/A
			For the year ended December 31	
1B. Sales of vehicles by Beijing Benz to Daimler AG and its associates	14A.34 and 14A.52	Written agreement requirement	2011: 59.4 2012: 30.3 2013: 5.7	2014: 65.0 2015: 65.0 2016: 65.0
			For the six months ended June 30	
			2014: 0	
2. Provision of the use of intellectual property rights (including trademarks and technologies) by Daimler AG and its associates to Beijing Benz	14A.34, 14A.35, 14A.36, 14A.49, 14A.52, 14A.53 and 14A.71	Written agreement, annual cap, annual reporting, announcement, and independent Shareholders' approval requirements	N/A	N/A
3A. Provision of services by Daimler AG and its associates to Beijing Benz	14A.34, 14A.35, 14A.36, 14A.49, 14A.52, 14A.53 and 14A.71	Written agreement, annual cap, annual reporting, announcement, and independent Shareholders' approval requirements	N/A	N/A
3B. Provision of services, parts and accessories by Beijing Benz to Daimler AG and its associates	14A.34, 14A.35, 14A.36, 14A.49, 14A.52, 14A.53 and 14A.71	Written agreement, annual cap, annual reporting, announcement, and independent Shareholders' approval requirements	N/A	N/A

1A. Purchase of components and accessories from Daimler AG and its associates by Beijing Benz ("Daimler AG Transaction 1A")

Description of the transaction: During the Track Record Period, our Company's non-wholly owned subsidiary, Beijing Benz, entered into a series of purchase agreements with Daimler AG and its associates, pursuant to which Beijing Benz purchased components (including chassis), spare parts and accessories from Daimler AG and its associates for production purposes.

Reasons for the transaction: Our Company manufactures and sells Mercedes-Benz branded passenger vehicles through Beijing Benz with Daimler AG. As the world's leading manufacturer and supplier of Mercedes-Benz branded vehicles and accessories and components for Mercedes-Benz branded vehicles, Daimler AG possesses extensive experience, advanced technologies and an unparalleled, consistent quality control system which are valuable to our Group. Through supplying components (including chassis), spare parts and accessories for the production of Mercedes-Benz branded vehicles as well as the experience and technologies in automobile manufacturing, Daimler AG helps to enhance our Group's competitiveness. With the stable supply of high-quality components and parts from Daimler AG and its associates that are tailored to Beijing Benz's specific automobile models which can meet the strict quality standard and technical specifications of Beijing Benz. Beijing Benz takes advantage of the economies of scale and Daimler AG's advanced technology and experience through purchasing from the global supplier chain of Daimler AG. Together with the capacity expansion of Beijing Benz, the forecast of future purchase volumes from Daimler AG and its associates is expected to increase.

Pricing Policy: In determining prices for the products, Beijing Benz will consider the market price of comparable products that are available in the market in order to make sure that the price offered by Daimler AG and/or its associates will remain reasonable and competitive in the market. To obtain the market price, experienced staff from the procurement department of Beijing Benz will go through a price selection process in which Daimler AG and its associates are treated no differently from any other third party suppliers. Beijing Benz will seek quotations for the products from certain suppliers and conduct market research to obtain prevailing market prices and conditions for the supply of similar products. Based on the information gathered through the above approach, Beijing Benz will select the most favorable price (the "**Price Selection Process**"). Consequently, the purchase of certain automobile parts by Beijing Benz would not be automatically be made with Daimler AG or its associates if Beijing Benz could obtain better terms from other suppliers.

However, unlike normal consumer products, some of the vehicles manufactured by Beijing Benz are dependent on certain parts and components provided by Daimler AG and/or its associates as there are no alternatives available in the market. In such circumstances, Beijing Benz has to source parts and components from Daimler AG and/or its associates to Beijing Benz to fulfill in production and market prices for these components and parts are not readily available. The price for these components and parts is subject to strict internal control procedures ("**Internal Control Procedures**") of Beijing Benz as mentioned below:

(i) In relation to the continuing connected transactions with Daimler AG and its associates, negotiations are and will be conducted by our Group (as Beijing Benz's shareholder) on an arm's length basis. Daimler AG and its associates are not in a position to influence our Group to agree to terms which may not be in our interest;

(ii) Pursuant to the joint venture agreement and the articles of association of Beijing Benz, Daimler AG and our Company are entitled to respectively nominate Beijing Benz's chief executive officer and senior executive vice president. The chief executive officer and the senior executive vice president of Beijing Benz have the same decision-making power. The entering into of any contracts of material importance or related material transactions with Daimler AG and/or its associates shall be mutually agreed on and approved by both the chief executive officer and the senior executive vice president of Beijing Benz;

(iii) Each of Daimler AG and our Company shall have the right to appoint either the head of the procurement department or the head of the financial department. The head of the procurement department and the head of the financial department of Beijing Benz have the same decision-making power. Each of the head of the procurement department and financial department will jointly review and approve the terms of each transaction between Daimler AG and its associates and our Group as well as assessing whether the terms are fair and reasonable;

(iv) Our Group (including Beijing Benz) has adopted and implemented a set of operational procedures in the management of connected transactions. According to such procedures, the product engineers, procurement engineers and suppliers' quality assessment engineers will conduct three rounds of quotation assessment by taking into consideration prices, after-sales services, quality, timetable and technologies when conducting the assessment;

(v) Our Group (including Beijing Benz) will regularly obtain quotations from local suppliers for equivalent or similar products and services that may be available from other local PRC suppliers in order to determine whether viable alternatives of comparable quality can be obtained in a timely manner and at the most competitive price. If alternatives are available, our Group (including Beijing Benz) would go through a price selection process before selecting suppliers for such alternatives. In such a tender process, Daimler AG and its associates are treated no differently from any other third party suppliers. Consequently, the purchase of automobile parts and related services by our Group (including Beijing Benz) would not be automatically allocated to Daimler AG or its associates if our Group (including Beijing Benz) could obtain better terms from other suppliers. In addition, as a business reality, additional transportation and tax costs would be incurred in purchasing vehicle products, parts and components from a foreign supplier. Overtime, our Group expects that fewer vehicle products, parts and components, as well as associated technical support services, specialists services and IT support services, may be sourced from Daimler AG and its associates where cheaper alternatives might be available in the PRC. This process of "localization" is widely regarded as a key means of cost reduction in the PRC automotive industry and is also one of the priorities of Beijing Benz; and

(vi) The independent non-executive Directors will also conduct an annual review on the agreements for non-exempt continuing connected transactions to ensure such agreements are entered into on normal commercial terms, are fair and reasonable, and are carried out pursuant to the terms of such agreements. The auditor of our Company will also conduct an annual review of the pricing and annual caps (if applicable) of such agreements.

In order to ensure that the price is fair and reasonable, our Company and its subsidiaries will continue to obtain quotations for, and conduct market search upon, similar products used in other high-end brand vehicles for reference purposes. Taking into consideration these reference prices, the representatives of our Group rely on their knowledge of the industry standards and prior experience gained from similar negotiations in determining purchase prices to assess the prices offered by Daimler AG and/or its associates.

Our Group will also determine the price by taking into account international and domestic benchmark raw materials costs and the profit margin that could be achieved by our Group to ensure that component costs are set at a level that allows our Group to generate a profit margin that is equivalent to industry standards or even better.

Applicable requirements and waivers sought: Daimler AG Transaction 1A is subject to the written agreement requirements set out in Rules 14A.34 and 14A.52, the announcement requirements set out in Rule 14A.35, the annual cap requirements set out in Rule 14A.53, the independent Shareholders' approval requirements set out in Rule 14A.36, and the annual reporting requirements set out in Rules 14A.49 and 14A.71.

Our Company has applied for, and the Stock Exchange has granted a waiver from strict compliance with the written agreement, annual cap, annual reporting, announcement and the independent Shareholders' approval requirements in respect of Daimler AG Transaction 1A.

1B. Sales of vehicles by Beijing Benz to Daimler AG and its associates ("Daimler AG Transaction 1B")

Description of the transaction: Daimler AG and its associates purchased vehicles from Beijing Benz during the Track Record Period for research and development, testing, marketing, promotion and their own use.

Reasons for the transaction: To maintain the high quality of Mercedes-Benz branded passenger vehicles globally, Daimler AG closely monitors the quality of vehicles manufactured by its joint ventures, including Beijing Benz, and therefore it purchases Mercedes-Benz branded passenger vehicles manufactured by Beijing Benz for research, development and testing purposes. In addition, Daimler AG and its associates purchase vehicles produced by Beijing Benz for marketing, promotion and their own use.

Pricing policy: In relation to the transactions described above, our Company and its subsidiaries will take into account the market prices of the vehicles to make sure that the prices offered to Daimler AG and its associates are fair and reasonable and on normal commercial terms. As Beijing Benz has been selling vehicles to various 4S dealers (both connected and non-connected with our Company) in the market, the market prices of the vehicles are readily available.

Historical amounts: The amounts paid to Beijing Benz by Daimler AG and its associates in respect of the purchase of vehicles for the three years ended December 31, 2011, 2012 and 2013, and for the six months ended June 30, 2014, were approximately RMB59.4 million, RMB30.3 million, RMB5.7 million and nil, respectively.

Annual caps: The maximum aggregate annual amount paid to Beijing Benz by Daimler AG and its associates in respect of the purchase of vehicles for each of the years ending December 31, 2014, 2015 and 2016 shall not exceed RMB65 million.

Basis of Caps: The above proposed annual caps were estimated on the basis of: (i) the anticipated demand and consumption of vehicles by Daimler AG and/or its associates; and (ii) the historical purchase volume by Daimler AG from Beijing Benz.

The number of sales of vehicles by Beijing Benz to Daimler AG and its associates is based on the actual demand of vehicles on a case-by-case basis, which is driven by various factors, such as

(i) new vehicle models' testing and marketing activities; (ii) vehicle models' research, development and upgrade; and (iii) other internal usages for daily operation. This varies from year to year, and it is impracticable to provide a definitive estimate. As such, the proposed annual caps for 2014, 2015 and 2016 are determined with reference to one of the highest total number of sales of vehicles during the Track Record Period.

Applicable requirements and waivers sought: Daimler AG Transaction 1B is subject to the written agreement requirements set out in Rules 14A.34 and 14A.52, and the annual reporting requirements set out in Rules 14A.49 and 14A.71. Our Company had applied for, and the Stock Exchange has granted a waiver from strict compliance with the written agreement requirement in respect of Daimler AG Transaction 1B.

Our Company will comply with other requirements under Chapter 14A of the Listing Rules in respect of Daimler AG Transaction 1B upon the Listing.

2. Provision of the use of intellectual property rights (including trademarks and technologies) by Daimler AG and its associates to Beijing Benz ("Daimler AG Transaction 2")

Description of the transaction: Our Company's non-wholly owned subsidiary, Beijing Benz, entered into trademark licensing agreements and technology licensing agreements with Daimler AG and its associates in respect of the company name of Beijing Benz and the existing vehicle models produced by Beijing Benz. Pursuant to such agreements, Beijing Benz is granted by Daimler AG a non-exclusive license for the use of trademarks including the "Benz" trademark in its company name, and technologies in the manufacture and assembly of Mercedes-Benz branded passenger vehicles. Beijing Benz shall make periodic payments of royalties to Daimler AG and its associates.

Reasons for the transaction: It is standard practice in the PRC automobile industry for PRC and/or Sino-foreign owned automobile manufacturing joint ventures to pay royalties to the joint venture partner which owns and provides the relevant trademark and technology licenses. The provision of the intellectual property rights in the form of trademark and technology licenses by Daimler AG and its associates to Beijing Benz is key to the long-term profitability and competitiveness of Beijing Benz and its products. Trademark license agreements and technology license agreements ensure that the party providing the technology and trademark licenses receives recognition of its research and development as well as its brand in respect of particular vehicle models, and that the brand reputation of Mercedes-Benz can be leveraged such that the products of Beijing Benz remain competitive. Our Group believes that it has benefited and will continue to benefit from the technological expertise and product portfolio of Daimler AG and its associates.

The arrangements with regard to the intellectual property rights are part of the joint venture framework agreement regarding Beijing Benz between our Company and Daimler AG. Daimler AG, as the joint venture partner, is primarily responsible for the research and development of new vehicle models, and it is therefore essential for Beijing Benz to maintain the technology licenses granted by Daimler AG and its associates. The car models produced by Beijing Benz are dependent on the intellectual property rights licensed by Daimler AG and its associates, thus such intellectual property rights are fundamental to the production of Beijing Benz. Without them, the businesses of Beijing Benz could not have been established and could not operate. Our Group, therefore, has no alternative but to source intellectual property rights from Daimler AG and its associates for the duration of Beijing Benz.

In addition, to comply with German tax legislation and general rules for licensing Mercedes-Benz branded products, Beijing Benz, as the licensee of the relevant intellectual property rights, has to pay for technology and trademark license fees to Daimler AG and its associates.

Pricing policy: The technologies and trademarks licensed to Beijing Benz are owned by Daimler AG and/or its associates and there is no alternative available in the market. As such, Beijing Benz has to obtain licenses from Daimler AG, and market prices are not readily available. The prices for the provision of the use of technologies and trademarks have been agreed by Daimler AG and our Group or arm's length negotiations subject to the Internal Control Procedures. The royalties payable for such licenses of technologies and trademarks shall be 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.

Applicable requirements and waivers sought: Daimler AG Transaction 2 is subject to the written agreement requirements set out in Rules 14A.34 and 14A.52, the announcement requirements set out in Rule 14A.35, the annual cap requirements set out in Rule 14A.53, the independent Shareholders' approval requirements set out in Rule 14A.36, and the annual reporting requirements set out in Rules 14A.49 and 14A.71.

Our Company has applied for, and the Stock Exchange has granted a waiver from strict compliance with the written agreement, annual cap, annual reporting, announcement, and the independent Shareholders' approval requirements in respect of Daimler AG Transaction 2.

3A. Provision of services by Daimler AG and its associates to Beijing Benz ("Daimler AG Transaction 3A")

Description of the transaction: Beijing Benz has entered into service procurement agreements with Daimler AG and its associates, pursuant to which Daimler AG and its associates provide services, including technical support, training, specialist assistance, IT support, sales consulting, marketing and operational management services, during the Track Record Period.

Reasons for the transaction: The technical support services that Beijing Benz purchases from Daimler AG and its associates are necessary ancillary services for the licensed products to Beijing Benz under the technology license agreement as mentioned in Daimler AG Transaction 2 above. Beijing Benz also engages specialists from Daimler AG and its associates to assist with a series of product production, engine plant, research and development, localization development and product material control matters. One of Daimler AG's associates also provides sales and marketing services which are related to Beijing Benz's products, including sales planning, marketing, after-sales, dealer network, and development management. Such services ensure that the advanced technology, precision equipment and components provided by Daimler AG and its associates to our Group are properly applied in the process of production and the sound management and marketing of the joint venture between our Company and Daimler AG, namely Beijing Benz. In addition, since Daimler AG and its associates have extensive experience in the automobile industry, our Directors consider that such services would help Beijing Benz to develop its manufacturing equipment automatization, and improve the sales and marketing, as well as operational management.

Pricing policy: As Daimler AG and its associates own underlying technologies related to the services provided to Beijing Benz, the technical support services, IT services and other auxiliary services can only be sourced from Daimler AG as there is no alternative service provider in the market. The service fees charged by Daimler AG and its associates to our Group are determined based on arm's length negotiations subject to the Internal Control Procedures. For details of the Internal Control Procedures, please see "Internal Control Procedures" set forth in Transaction 1A of this section.

In relation to technical support services and specialist assistance services, Daimler AG and our Company agreed that the service fees to be paid will be determined on a fixed fee rate on a daily basis with reference to the historical rates paid by Beijing Benz for the provision of similar services. In relation to the fees for the marketing-related services and IT support services, Daimler AG and our Company agreed that the fees shall be for a pre-agreed price determined based on the pro rata (or otherwise agreed) allocation of costs incurred by Beijing Benz in IT and marketing-related activities.

Our Company and its subsidiaries will take into account the market prices and comparable prices of similar services. Our Group seeks quotations for, and conducts market research upon, similar services used by other high-end brand vehicle manufactures, and may gather pricing information on other joint ventures of Daimler AG in the PRC. However, where there is no other comparable service available in the market, the representatives of our Group will rely on their knowledge of industry standards and their prior experience gained from similar negotiations in determining the price.

Applicable requirements and waivers sought: Daimler AG Transaction 3A is subject to the written agreement requirements set out in Rules 14A.34 and 14A.52, announcement requirements set out in Rule 14A.35, the annual cap requirements set out in Rule 14A.53, the independent Shareholders' approval requirements set out in Rule 14A.36, and the annual reporting requirements set out in Rules 14A.49 and 14A.71.

Our Company has applied for, and the Stock Exchange has granted a waiver from strict compliance with the written agreement, annual cap, annual reporting, announcement and independent Shareholders' approval requirements in respect of Daimler AG Transaction 3A.

3B. Provision of services, parts and accessories by Beijing Benz to Daimler AG and its associates ("Daimler AG Transaction 3B")

Description of the transaction: During the Track Record Period, Daimler AG and its associates entered into a series of agreements with Beijing Benz in relation to the purchase of services and products from Beijing Benz, pursuant to which, Beijing Benz sells components and spare parts and provides after-sales referral services to Daimler AG and its associates.

Reasons for the transaction: Beijing Benz has gradually become capable of manufacturing and supplying specific localized goods and components, such as new genuine parts for installation on or attachment to Mercedes-Benz branded passenger vehicles, aggregates and assemblies for Mercedes-Benz branded passenger vehicles and genuine remanufactured parts. The products manufactured by Beijing Benz are of high quality and are in accordance with applicable laws and regulations (i.e. China Compulsory-Certification). Therefore, Daimler AG and its associates have purchased components and spare parts from Beijing Benz for production purposes. Daimler AG and its associates also purchased accessories including tires, tools, workshop equipment and non-automotive accessories relating to parts or vehicles supplied by Beijing Benz. Given that the products manufactured and supplied by Beijing

Benz are under extremely strict quality and cost control, Daimler AG and its associates believe the purchase of products from Beijing Benz is cost-saving and beneficial for their global supply chain.

In terms of the provision of after-sales referral service, Beijing Benz authorizes one of Daimler AG's associates to provide after-sales service to Beijing Benz's dealers on an exclusive basis. The associate of Daimler AG uses the spare parts purchased from Beijing Benz to provide after-sales services. The associate of Daimler AG generates profit in providing after-sales services and thus it pays a fixed fee on a per unit vehicle basis to Beijing Benz, and the fixed fee rate is arrived at arm's length discussion between the parties.

Pricing policy: In relation to the transactions described above, our Company and its subsidiaries will take into account the market prices of the relevant parts, components and services offered by other suppliers to Daimler AG and its associates in the market to make sure that the prices offered by Beijing Benz to Daimler AG and its associates are fair and reasonable and on normal commercial terms.

Our Group will determine the prices of the components, parts and assemblies by reference to the average profit margin in the market or based on the principle of the cost plus a reasonable margin. The underlying costs include raw materials, accessories, depreciation, salary, energy, cutters/tools, technology consumption, equipment maintenance, management fees, and financial fees. With the assistance of the relevant procurement experience of our procurement department, we gather information on market prices and profit margin levels of automobile products in the industry through industrial associations and independent automobile products suppliers in the PRC.

Applicable requirements and waivers sought: Daimler AG Transaction 3B is subject to the written agreement requirements set out in Rules 14A.34 and 14A.52, the announcement requirements set out in Rule 14A.35, the annual cap requirements set out in Rule 14A.53, the independent Shareholders' approval requirements set out in Rule 14A.36, and the annual reporting requirements set out in Rules 14A.49 and 14A.71.

Our Company has applied for, and the Stock Exchange has granted a waiver from strict compliance with the written agreement, annual cap, annual reporting, announcement and the independent Shareholders' approval requirements in respect of Daimler AG Transaction 3B.

WAIVERS FROM THE STOCK EXCHANGE

Despite the requirements under Chapter 14A of the Listing Rules, our Company considers that it would be unduly burdensome, detrimental to the business and operation of our Group, and not in the best interests of the Shareholders, for our Company to comply with certain of the following requirements in respect of the above continuing connected transactions with Daimler AG and its associates for the reasons set out below.

(a) Written Agreement Requirement

Compliance with the written agreement requirement to enter into agreement with the Connected Person for a term of not exceeding three years under Rules 14A.34 and 14A.52 of the Listing Rules would be impractical and commercially detrimental to our Company, as a long-term contract beyond three years is normal business practice in the PRC automotive industry and necessary to sustain the operation of the joint venture company between our Company and Daimler AG and its associates. For example, the technology expertise and assistance, and IT service agreements, currently entered into between our Company and Daimler AG (and its associates) have a term in line with the term of the joint venture contract between Daimler AG and our Company, which is 50 years and which commenced in 1983 (with a remaining term of 19 years after the Listing).

It is normal industry practice that the term of the transactions relating to purchase of components and accessories, sales of finished vehicles, provision of the use of intellectual property rights and mutual provisions of services to be fixed with reference to the expected life-cycle of vehicle models and the term of the joint venture contracts which will be of longer than three years duration. Any early termination, variation or risk in successful renewal may have a detrimental effect on the business continuity and successful operation of our Company.

Based on the reasons set out above, the Directors (including the independent non-executive Directors) and the Joint Sponsors are of the view that the relevant contracts with terms longer than three years set out above are in line with normal business practice in the PRC automotive industry and are in the interests of our Company and our Shareholders as a whole.

Therefore, in relation to certain continuing connected transactions between our Company and Daimler AG (and its associates) (Daimler AG Transactions 1A, 1B, 2, 3A and 3B), we have applied for, and the Stock Exchange has granted a waiver from strict compliance with written agreement requirements under Rules 14A.34 and 14A.52.

(b) Annual Cap Requirements

(i) Nature of transactions renders the imposition of annual caps impractical

Firstly, the growth of transaction volumes is expected to be rapid due to reasons beyond our Group's control.

The PRC automotive industry has experienced rapid growth over the past few years driven by the significant growth of the macro economy. In 2009, China became the largest automobile market in the world in terms of automobile production and sales, and has maintained a leading position since then. In recent years, the PRC passenger vehicle industry has experienced rapid growth driven by significant expansion of the macro economy. According to ACMR, China is now the largest passenger vehicle market in the world. The sales volume of passenger vehicles in China grew from 10.3 million units in 2009 to 17.9 million units in 2013, representing a CAGR of 14.8%. With the rapid growth of the PRC automobile industry, it is expected that transaction volumes between our Group and Daimler AG (and its associates) will continue to increase in the foreseeable future. However, the factors driving the increase in transaction volumes are dependent on economic growth in the PRC, regional customer demand, government policies as well as the performance of competitors, all of which are beyond the control of our Company, Daimler AG or Beijing Benz. As such, imposing any arbitrary cap on transactions between Daimler AG (and its associates) and us neither represents an accurate and thoughtful forecast of the actual transaction amounts and/or volumes for the relevant financial years, nor provides any meaningful information to the investors for making any informed decisions or forming any reasonable expectation with regard to the performance and management of our Company for the relevant financial years.

Secondly, annual caps will be easily exceeded and the compliance procedure thereby triggered will significantly affect the normal business of our Group.

The transactions between Daimler AG (and its associates) and us play a strategic and critical role in our Company's overall business, future success and development. The values of these transactions account for, and will continue to account for, a substantial portion of the total sales and procurement amounts of our Company. It would be relatively simple to exceed the annual caps, as any growth in demand for vehicles manufactured by Beijing Benz will consequently result in increased transaction volumes for the products, technology and services provided to Beijing Benz by Daimler AG (and its associates). Unless unrealistically large amounts are set as the annual caps, the imposition of annual caps would unnecessarily restrain our Group and Daimler AG (and its associates) from smoothly conducting or expanding our businesses in the ordinary course and as part of our normal businesses, weaken the flexibility of future development and adjustments, and lessen the competitive edge of businesses operated by our Group and Daimler AG (and its associates). The annual caps will also be easily exceeded as a result of increases in raw material prices, continual appreciation of the Renminbi, and fluctuating foreign exchange rates which will affect the cost of vehicle products, parts and services. Such volatile movement in costs is not within the control of, or predictable by, our Company.

Given the critical position of the strategic alliance with Daimler AG and its associates, our Company would be in no position to cease or even partially cease any transactions with Daimler AG and its associates. However, in the event that the annual caps are likely to be exceeded, the parties may have to suspend any further transactions for several months in order to convene a Shareholders' meeting to revise the caps. The Articles of Association of our Company requires that no less than 45-days' notice be given to Shareholders to convene a Shareholders' meeting. Such a delay or suspension in operations would have a direct and adverse impact on the profitability of our Company which in turn would be materially detrimental to the interests of our Company and our Shareholders as a whole.

(ii) Disclosure of commercially sensitive information would not be in the interests of our Company and our Shareholders

The disclosure of the annual caps, historical figures and their calculation basis for consideration of the transactions between our Group (including Beijing Benz) and Daimler AG and/or its associates will inevitably make public certain commercially sensitive information, such as the consideration for technology and trademark licenses, costs and prices of raw materials, vehicle products and related services, price calculation formulae, and pricing strategies. Such commercially sensitive information is fundamental to the success of both the business and cooperation between our Group and Daimler AG (and its associates). In the highly competitive automobile industry, such information is always protected and preserved in a strictly confidential manner. Any leakage of such information may offer potential opportunities or advantages which may be taken by competitors and seriously jeopardize the businesses of both our Group and Daimler AG (and its associates).

Unlike normal consumer products, the vehicle products, parts and components sourced from Daimler AG (and its associates) may not have a standard market price, which makes the historical figures and future annual caps not reliable references for investors. The prices of vehicle products, parts and components provided by Daimler AG (and its associates) to Beijing Benz may vary from time to time as these are subject to a series of complex calculation formulae which are adjusted from time to time by the experts from both parties taking into account market demands, car specifications and price quotations offered by other players from this increasingly competitive market. Certain prices, such as technology royalties and components/ vehicles are calculated based on a pre-determined formula where production and sales volume are the variables. Therefore, full disclosure of details of the pricing policies under these continuing connected transactions would lead to the reluctant disclosure of commercially sensitive information which may potentially jeopardize the business of our Group and Daimler AG. Conversely, the disclosure of historical figures and future annual caps will not provide investors with any meaningful information or reasonable expectations relating to transaction volumes.

In addition, it has been the practice of automobile industry players seeking a listing in Hong Kong to protect their historical figures and annul caps of certain types of transactions from public disclosure due to their sensitivity and strategic significance. Our Company believes that the protection of such information significantly outweighs the disclosure of annual caps, their bases and the historical figures in the prospectus. Notwithstanding the non-disclosure of commercially sensitive information, our Company will disclose sufficient information to the investors to enable them to make a properly informed assessment of our Company and its securities.

(iii) Internal control on transactions between Daimler AG and our Group is of an extremely high standard

Although Daimler AG and its associates are technically Connected Persons of our Company and the transactions between Daimler AG (and its associates) and us constitute connected transactions which fall into a special category of transaction under the Listing Rules subject to additional safeguard requirements on corporate governance, Daimler AG and its associates operate independently of us and the Controlling Shareholders. However, Daimler AG is a company listed on the Frankfurt Stock Exchange and is also subject to various corporate governance requirements and internal control requirements under the requirements of the Frankfurt Stock Exchange, and its directors are required to act in the best interests of Daimler AG and its shareholders as a whole. Notwithstanding its business alliance with our Company, Daimler AG and our Company are players in the same industry and may from time to time have different business interests to protect against each other. Thus both parties have consistently adopted strict standards in assessing the commercial reasonableness of cooperation with each other. As such, the transactions between Daimler AG (and its associates) and our Company (and our subsidiaries) in the past were entered into after rounds of arm's length negotiations.

In addition, substantially all of the continuing connected transactions are conducted between Daimler AG and its associates on the one hand, and Beijing Benz on the other. Beijing Benz has implemented strict internal control and reporting mechanisms which enable business developments and transactions that may be subject to applicable continuing obligations under Chapter 14A of the Listing Rules to be reported to its board and/or designated persons.

- There are established internal control procedures under the joint venture agreement and the articles of association of Beijing Benz to ensure that the continuing connected transactions between Daimler AG (and its associates) and us are fair and reasonable and on normal commercial terms in order to safeguard the interests of our Company and our Shareholders as a whole. Pursuant to the joint venture agreement and the articles of association of Beijing Benz, Daimler AG and our Company are entitled to nominate Beijing Benz's chief executive officer and senior executive vice president respectively. The chief executive officer and the senior executive vice president of Beijing Benz have the same decision-making power. The entering into of any contracts of material importance or related material transactions with Daimler AG and/or its associates shall be mutually agreed on and approved by both the chief executive officer and the senior executive vice president of Beijing Benz;
- Each of Daimler AG and our Company shall have the right to appoint either the head of the procurement department or the head of financial department. The head of the procurement department and the head of the financial department of Beijing Benz have the same decision-making power. Each of the head of the procurement department and financial department will jointly review and approve the terms of each transaction between Daimler AG and its associates and our Group as well as assessing whether the terms are fair and reasonable;
- Our Group (including Beijing Benz) has adopted and implemented a set of operational procedures in the management of connected transactions. According to such procedures, the product engineers, procurement engineers and suppliers' quality assessment engineers will conduct three rounds of quotation assessment by taking into consideration prices, after-sales services, quality, timetable and technology when conducting the assessment;
- Our Group (including Beijing Benz) will regularly obtain quotations from local suppliers for equivalent or similar products and services that may be available from other local PRC suppliers in order to determine whether viable alternatives of comparable quality can be obtained in a timely manner and at the most competitive price. If alternatives are available, our Group (including Beijing Benz) would undertake a price selection process before selecting suppliers for such alternatives. In such a tender process, Daimler AG and its associates are treated no differently from other third party suppliers. Consequently, the purchase of automobile parts and related services by our Group (including Beijing Benz) would not be automatically be allocated to Daimler AG or its associates if our Group (including Beijing Benz) could obtain better terms from other suppliers. In addition, as a business reality, additional transportation and tax costs would be incurred in purchasing vehicle products, parts and components from a foreign supplier. Over time, our Group expects that fewer

vehicle products, parts and components, as well as associated technical support services, specialist services and IT support services, may be sourced from Daimler AG and its associates where cheaper alternatives might be sourced in the PRC. This process of "localization" is widely regarded as a key means of cost reduction in the PRC automotive industry and is also one of the priorities of Beijing Benz;

- The independent non-executive Directors will also conduct an annual review of the agreements for non-exempt continuing connected transactions to ensure that such agreements are entered into on normal commercial terms, are fair and reasonable, and are carried out pursuant to the terms of such agreements. The auditor of our Company will also conduct an annual review of the pricing and annual caps (if applicable) of such agreements;
- In order to ensure that the price is fair and reasonable, our Company and its subsidiaries will continue to obtain quotations for, and conduct market search upon, similar products used in other high-end brand vehicles for reference purposes. Taking into consideration these reference prices, the representatives of our Group rely on their knowledge of industry standards and prior experience gained from similar negotiations in determining purchase prices to assess the prices offered by Daimler AG and/or its associates;
- Our Group will also determine the price by taking into account international and domestic benchmark raw materials costs and the profit margin that could be achieved by our Group to ensure that component costs are set at a level that allows our Group to generate a profit margin that is within the industry standards or even better; and
- Our Group (including Beijing Benz) will regularly monitor the level of transaction volumes of the continuing connected transactions against the expected levels for Transactions 1A, 2, 3A and 3B and estimated annual caps for transaction 1B. Should the level of transaction volume be expected to exceed the estimated annual caps for transaction 1B, the Company's securities department or other equivalent departments will promptly report it to the Company's management for compliance procedures, such as an announcement, a circular and/or shareholders' meeting under Chapter 14A of the Listing Rules, to be carried out. No further continuing connected transactions will be conducted unless all applicable compliance procedures have been fulfilled.

In light of the above reasons, in relation to certain continuing connected transactions between our Group and Daimler AG (and its associates) set out above as Daimler AG Transaction 1A, 2, 3A and 3B, we have applied for, and the Stock Exchange has granted a waiver from strict compliance with the annual cap requirements under Rule 14A.53 of the Listing Rules.

(c) Annual Reporting and Announcements Requirements

As stated above, the disclosure of the annual amounts of the transactions between our Group and Daimler AG and/or its associates will inevitably make public some commercial sensitive information which is fundamental to the success of our business and cooperation between our Group and Daimler AG (and its associates).

For the same reasons as stated in paragraph (b)(ii), we have applied for, and the Stock Exchange has granted a waiver that the actual amounts of the transactions between our Group and Daimler AG and/or its associates shall not be required to be disclosed in our Company's annual reports upon the Listing. However, our Company will disclose the counterparties, nature, terms, pricing policies, reasons and benefits of the above-mentioned transactions made each year in its annual report. In relation to the continuing connected transactions between our Company (and its subsidiaries) and Daimler AG (and its associates) set out above as Daimler AG Transaction 1A, 2, 3A and 3B, we have applied for, and the Stock Exchange has granted a waiver from strict compliance with the announcement requirements under Rule 14A.35 of the Listing Rules and the annual reporting requirements under Rules 14A.49 and 14A.71 of the Listing Rules.

(d) Independent Shareholders' Approval Requirements

The continuing connected transactions between our Group and Daimler AG with regard to vehicle products, parts and components and the agreements relating to technical assistance are fundamental to the operation of Beijing Benz. It is not open to Beijing Benz to discontinue or terminate these transactions, otherwise it would have a crippling effect on the business of Beijing Benz resulting in adverse effects to the business and operation of our Company. Additionally, there are existing established procedures and sufficient control mechanisms as set out in paragraph (b)(iii) of this section to ensure that the transactions (including the pricing schemes) will be negotiated on an arm's length basis and that the terms of the transactions will be fair and reasonable and in the interests of our Company and our Shareholders as a whole.

In light of the above reasons, in relation to the continuing connected transactions between our Company (and its subsidiaries) and Daimler AG (and its associates) set out above as Daimler AG Transaction 1A, 2, 3A and 3B, we have applied for, and the Stock Exchange has granted a waiver from strict compliance with the independent Shareholders' approval requirements under Rule 14A.36.

Our Directors' Confirmation

Our Directors (including our independent non-executive Directors) are of the opinion that (1) each of the non-exempt continuing connected transactions relating to Daimler AG and its associates disclosed above has been entered into, and will be carried out, in the ordinary and usual course of business and on normal commercial terms; (2) each of the continuing connected transactions relating to Daimler AG and its associates disclosed above is fair and reasonable and is in the interests of our Shareholders as a whole; and (3) the annual caps for Daimler AG Transaction 1B are fair and reasonable and are in the interests of our Company and our Shareholders as a whole.

The Joint Sponsors' Confirmation

The Joint Sponsors are of the view that the non-exempt continuing connected transactions relating to Daimler AG and its associates disclosed above have been and will be entered into in the ordinary and usual course of business of our Group on normal commercial terms, and are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and the proposed annual caps for Daimler AG Transaction 1B set out above are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Waivers from the Stock Exchange

Upon Listing, our Company and/or our subsidiaries and Daimler AG and/or its associates will continue to proceed with the above transactions. Apart from Daimler AG Transaction 1B, our Directors are of the view that compliance with the written agreement requirements, annual cap requirements, annual reporting requirement, announcement requirements and/or independent Shareholders' approval requirements in respect of the above continuing connected transactions with Daimler AG and its associates would cause unnecessary burden and losses to the businesses and operations of our Group and would not be in the best interests of our Shareholders. We have applied to the Stock Exchange, and the Stock Exchange has granted us, a waiver from strict compliance with the written agreement, annual cap, announcement, annual reporting, and/or independent Shareholders' approval requirements of the Listing Rules in respect of the transactions under the Daimler AG Transaction 1A, 2, 3A and 3B.

Compliance with the written agreement requirements in respect of Daimler AG Transaction 1B would cause unnecessary burden and losses to the businesses and operations of our Group and would not be in the best interests of our Shareholders. We have applied to the Stock Exchange, and the Stock Exchange has granted us a waiver from strict compliance with the written agreement requirement of the Listing Rules in respect of the transactions under the Daimler AG Transaction 1B.

The Board

The Board of the Company consists of 15 Directors, including one executive Director, nine non-executive Directors and five independent non-executive Directors. All Directors are elected by the general meeting for a term of three years and their positions are renewable upon re-election. The major functions and powers of the Board include, but are not limited to, convening the general meetings, reporting its own performance at the general meetings, implementing the resolutions passed at the general meetings, deciding on our operating plans and investment plans, formulating annual budgets and plans, formulating profit distribution plans and plans on increase or decrease of the registered capital of the Company and exercising other powers as conferred by the Articles of Association.

The table below sets forth certain details of the Directors of the Company.

Members of the Board

Name	Age	Position	Major duties	Date of joining the Company and appointment as Director
Mr. Xu Heyi (徐和誼)	57	Chairman of the Board and non-executive Director	Formulating strategies of the Company and making major decisions on business operation	Employed by and has been a Director of the Company since its establishment on September 20, 2010
Mr. Zhang Xiyong (張夕勇) . .	51	Non-executive Director	Participating in formulating general corporate business plans and strategies of the Company through the Board	September 6, 2013
Mr. Li Zhili (李志立)	59	Non-executive Director	Same as above	Employed by and has been a Director of the Company since its establishment on September 20, 2010
Mr. Li Feng (李峰)	51	Executive Director	Directing the overall day-to-day operations of the Company	Joined the Company on December 10, 2010 and was appointed as a Director on September 6, 2013
Mr. Ma Chuanqi (馬傳騏)	58	Non-executive Director	Participating in formulating general corporate business plans and strategies of the Company through the Board	Employed by and has been a Director of the Company since its establishment on September 20, 2010
Mr. Qiu Yinfu (邱銀富)	47	Non-executive Director	Same as above	June 14, 2013
Mr. Hubertus Troska	54	Non-executive Director	Same as above	November 18, 2013
Mr. Bodo Uebber	55	Non-executive Director	Same as above	November 18, 2013

Name	Age	Position	Major duties	Date of joining the Company and appointment as Director
Ms. Wang Jing (王京)	43	Non-executive Director	Same as above	April 24, 2014
Mr. Yang Shi (楊實)	59	Non-executive Director	Same as above	Employed by and has been appointed as a Director of the Company since its establishment on September 20, 2010
Mr. Fu Yuwu (付于武)	69	Independent non-executive Director	Participating in making major decisions of the Company through the Board	December 2, 2014
Mr. Wong Lung Tak Patrick (黃龍德)	66	Independent non-executive Director	Same as above	December 2, 2014
Mr. Bao Robert Xiaochen (包曉晨)	48	Independent non-executive Director	Same as above	December 2, 2014
Mr. Zhao Fuquan (趙福全)	50	Independent non-executive Director	Same as above	December 2, 2014
Mr. Liu Kaixiang (劉凱湘)	50	Independent non-executive Director	Same as above	December 2, 2014

Directors

Mr. Xu Heyi (徐和誼), aged 57, has been employed by the Company since its establishment on September 20, 2010. At present, Mr. Xu is the chairman of the Board, as well as the secretary of the party committee and a non-executive Director of the Company. Mr. Xu is also the chairman of the board of BAIC Investment, Beijing Benz, Beijing Hyundai and BAIC Hong Kong. Mr. Xu concurrently serves as the chairman of the board and the secretary of the party committee of BAIC Group, mainly in charge of directing the overall strategies of BAIC Group. Mr. Xu was a representative of the 18th National Congress of the Communist Party of China, the representative of the 12th National People's Congress and is the deputy chairman of the China Association of Automobile Manufacturers (中國汽車工業協會). Mr. Xu has over 30 years of experience in industry and management. He had held various positions from August 1982 to July 2002, including as the deputy general manager of Shougang Corporation (首鋼總公司) and deputy head of Beijing Municipal Commission of Economy (北京市經濟委員會). From July 2002 to December 2010, he served in various positions, including as the chairman of the board and the secretary of the party committee of BAIC Holding and BAIC Group. Mr. Xu has been the chairman of the board of Foton, a company listed on the Shanghai Stock Exchange (stock code: 600166.SH) since May 2007. Save as disclosed above, Mr. Xu has not held a directorship in any other listed company in the three years immediately preceding the date of this prospectus. Mr. Xu obtained a bachelor's degree majoring in metallurgy from Beijing Institute of Iron and Steel Technology (now known as University of Science and Technology Beijing) in July 1982 and graduated from China Europe International Business School in Shanghai, the PRC with a master's degree in business administration in May 1998. He also graduated from Huazhong University of Science and Technology in Wuhan, Hubei, the PRC with a doctoral degree in management, majoring in management science and engineering in December 2005. Mr. Xu was certified as a senior engineer (professor level) from Senior Profession Qualification Evaluation Committee (Engineering) of Beijing (北京市工程技術系列高級專業技術職務評審委員會) in September 2001. Mr. Xu has won numerous awards, including the "National Model Worker" (全國勞動模範), "The Most Influential People of the 50th Anniversary of the Chinese Auto industry" (中國汽車工業50周年最具影響力人物), "Top Ten People in the News of China's Economy" (中國經濟十大新聞人物), "CCTV 2010 Economic Person of the Year" (2010 CCTV 中國經濟年度人物), "Person of the Year of the PRC Automobile Industry 2013-2014" (2013年-2014年中國汽車年度人物) and the "50 Most Influential Business Leaders of China in 2014" (2014 中國最具影響力的50位商界領袖) and was granted special government allowances by the State Council of the PRC. Save as disclosed in this prospectus, there are no additional matters with respect to the appointment of Directors that need to be brought to the attention of the Shareholders and there is no additional information relating to the Directors which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Mr. Zhang Xiyong (張夕勇), aged 51, joined the Company on September 6, 2013. At present, Mr. Zhang is a non-executive Director of the Company. He is also a director, member of the standing committee of the party committee and general manager of BAIC Group, mainly responsible for leading the production operation and administrative management of BAIC Group. In addition, he is the chairman of the board of directors of Beijing BAIC Rocar Automobile Services & Trade Co., Ltd. (北京北汽鵬龍汽車服務貿易股份有限公司) and an executive director of Beijing Automobile International Development Co., Ltd. (北京汽車國際發展有限公司). Mr. Zhang has over 30 years of experience in industry and management. He held various positions from January 1994 to June 2013, including as the standing deputy factory manager of Zhucheng Motor Factory of Beijing Automobile and Motor Joint Manufacturing Company (北京汽車摩托車聯合製造公司) and the standing deputy general manager, deputy party secretary of the party committee and vice chairman of the board of Foton. Since November 2011, Mr. Zhang has been the vice chairman of the board of directors of Foton, a company listed on the Shanghai Stock Exchange (stock code: 600166.SH). Save as disclosed above, Mr. Zhang has not held a directorship in any other listed company in the three years immediately preceding the date of this prospectus. He graduated from the Correspondence Institute of the Party School of the Central Committee of the Communist Party of China in Beijing, the PRC with a bachelor's degree in economic management in December 1995, and graduated from Dalian University of Technology in Dalian, Liaoning Province, the PRC with a master's degree in dynamic engineering in November 2003, and graduated from Northern Jiaotong University in Beijing, the PRC with a master's degree in business administration in May 2003 and graduated from North Jiaotong University (now known as Beijing Jiaotong University) in Beijing, the PRC with a doctoral degree in management, majoring in enterprise management, in April 2006. Mr. Zhang received the qualification of senior accountant certified by the Senior Review Committee of Accounting Professional Qualifications of Shangdong in December 2003 and the qualification of senior engineer certified by the Senior Review Committee of Mechanical Engineering Technology Positions of Shandong in December 1999. Save as disclosed in this prospectus, there are no additional matters with respect to the appointment of Directors that need to be brought to the attention of the Shareholders and there is no additional information relating to the Directors which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Mr. Li Zhili (李志立), aged 59, has been employed by the Company since its establishment on September 20, 2010. At present, Mr. Li is a non-executive Director, deputy secretary of the party committee and secretary of the discipline committee of the Company. He is also a director, the deputy secretary of the party committee and the secretary of the discipline committee of BAIC Group, mainly responsible for party affairs and discipline inspection and supervision. Mr. Li has over 30 years of experience in the industry and management. He has served in various positions, including as the secretary of the party committee, the chairman of the labor union and the director of Beijing Jeep Corporation Ltd. (北京吉普汽車有限公司) (now known as Beijing Benz) from June 1992 to August 2005, and the deputy secretary of the party committee, the secretary of the discipline committee and the chairman of the labor union of Beijing Hyundai from August 2005 to March 2011. Mr. Li has not held a directorship in any other listed company in the three years immediately preceding the date of this prospectus. Mr. Li graduated from Beijing Administrative College in Beijing, the PRC with a bachelor's degree in economics and management (three-year undergraduate program (part-time)) in July 1997. Mr. Li was recognized as a senior political officer by the Senior Professionals Evaluation Committee of Enterprises' Ideological and Political Personnel of Beijing in September 2001. Save as disclosed in this prospectus, there are no additional matters with respect to the appointment of Directors that need to be brought to the attention of the Shareholders and there is no additional information relating to the Directors which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Mr. Li Feng (李峰), aged 51, joined the Company on December 10, 2010. At present, he is the executive Director, president and deputy secretary of the party committee of the Company. He is also a director of Beijing Benz, a director and the secretary of the party committee of Beijing Hyundai and a director and a member of the standing committee of the party committee of BAIC Group. In addition, Mr. Li is a vice president of the Academic Committee of Beijing Automotive Engineering Society and a member of the Marketing Expert Committee (Automotive) of China Association of Marketing. He has more than 30 years of experience in industry and management. He served as the head of the automobile engineering research institute, general manager of the marketing company and deputy general manager of Foton from October 1996 to December 2004. He also served as the director of the economic management committee and deputy general manager of Chery Automobile Co., Ltd. from January 2005 to August 2008 and the standing deputy general manager, secretary of the party committee and director of Beijing Hyundai from December 2008 to June 2013. Save as disclosed above, Mr. Li has not held a directorship in any other listed company in the last three years immediately preceding the date of this prospectus. He graduated from Anhui Institute of Engineering (安徽工學院) (currently known as Hefei University of Technology (合肥工業大學)) in Hefei, Anhui Province, the PRC with a bachelor's degree in engineering majoring in tractors in August 1984, and graduated from Dalian University of Technology in Dalian, Liaoning Province, the PRC with a master's degree in power engineering in November 2003 and graduated from China Europe International Business School in Shanghai, the PRC with a degree of executive master of business administration in October 2011. Mr. Li was qualified as a senior engineer by Senior Engineering Profession Qualification Evaluation Committee of Shandong (山東省工程技術職務高級評審委員會) in December 1999. Mr. Li has received various awards, including the "National May First Labor Medal" (全國五一勞動獎章) in 2006, and has been named "People of the Year in China Automobile Industry" (中國汽車年度風雲人物) twice by institutions including the research center of SASAC in 2010 and 2012, respectively. Save as disclosed in this prospectus, there are no additional matters with respect to the appointment of Directors that need to be brought to the attention of the Shareholders and there is no additional information relating to the Directors which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Mr. Ma Chuanqi (馬傳騏), aged 58, was employed by the Company since its establishment on September 20, 2010. At present, he is a non-executive Director of the Company as well as a director of BAIC Investment, the chairman of the board of directors of Beijing Hainachuan Investment Co., Ltd., a director of Beijing Benz and a director of BAIC Hong Kong. He is also a director and the chief financial officer of BAIC Group, mainly responsible for financial management and auditing of BAIC Group. In addition, he is the chairman of the board of directors and secretary of the party committee of BAG Finance. Currently, Mr. Ma is also the vice chairman of Beijing Association of Chief Financial Officers, among other positions. Mr. Ma has over 30 years of experience in finance and management. He served in various positions from May 2004 to December 2010, including as the head of the finance department of the Beijing Municipal Bureau of Industrial Development, chief financial officer of BAIC Investment, and the chief accountant of BAIC Holding. Mr. Ma has not held a directorship in any other listed company in the three years immediately preceding the date of this prospectus. He graduated from Correspondence Institute of Party School of the Central Committee of Communist Party of China in Beijing, the PRC with a bachelor's degree in foreign-related economics and a master's degree in economic management in December 1997 and July 2001, respectively. He graduated from China Europe International Business School in Shanghai, the PRC with a master's degree in business administration in October 2011. Mr. Ma was qualified as a senior accountant from the Beijing Evaluation Committee of Senior Professionals in September 1999. Mr. Ma has won various awards, including the "Outstanding Chief Accountant of the Year in China" (中國總會計師年度人物) in both 2009 and 2013, "2010 Outstanding CFO in China" (2010 年中國CFO年度人物) in 2010 and "2012 Outstanding Talent in Finance" (2012年度財智人物) from China Association of Chief Financial Officers in 2012. Save as disclosed in this prospectus, there are no additional matters with respect to the appointment of Directors that need to be brought to the attention of the Shareholders and there is no additional information relating to the Directors which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Mr. Qiu Yinfu (邱銀富), aged 47, joined the Company on June 14, 2013. At present, Mr. Qiu is a non-executive Director of the Company. He is also a director of BAIC Investment, the deputy secretary of the party committee, director, deputy general manager and chairman of the labor union of Shougang Limited, and the secretary of the party committee of Shougang Qian'an Iron & Steel Co. Mr. Qiu is also the deputy head of the management committee of the Metallurgical Equipment Sub-committee of the Chinese Society for Metals (中國金屬學會冶金設備分會管理委員會). Mr. Qiu has over 20 years of experience in industry and management. He served in various positions from August 1989 to November 2012, including as the deputy general manager of Hebei Shougang Qian'an Iron & Steel Co., Ltd (河北省首鋼遷安鋼鐵有限責任公司). Mr. Qiu has not held a directorship in any other listed company in the three years immediately preceding the date of this prospectus. Mr. Qiu obtained a bachelor's degree in engineering, majoring in metallurgical machinery, from Northeastern Institute of Engineering (now known as Northeastern University of China) in Shenyang, Liaoning Province, the PRC in July 1989, obtained a master's degree in business administration of Sino-American cooperation from Northeastern University in Shenyang, Liaoning Province, the PRC in August 2001 and obtained a EMBA degree from Northeastern University in Shenyang, Liaoning Province, the PRC in July 2014. Mr. Qiu was granted the certificate of Metallurgical Equipment Senior Engineering from the Beijing Evaluation Committee of Senior Professionals in September 2005. Mr. Qiu was recognized as the "Model Worker of the Shougang Corporation" (首鋼總公司勞動模範) in each of the three years 2006, 2009 and 2010. Save as disclosed in this prospectus, there are no additional matters with respect to the appointment of Directors that need to be brought to the attention of the Shareholders and there is no additional information relating to the Directors which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Mr. Hubertus Troska, aged 54, joined the Company on November 18, 2013. At present, Mr. Troska is a non-executive Director of the Company. He is also the deputy chairman of the board of directors and director of Beijing Benz, responsible for participating in formulating corporate business and strategies of Beijing Benz through its board of directors. He is also a member of the board of management of Daimler AG, responsible for its businesses in greater China, and acts as the chairman and chief executive officer of Daimler Greater China. Mr. Troska has 26 years of experience in the automobile industry. He was a director and a member of the board of management of Mercedes-Benz (Turkey) Company from September 1997 to February 2000, responsible for the sales and aftersales of cars, vans, trucks and buses. He was the president of Mercedes-Benz AMG GmbH from October 2003 to April 2005. He was the global executive vice president of Daimler AG (the head of Mercedes-Benz truck, in charge of the truck business in Europe and Latin America) from April 2005 to December 2012. Apart from the disclosure above, Mr. Troska has not held any directorship in any other listed company in the three years immediately preceding the date of this prospectus. Mr. Troska graduated from Justus-Liebig-Universität Gießen in Hessenlied, Germany with a bachelor's degree majoring in English language and literature in November 1983. Save as disclosed in this prospectus, there are no additional matters with respect to the appointment of Directors that need to be brought to the attention of the Shareholders and there is no additional information relating to the Directors which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Mr. Bodo Uebber, aged 55, joined the Company on November 18, 2013. At present, Mr. Uebber is a non-executive Director of the Company and a member of the board of management of Daimler AG, responsible for finance and controlling as well as Daimler Financial Services and in charge of mergers & acquisitions. Mr. Uebber has 29 years of experience in finance and management. He was a member of the board of management and chief financial officer of Daimler Financial Services AG (former name: DaimlerChrysler Services AG) in Berlin from 2001 to 2003, a deputy member of board of management of Daimler AG (former name: DaimlerChrysler AG) and chairman of the board of management of Daimler Financial Services AG (former name: DaimlerChrysler Services AG) from 2003 to 2004. Furthermore, he was a member of the supervisory board of TALANX AG (TLX: Xetra) from May 2006 to August 2011, and the chairman and a member of the board of directors of EADS N.V. from May 2007 to March 2013. Save as disclosed above, Mr. Uebber has not held any directorship in any other listed companies in the three years immediately preceding the date of this prospectus. Mr. Uebber graduated from Technical University of Karlsruhe in Baden-Württemberg, Germany with a diploma degree (equivalent to a master's degree) in industrial engineering in January 1986. Save as disclosed in this prospectus, there are no additional matters with respect to the appointment of Directors that need to be brought to the attention of the Shareholders and there is no additional information relating to the Directors which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Ms. Wang Jing (王京), aged 43, joined the Company on April 24, 2014. At present, Ms. Wang is a non-executive Director of the Company, director of New Energy and deputy general manager of BSAMAC. Ms. Wang has over 20 years of experience in the industry and management. She was a staff member of the corporate securities department of Beijing Lightbus Corporation Limited (北京旅行車股份有限公司) from June 1992 to March 1993, and an officer of the general office of Beijing Municipal Commission of Economic Restructuring (北京市經濟體制改革委員會) from March 1993 to March 1998. She also served consecutively, among other positions, as an assistant for the manager and deputy manager of the financing department of the Hong Kong headquarters of Beijing Enterprises Holdings Limited from March 1998 to February 2003. From February 2003 to February 2004, Ms. Wang was the manager of the corporate department in Beijing Enterprises Holdings Investment Management Co. Ltd (北京控股投資管理有限公司). From February 2004 to May 2009, she held various positions in Jingtai Group (京泰集團), including as the deputy general manager, manager of the enterprise management department and the assistant to general manager of Beijing Jingtai Investment Management Center (北京京泰投資管理中心), and the chairman of the board of directors and the general manager of Beijing Inland Port International Logistics Co., Ltd. (陸港國際物流有限公司), consecutively. In addition, Ms. Wang served as the general manager of the investment management department and general manager of investment management division No. 1 of BSAMAC from May 2009 to February 2014, and has been the deputy general manager of BSAMAC since February 2014. Ms. Wang did not hold any directorship in any listed company in the three years immediately preceding the date of this prospectus. Ms. Wang obtained a bachelor's degree in finance from the department of finance of Beijing Institute of Finance and Trade (currently known as Capital University of Economics and Business) in Beijing, the PRC in July 1992. She also obtained a master's degree in law from Renmin University of China in Beijing, the PRC majoring in economic law in July 1999, and a master's degree in business administration from Murdoch University in Perth, Australia in March 2000. Ms. Wang received the qualification of senior economist by Senior Professional Qualification Appraisal Board of Beijing in September 2005. She also received a certificate of corporate legal adviser from the Ministry of Human Resources and Social Security of the People's Republic of China, the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Justice in October 2008. Save as disclosed in this prospectus, there are no additional matters with respect to the appointment of Directors that need to be brought to the attention of the Shareholders and there is no additional information relating to the Directors which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Mr. Yang Shi (楊實), aged 59, has been employed by the Company since its establishment on September 20, 2010. At present, Mr. Yang is a non-executive Director of the Company. He is also a director of BAIC Investment, director and general counsel of Beijing Energy Investment, external director of Beijing Jingmei Group Limited Liability Co. (北京京煤集團有限責任公司), director of Invest Beijing International Co., Ltd. (投資北京國際有限公司) and member of the audit committee under the board of directors of Beijing International Trust Co., Ltd. (北京國際信託有限公司). Mr. Yang has over 30 years of experience in legal practice and management. He served as the director and deputy general manager of Beijing International Power Development & Investment Co. (北京國際電力開發投資公司) from May 1999 to November 2004. Mr. Yang has not held a directorship in any other listed company in the three years immediately preceding the date of this prospectus. Mr. Yang graduated from the postgraduate program in national economic management from Beijing Administrative College in Beijing, the PRC in July 1998 and obtained a degree in executive master of business administration from HEC (Ecole des Hautes Etudes Commerciales) in Paris, France in December 2007. Save as disclosed in this prospectus, there are no additional matters with respect to the appointment of Directors that need to be brought to the attention of the Shareholders and there is no additional information relating to the Directors which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Independent non-executive Directors

Mr. Fu Yuwu (付于武), aged 69, joined the Company on December 2, 2014. At present, he is an independent non-executive Director of the Company and also the director of Society of Automotive Engineers of China, director of China Auto Talents Society and vice chairman of China Association of Automobile Manufacturers. Mr. Fu also serves as the independent director of Guangzhou Automobile Group Co., Ltd. (廣州汽車集團股份有限公司) (stock code: 601238.SH; 02238.HK), Henan Province Xixia Automobile Water Pump Co., Ltd. (河南省西峽汽車水泵股份有限公司) (stock code: 002536.SZ), Zhejiang Asia-Pacific Mechanical & Electronic Co., Ltd. (浙江亞太機電股份有限公司) (stock code: 002284.SZ) and Geely Automobile Holdings Limited (吉利汽車控股有限公司) (stock code: 00175.HK). Mr. Fu has over 40 years of working experience in the industry and management. He has served in various positions, including as executive vice director and chief engineer of Harbin Automobile Gearbox Factory of the First Automobile Manufacturing Factory of China (中國第一汽車製造廠哈爾濱汽車變速器廠), general manager and secretary of the party committee of Harbin Automotive Industry Corporation (哈爾濱汽車工業總公司) from August 1970 to August 1999. He has also served in various positions, including as the deputy director and secretary general, and director of Society of Automotive Engineers of China (中國汽車工程學會), director of China Auto Talents Society (中國汽車人才研究會) and vice chairman of China Association of Automobile Manufacturers (中國汽車工業協會) since August 1999. Save as disclosed above, Mr. Fu has not held a directorship in any other listed company in the three years immediately preceding the date of this prospectus. Save as disclosed in this prospectus, there are no additional matters with respect to the appointment of Directors that need to be brought to the attention of the Shareholders and there is no additional information relating to the Directors which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Mr. Wong Lung Tak Patrick (黃龍德), aged 66, joined the Company on December 2, 2014. At present, he is an independent non-executive Director of the Company. He is also the chief practicing director of Patrick Wong C.P.A. Limited. Currently, Mr. Wong serves as the independent non-executive director of C C Land Holdings Limited (stock code: 01224.HK), China Precious Metal Resources Holdings Co., Ltd. (stock code: 01194.HK), Galaxy Entertainment Group Limited (stock code: 00027.HK), Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (stock code: 00874.HK), National Arts Entertainment and Culture Group Limited (stock code: 08228.HK), Real Nutriceutical Group Limited (stock code: 02010.HK), Sino Oil and Gas Holdings Limited (stock code: 00702.HK), Water Oasis Group Limited (stock code: 01161.HK), Winox Holdings Limited (stock code: 06838.HK), and Excel Development (Holdings) Limited (stock code: 01372.HK). Mr. Wong has over 40 years of experience in financing and management. Save as disclosed above, Mr. Wong has not held a directorship in any other listed company in the three years immediately preceding the date of this prospectus. Mr. Wong obtained a doctoral degree (correspondence course) in business from Honolulu University in Hawaii, the United States in July 2000. Mr. Wong became a fellow member of the Association of Chartered Certified Accountants in October 1975 and qualified as a certified tax adviser by the Taxation Institute of Hong Kong in May 2010. Mr. Wong has received various honors including the Queen's Badge of Honor. He 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. Save as disclosed in this prospectus, there are no additional matters with respect to the appointment of Directors that need to be brought to the attention of the Shareholders and there is no additional information relating to the Directors which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Mr. Bao Robert Xiaochen (包曉晨), aged 48, joined the Company on December 2, 2014. At present, he is an independent non-executive Director of the Company and is the director and general manager of Meihe (China) Management Consultancy Co. Ltd. (美合（中國）管理諮詢有限公司). Mr. Bao currently acts as an independent director of Foton (stock code: 600166.SH). Mr. Bao has over 20 years of experience in the industry and management. He held various positions from June 1992 to September 2013, including North America product quality engineer, product reliability expert, finished vehicle development product assurance expert of Chrysler Corporation, warranty cost expert for suppliers in North America of Daimler-Chrysler AG, associate/project manager in the China divisions of EDS of the US, director of automobile business in Greater China of EDS PLM/UGS Solutions of the US, China operation and sales general manager of Motorola Automotive Electronics Co. (摩托羅拉汽車電子公司), Asia-Pacific sales and marketing director/Asia-Pacific business platform director of electronics and safety of Delphi Automotive System (China) Holdings Co. Limited, and managing director of Accenture (China) Co., Ltd and Accenture (Detroit, U.S.) Co. Ltd. Save as disclosed above, Mr. Bao has not held a directorship in any other listed company in the three years immediately preceding the date of this prospectus. Mr. Bao obtained a bachelor's degree in engineering of lifting and transportation and construction machinery from College of Maritime Transport of Shanghai (now known as Shanghai Maritime University) in Shanghai, China in July 1989, a master's degree of science from Eastern Michigan University in Michigan, the U.S. in June 1992, and a master's degree in business administration from School of Business Administration (now known as Ross School of Business) of University of Michigan in Michigan, the U.S. in April 2000. Mr. Bao was qualified as the certified quality manager, certified reliability engineer and certified quality engineer from American Society for Quality in October 1997, March 1994 and June 1993, respectively. Save as disclosed in this prospectus, there are no additional matters with respect to the appointment of Directors that need to be brought to the attention of the Shareholders and there is no additional information relating to the Directors which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Mr. Zhao Fuquan (趙福全), aged 50, joined the Company on December 2, 2014. At present, Mr. Zhao is an independent non-executive Director of the Company. He is also a professor of the department of automotive engineering in Tsinghua University. Currently, Mr. Zhao is an independent director of China Automotive Engineering Research Institute Co., Ltd. (stock code: 601965.SH). Mr. Zhao has nearly 20 years of experience in the industry. Mr. Zhao served as the senior engineering specialist and research director of Daimler Chrysler in the United States (美國戴姆勒-克萊斯勒公司) from April 1997 to March 2004, vice president and general manager of research and development centre of Shenyang Brilliance Jinbei Automobile Co., Ltd. from April 2004 to September 2006, director of BMW Brilliance Automotive Ltd. from October 2005 to September 2006, president of Geely Automobile Research Institute from February 2007 to April 2013, vice president of Zhejiang Geely Holding Group from November 2006 to April 2013 and executive director of Geely Automobile Holdings Limited (stock code: 00175.HK) from November 2006 to May 2013. Save as disclosed above, Mr. Zhao did not hold directorship in any other listed company in the last three years immediately preceding the date of the prospectus. Mr. Zhao obtained a master degree in mechanic engineering and a doctoral degree in mechanic engineering from Hiroshima University in Hiroshima, Japan in March 1989 and March 1992 respectively. Mr. Zhao obtained the title of guest professor of Jilin University in July 2001. Mr. Zhao has won numerous awards including "30th Anniversary of China's Reform and Opening-up—Outstanding Person of China Automotive Industry ("紀念改革開放三十周年—— 中國汽車工業杰出人物"). Save as disclosed in this prospectus, there are no additional matters with respect to the appointment of Directors that need to be brought to the attention of the Shareholders and there is no additional information relating to the Directors which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Mr. Liu Kaixiang (劉凱湘), aged 50, joined the Company on December 2, 2014. At present, he is an independent non-executive Director of the Company. He is also a professor and doctoral supervisor of Peking University Law School, vice president of China Commercial Law Research Society (中國商法學研究會) and an arbitrator of China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會) and Singapore International Arbitration Centre (新加坡國際仲裁中心). Currently, Mr. Liu serves as the independent director of Taiji Computer Corporation Ltd. (太極計算機股份有限公司) (stock code: 002368.SZ), Beijing Orient Landscape Co., Ltd

(北京東方園林股份有限公司) (stock code: 002310.SZ) and Ultrapower Software (北京神州泰岳軟件股份有限公司) (stock code: 300002.SZ). Mr. Liu has over 20 years of experience in legal affairs. He served as the deputy director in the faculty of law and professor of Beijing Technology and Business University from July 1987 to May 1999 and has been a professor and doctoral supervisor of Peking University Law School since May 1999. Save as disclosed above, Mr. Liu has not held a directorship in any other listed company in the last three years immediately preceding the date of this prospectus. Mr. Liu obtained a bachelor's degree in law from Southwest University of Political Science & Law in Chongqing, the PRC in July 1984, and a master's degree and doctoral degree in law from Peking University in Beijing, the PRC in July 1987 and June 2001, respectively. Mr. Liu has received various awards, including the "National Outstanding Teachers Award" (全國優秀教師) and "Contemporary Chinese Law Expert" (當代中國法學名家). Save as disclosed in this prospectus, there are no additional matters with respect to the appointment of Directors that need to be brought to the attention of the Shareholders and there is no additional information relating to the Directors which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Board of Supervisors

The Board of Supervisors of the Company consists of five Supervisors. Employee representative Supervisors are elected democratically by the employee representative congress, while non-employee representative Supervisors are elected by the Shareholder's general meeting. The term of office of each Supervisor is three years, renewable upon re-election. The powers and functions of the Board of Supervisors include, but are 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 Directors and senior management who have acted in breach of the laws, administrative regulations, the Articles of Association or the resolutions passed at the Shareholders' general meeting; requesting that the Directors and senior management to conduct rectification for actions causing damage to the interests of the Company; proposing that extraordinary shareholders' general meetings be convened; holding and presiding over a Shareholder's general meeting in the event that the Board fails to perform the same function as required by the Company Law; making proposals at the Shareholder's general meeting; bringing lawsuits against the Directors and senior management in accordance with Article 152 of the Company Law; investigating irregularities in the operation of the Company and (if necessary) engaging professional institutions such as accounting firms and law firms for assistance at the expense of the Company; and other functions and rights conferred by the Shareholder's general meeting.

The following table sets forth information on Supervisors of the Company:

Name	Age	Position	Major duties	Date of joining the Company and appointment as supervisor
Mr. Zhang Yuguo (張裕國)	58	Chairman of the Board of Supervisors	Leading the Board of Supervisors and monitoring the operation and financial activities of the Company	Employed by the Company and has been the chairman of Board of Supervisors since its establishment on September 20, 2010
Mr. Yin Weijie (尹維劼)	47	Supervisor	Monitoring the operation and financial activities of the Company	September 6, 2013
Mr. Zhu Zhenghua (朱正華) . . .	40	Supervisor	Same as above	July 13, 2011
Ms. Li Chengjun (李承軍)	46	Employee representative Supervisor	Same as above	August 29, 2013
Mr. Zhang Guofu (張國富)	37	Employee representative Supervisor	Same as above	August 29, 2013

Mr. Zhang Yuguo (張裕國), aged 58, has been employed by the Company since its establishment on September 20, 2010 and was appointed as chairman of the Board of Supervisors. At present, Mr. Zhang is the chairman of the Board of Supervisors of the Company. Mr. Zhang is also a full-time supervisor of BAIC Group as appointed by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality. Mr. Zhang has 25 years of experience in management. He was the deputy director of the supervisory division of SASAC of Beijing Municipality (北京市國資委監察處) from November 2003 to May 2005 and was the deputy director of the work department of the board of supervisors of the SASAC of Beijing Municipality from May 2005 to September 2007. He was the department-level supervisor of the fourth and third offices of the Beijing Municipal State-owned Enterprises Supervisory Board (北京市國有企業監事會) from September 2007 to September 2009, department-level supervisor of the third office of the Beijing Municipal State-owned Enterprises Supervisory Board from September 2009 to October 2012 and has been the full-time department-level supervisor of the fourth office of the Beijing Municipal State-owned Enterprises Supervisory Board since October 2012. Mr. Zhang has not held a directorship in any other listed company in the last three years immediately preceding the date of this prospectus. Mr. Zhang graduated from Peking University in Beijing, the PRC in law in June 2001. Save as disclosed in this prospectus, there are no other matters which need to be brought to the attention of the Shareholders of the Company in connection with the appointment of Mr. Zhang as a Supervisor nor is there any other information relating to Mr. Zhang which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Mr. Yin Weijie (尹維劼), aged 47, joined the Company on September 6, 2013. At present, Mr. Yin is a Supervisor of the Company. He is also a member of the standing committee of discipline inspection commission and head of the auditing department of BAIC Group, mainly responsible for discipline supervision, complaint investigation and internal audit of BAIC Group. He is a supervisor of BAIC Limited. Currently, Mr. Yin is also the managing director of China Institute of Internal Audit (中國內部審計協會), a supervisor of Beijing Association of Automobile Manufacturers, head of the auditor committee of the Beijing Evaluation Committee of Senior Professionals and a part-time instructor of master students of accounting of Capital University of Economics and Business. Mr. Yin has 27 years of experience in auditing, supervising, finance and management. From March 1999 to June 2001, he was the deputy manager of the department of finance of Hong Kong Profit Sky International Trading Ltd (香港天利國際經貿有限公司). From June 2001 to October 2003, Mr. Yin was the principal staff member of the financial management and supervision department (auditing department) of State Tobacco Monopoly Administration (國家煙草專賣局). Mr. Yin has been employed by BAIC Group since October 2003. Mr. Yin has been serving as a supervisor of Foton (stock code: 600166.SH), a company listed on Shanghai Stock Exchange, since May 2007. Mr. Yin has not held a directorship in any other listed company in the three years immediately preceding the date of this prospectus. Mr. Yin graduated from Beijing Institute of Economics (currently known as Capital University of Economics and Business) in Beijing, China with a master's degree of economics, majoring in auditing in July 1995. He became a senior international certified internal control professional (CICP) certified by Internal Control Association (ICI) in October 2009, an international certified internal auditor (CIA) certified by Institute of Internal Auditors (IIA) in November 2006, a senior accountant certified by the State Tobacco Monopoly Administration in October 2001, and a certified public accountant certified by the Internal Control Institute of China in July 1997. Mr. Yin is a certified public accountant certified by the Chinese Institute of Certified Public Accountants. Save as disclosed in this prospectus, there are no other matters which need to be brought to the attention of the shareholders of the Company in connection with the appointment of Mr. Yin as a Supervisor nor is there any other information relating to Mr. Yin which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Mr. Zhu Zhenghua (朱正華), aged 40, joined the Company on July 13, 2011. At present, Mr. Zhu is a Supervisor of the Company. He also serves as the deputy general manager of Industry Investment. Mr. Zhu has 17 years of experience in technology and management. From November 2004 to May 2006, he was the general manager of Beijing Konte Ehio Electronics Co., Ltd. Since June 2008, he has been serving as the project manager of the administrative department, manager of the investment department and deputy general manager of Industry Investment. From May 2011 to November 2013, he served as the director of BAIC Investment. Since July 2009, he has been the director of Beijing Hainachuan Investment Co., Ltd (北京海納川投資有限公司). Mr. Zhu has not held a directorship in any other listed company in the three years immediately preceding the date of this prospectus. Mr. Zhu graduated from Beijing University of Chemical Technology in Beijing, the PRC with a bachelor of engineering in polymer material processing machinery in July 1997 and graduated from Peking University in Beijing, the PRC with a master's degree in business administration in July 2008. Mr. Zhu obtained the qualification of senior engineer certified by the Senior Professionals Evaluation Committee of Beijing in June 2011. Save as disclosed in this prospectus, there are no other matters which need to be brought to the attention of the shareholders of the Company in connection with the appointment of Mr. Zhu as a Supervisor nor is there any other information relating to Mr. Zhu which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Ms. Li Chengjun (李承軍), aged 46, joined the Company on August 29, 2013. At present, Ms. Li is an employee representative Supervisor and chairman of the labor union of the Company. She is also the vice chairman of the labor union and chairman of the female workers committee of BAIC Group. Ms. Li is also the vice president of the Beijing Autoparts Industrial Trade Union (北京市汽車零部件行業工會). She has 28 years of working experience. She was the department head of the labor union of the party committee, the head of the public relation division and chairman of the female workers committee of Beijing Hyundai from August 2002 to January 2009. She served in various positions including the vice chairman of the labor union and head of the female workers committee in BAIC Holding from February 2009 to August 2010. Ms. Li has not held a directorship in any other listed company in the three years immediately preceding the date of this prospectus. She graduated from the College of Continuing Education of Party School of Beijing Municipal Committee of Communist Party of China (中共北京市委黨校成人教育學院) in Beijing, China in law (three-year undergraduate program) in July 2004. Ms. Li was qualified as a senior political officer by the Senior Professionals Evaluation Committee of Beijing Enterprises' Ideological and Political Personnel in November 2010. Save as disclosed in this prospectus, there are no other matters which need to be brought to the attention of the Shareholders of the Company in connection with the appointment of Ms. Li as a Supervisor nor is there any other information relating to Ms. Li which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Mr. Zhang Guofu (張國富), aged 37, joined the Company on August 29, 2013. At present, Mr. Zhang is an employee representative Supervisor of the Company and the secretary to the party committee and chairman of the labor union of the automotive research institute of the Company. He has 13 years of experience in management. Mr. Zhang served in various positions, including the secretary of the Youth League Committee of BAIC Holding from April 2007 to February 2011. He was the deputy secretary to the party committee and chairman of the labor union of Beijing BAIC Rocar Automobile Services & Trade Co., Ltd. (北京北汽鵬龍汽車服務貿易股份有限公司) from August 2009 to August 2010, and the deputy secretary of the party committee and person-in-charge of the labor union of Beijing Hainachuan Automotive Parts Co., Ltd. (北京海納川汽車部件股份有限公司) from January 2011 to August 2013. Mr. Zhang has not held a directorship in any other listed company in the three years immediately preceding the date of this prospectus. He graduated from Taiyuan University of Technology in Taiyuan, Shanxi with a bachelor's degree in automation engineering in July 2001 and graduated from Beijing Institute of Technology in Beijing, the PRC with a master's degree in engineering majoring in project management in January 2009. Mr. Zhang was recognized as an engineer by the Intermediate Level Professionals Evaluation Committee of Beijing (北京市中級專業技術資格評審委員會) in September 2006. Mr. Zhang has received titles of "Outstanding Individual of the Beijing Olympics and Paralympics" (北京奧運會殘奧會先進個人), "Outstanding Individual for Community Services in Beijing" (北京市團務工作先進個人) and "Ten Outstanding Young Persons of BAIC Group" (北汽集團十大傑出青年). Save as disclosed in this prospectus, there are no other matters which need to be brought to the attention of the Shareholders of the Company in connection with the appointment of Mr. Zhang as a Supervisor nor is there any other information relating to Mr. Zhang which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Senior Management

The below table sets forth details of the senior management of the Company:

Name	Age	Position	Major duties	Date of joining the Company	Date of appointment as senior management
Mr. Li Feng (李峰)	51	President	Leading the overall operations of the Company	December 10, 2010	June 1, 2013
Mr. Li Jikai (李繼凱)	50	Vice president	Operation, manufacturing, information technology and operation of Beijing Branch of the Company	March 17, 2014	March 17, 2014
Mr. Zhang Hui (張輝)	50	Vice president	Administrative affairs, public relations and communications, human resources, safety and environmental protection, legal affairs, compliance management and assisting the president in audit management	November 30, 2010	August 21, 2013
Mr. Chen Hongliang (陳宏良)	49	Vice president	Financial management and management of sales services of Beijing Benz	March 17, 2011	March 22, 2013
Mr. Zhou Yanming (周焰明)	57	Vice president	Planning and development, capital operations and investment management of the Company	December 10, 2010	December 10, 2010
Mr. Jiang Xiaodong (姜小棟)	45	Vice president	Financial management, accounting and audits and management of BAIC Hong Kong's businesses	March 17, 2011	March 17, 2014
Mr. Yun Tae Hwa (尹泰和)	51	Vice president	Manufacturing management and quality control	August 30, 2012	August 30, 2012
Mr. Chen Bao (陳寶)	52	Vice president	Procurement	March 22, 2013	March 22, 2013
Mr. Liang Guofeng (梁國鋒)	42	Vice president	Marketing and sales	January 14, 2011	March 22, 2013
Mr. Liu Zhifeng (劉智豐)	42	Vice president	Operation and management of Beijing Hyundai	June 1, 2013	June 1, 2013
Mr. Wu Robin Xuebin (鄔學斌)	49	Vice president	Product design and research and development	April 1, 2013	September 6, 2013
Mr. Yan Xiaolei (閆小雷)	39	Secretary to the Board	Organization and coordination of the listing, ordinary business management of the Board, information disclosure and investor relations management	Employed by the Company since its establishment on September 20, 2010	Employed by and has been the secretary to the Board since its establishment on September 20, 2010

Mr. Li Feng, please see the section headed "Directors" for details.

Mr. Li Jikai (李繼凱), aged 50, joined the Company on March 17, 2014. At present, Mr. Li is a vice president of the Company. He also serves as the vice president of the Society of Automotive Engineers of Beijing. He has 28 years' experience in the machinery and automobile industry. From July 1986 to December 1997, he served as a technician, workshop deputy supervisor, workshop supervisor and deputy head of the second plant of Beinei Group Corporation (北內集團總公司). From December 1997 to February 2003, Mr. Li was the deputy chief engineer and chief engineer of Beinei Group Corporation. From February 2003 to January 2014, Mr. Li served as the head of the engines plant, deputy secretary of the party committee and deputy general manager, deputy officer of the procurement department and head of the production department of Beijing Hyundai. Mr. Li has not held any directorship in any other listed company in the three years immediately preceding the date of this prospectus. Mr. Li obtained a bachelor's degree in engineering from Jilin University of Technology in Changchun City, Jilin Province in July 1986. He qualified as a senior engineer (professor level) by Beijing Qualification Evaluation Committee of Senior Professional Positions (北京市高級專業技術職務評審委員會) in September 2001. Mr. Li has received various awards including "Third Prize of Beijing Science and Technology Progress Award," "Beijing Outstanding Scientist and Engineer—Second Prize," "The 7th Beijing's Excellent Young Engineer" and "First Prize of the Third Session of Innovative Talents of BAIC Group."

Mr. Zhang Hui (張輝), aged 50, joined the Company on November 30, 2010. At present, Mr. Zhang is a vice president of the Company. He is also a director representing the employees, a standing member of the party committee and chairman of the labor union of BAIC Group, mainly responsible for the operation of the labor unions. Mr. Zhang has 25 years' experience in the automobile industry. He has held various positions from December 2000 to December 2010, including manager, office director and assistant to general manager of the economic operation department, vice secretary of the party committee of the passenger vehicle department and chairman of the labor union of BAIC Holding. Mr. Zhang has not held a directorship in any other listed company in the last three years immediately preceding the date of this prospectus. Mr. Zhang graduated from Beijing Administrative College in Beijing, the PRC, in economic management (three-year part-time program) in July 1997 and graduated from the postgraduate program of the Graduate School of Chinese Academy of Social Sciences in Beijing, the PRC in business and economics in July 1999. He was recognized as a senior political engineer by the intermediate level professionals evaluation committee of the ideological and political personnel of BAIC Holding in June 2007. Mr. Zhang is a member of the 12th Chinese People's Political Consultative Conference of Beijing and a member of the 16th session of the executive committee of the All-China Federation of Trade Unions. Mr. Zhang received various awards including "Beijing Excellent League Leader (北京市優秀團幹部)" and "Beijing Public Security Bureau 2nd Order of Individual Merits (北京市公安局個人二等功)."

Mr. Chen Hongliang (陳宏良), aged 49, joined the Company on March 17, 2011. At present, Mr. Chen is a vice president and a member of the party committee of the Company. He is also the senior executive vice-president and the secretary of the party committee of Beijing Benz. Mr. Chen has 26 years experience in the automobile industry. He has held various positions from January 1996 to September 2008, including the deputy director of the chassis plant (mainly responsible for the technical quality system), head of the purchasing department, director of the assembly plant and deputy general manager of NAVECO Ltd (南京依維柯汽車有限公司). He was the vice secretary of the party committee of NAVECO Ltd. from September 2008 to February 2009, and the deputy general manager of passenger vehicle department of BAIC Holdings, and vice president of the head office of operation and production, chief project director, general manager and secretary of the party committee of Zhuzhou branch and head of the management committee of our Beijing Branch from February 2009 to January

2014. Mr. Chen has not held a directorship in any other listed company in the three years immediately prior to the date of this prospectus. Mr. Chen graduated from the school of mechanical engineering of Beijing Institute of Aeronautics (currently known as Beihang University) in Beijing, the PRC, with a master's degree in engineering, majoring in aeronautics and astronautics manufacturing engineering (航空宇航製造專業工程) in May 1988. He was recognized as a researcher-level senior engineer by the Department of Personnel of Jiangsu Province in November 2004. Mr. Chen has received various awards including BAIC Group's first round of "Excellent Innovation Talents" in 2011, "Excellent Communist Party Member" from the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality in 2012, BAIC Group's "Entrepreneurship Pioneer—Management Pioneer" in 2012. He was also the formal party representative at the 11th Party Congress of the Central Communist Party of Zhuzhou and the representative at the 12th People's Congress of the Hunan Province.

Mr. Zhou Yanming (周焰明), aged 57, joined the Company on December 10, 2010. At present, Mr. Zhou is a vice president of the Company and the general manager of BAIC Investment, responsible for overall day-to-day management. Mr. Zhou is the part-time professor of Hunan University. Mr. Zhou has 33 years' experience in the automobile industry. He has served in various positions from January 1982 to May 1998, including as senior economist and factory director of Changsha Auto-electric Factory (長沙汽車電器廠). He was an assistant to the general manager of China Automotive Industry Corporation (中國汽車工業總公司) from May 1998 to January 2003 and the deputy general manager and standing deputy general manager of BAIC Investment from January 2003 to October 2008. Since October 2008, Mr. Zhou has been the general manager of BAIC Investment. Mr. Zhou has not held a directorship in any other listed company in the last three years immediately preceding the date of this prospectus. Mr. Zhou graduated from Hunan University in Changsha, Hunan, the PRC, with a bachelor's degree in machinery manufacturing and equipment and a master's degree in engineering in December 1981 and November 1990, respectively, and graduated from Peking University in Beijing, the PRC, with a degree of executive master of business administration in January 2012. Mr. Zhou was certified as a senior engineer by the professionals' evaluation committee of China Auto Industry Corporation (中國汽車工業總公司) in September 1998.

Mr. Jiang Xiaodong (姜小棟), aged 45, joined the Company on March 17, 2011. At present, Mr. Jiang is a vice president of the Company and a member of the party committee and also the chief financial officer of BAIC Investment and Beijing Hainachuan Investment Co., Ltd., supervisor of Zhuzhou Beiqi Automotive Systems Technology Co., Ltd. (株洲北汽汽車系統科技有限公司) and director of Beijing Hyundai Auto Finance Co., Ltd. Mr. Jiang is guest professor at Central University of Finance and Economics. Mr. Jiang has 23 years' experience in financing. From July 1999 to May 2008, he served various positions, including as the manager of the financial department of China Drawnwork Hainan Import and Export Company (中國抽紗海南進出口公司) and the head of the financial department of BAIC Investment. He was the deputy head of the financial and economic department of Beijing Hyundai from May 2008 to December 2010. From March 2011 to December 2013, he has held various positions in the Company, including the head of the cash operation department, head of the financial management department, head of the financial and economic department and chief financial and operating officer. Mr. Jiang has not held a directorship in any other listed company in the last three years immediately preceding the date of this prospectus. Mr. Jiang graduated from the Beijing Information Engineering Academy (北京信息工程學院) (currently incorporated into Beijing Information Science & Technology University) with a bachelor's degree in engineering, majoring in the management of information systems in Beijing, the PRC, in July 1991. He graduated from the postgraduate program (part-time) of economic management from the Graduate School of the Party

School of the Central Committee of Communist Party of China (中共中央黨校研究生院) in Beijing, the PRC, in January 2005 and obtained a master's degree in business administration of senior management from China Europe International Business School in Shanghai in September 2012. Mr. Jiang qualified as a senior accountant by the Senior Professionals Evaluation Committee of Beijing in December 2003.

Mr. Yun Tae Hwa (尹泰和), aged 51, joined the Company on August 30, 2012. At present, Mr. Yun is a vice president of the Company and the head of the quality center and manufacturing center. Mr. Yun has 27 years' experience in the automobile industry. He served as the head of the production and technology department at the KIA MOTECH Corporation (起亞MOTECH株式會社) from October 1986 to October 1997, as vice president and dean of the engineering department of Great Wall Motor Company Limited (長城汽車股份有限公司) from October 2007 to February 2009, and as a director of DPECO CO., LTD. in Korea from February 2010 to May 2012. Mr. Yun has not held any directorship in any other listed company in the last three years immediately preceding the date of this prospectus. Mr. Yun graduated from the University of Suwon in Suwon of Gyeonggi Province, South Korea with a bachelor's degree in mechanical engineering in February 1987.

Mr. Chen Bao (陳寶), aged 52, joined the Company on March 22, 2013. At present, Mr. Chen is a vice president of the Company. Mr. Chen has 16 years' experience in the automobile industry. He worked at the procurement department, and later as the project manager of localization, manager of the power train department, and senior manager of the non-metallic parts department for Beijing's representative office for Volkswagen and Volkswagen (China) Investment Co., Ltd. from April 1998 to March 2009. Mr. Chen also worked and was trained at the procurement department of the head office of Volkswagen Group in Germany from October 2004 to September 2005, and served as the manager of the non-metallic division of the merchandising department of Faw-Volkswagen Automotive Co., Ltd. from January 2008 to October 2008, and the executive vice president of Beijing Benz from March 2009 to February 2013, mainly responsible for the merchandising business. Mr. Chen has not held a directorship in any other listed company in the last three years immediately preceding the date of this prospectus. Mr. Chen graduated from Shandong University in Jinan, Shandong, the PRC, with a bachelor's degree in philosophy, majoring in philosophy, in July 1984, and graduated from Universitat des Saarlandesin Saarbruecken of Saarland in Germany (德國薩爾州立大學) with a bachelor's degree in law (German) in February 1995.

Mr. Liang Guofeng (梁國鋒), aged 42, joined the Company on January 14, 2011. At present, Mr. Liang is a vice president of the Company. He is also the executive director of BAIC Sales, responsible for overall work and strategic planning of the company, and the executive director of Zhuzhou (BAIC) Motor Sales Limited Company (株洲北汽汽車銷售有限公司). Mr. Liang has 17 years' experience in automobile industry. From April 1997 to March 2006, he served on various positions, such as the senior manager of market research and medium-and-long-term planning of Volkswagen Shanghai Co., Ltd. From April 2006 to January 2011, he was the standing deputy general manager of Chery Automobile Co., Ltd. in Anhui. Mr. Liang has not held a directorship in any other listed company in the last three years immediately preceding the date of this prospectus. Mr. Liang obtained a master's degree in automobile in April 1997 from Wuhan Automobile Polytechnical University (武漢汽車工業大學) (currently merged into Wuhan University of Technology) in Wuhan, Hubei, the PRC, and graduated from the Shanghai Jiao Tong University in Shanghai, the PRC, with an EMBA degree in June 2011. Mr. Liang was qualified as an engineer by the Working Committee of Professional Titles Reform of Shanghai (上海市職稱改革工作領導小組) in December 1999.

Mr. Liu Zhifeng (劉智豐), aged 42, joined the Company on June 1, 2013. At present, Mr. Liu is a vice president of the Company. He is also the standing deputy general manager of Beijing Hyundai. Mr. Liu has 21 years' experience in the automobile industry. He served as the head of the sales planning division, sales manager of the sales service department and deputy general manager of the sales and marketing department of Beijing Jeep Corporation (now known as Beijing Benz) from July 1993 to March 2006. He was the general manager of the sales and marketing department of Beijing Benz-Daimler Chrysler Automotive Co., Ltd. (now known as Beijing Benz) from April 2006 to December 2007, and the head of the sales and management department and the deputy head of the sales department of Beijing Hyundai from January 2008 to June 2013. He has been the standing deputy general manager of Beijing Hyundai since July 2013. Mr. Liu has not held a directorship in any other listed company in the last three years immediately preceding the date of this prospectus. Mr. Liu graduated from the Beijing Institute of Machinery (currently known as Beijing Information Science & Technology University) in Beijing, the PRC, with a bachelor's degree in engineering, majoring in machinery manufacturing and equipment in July 1993, and graduated from the University of International Business and Economics in Beijing, the PRC, with a master's degree in economics in June 1999, and then graduated from Tsinghua University in Beijing, the PRC, with a master's degree in business administration in January 2004. Mr. Liu was recognized as an intermediate economist by the Bureau of Science and Technology of Beijing in April 1999. Mr. Liu has received various awards, including "Excellent Communist Party Member" from both the Company and the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality in 2003 and 2004, respectively, and BAIC Group's 2012 "Entrepreneurship Pioneer—Operation Pioneer."

Mr. Wu Robin Xuebin (鄔學斌), aged 49, joined the Company on April 1, 2013. At present, Mr. Wu is the vice president of the Company as well as the head of the automotive research institute of the Company and deputy chief engineer of BAIC Group. He has held various positions including the executive vice president of Beijing Automobile Engineering Association (北京汽車工程協會) and chief expert of the expert committee of Beijing New Energy Automobile Industry Alliance (北京新能源汽車產業聯盟專家委員會). Mr. Wu has 20 years' experience in the automobile industry. He served as the senior engineer of Ford Motor Company in the United States of America from June 2000 to April 2003, the head of automobile model development department of automobile engineering research institute of Chery Automobile (Shanghai) Co., Ltd. from April 2003 to November 2003, and the chief designer and deputy general manager of Foton from December 2003 to March 2013. Mr. Wu has not held any directorship in any other listed company in the last three years immediately preceding the date of this prospectus. Mr. Wu graduated from Wayne State University in Detroit, State of Michigan, the U.S., with a master's degree in machinery engineering in May 1994. Mr. Wu has received various awards, including "Beijing Representative of BaiQianWan Engineering Talents of the New Century" (新世紀百千萬人才工程北京市級人選) in March 2006, "Outstanding Person of the Chinese Automobile Industry in Commemoration of the 30th Anniversary of Reform and Opening Up" in November 2008 and "Great Wall Friendship" from the Beijing municipal government in February 2010.

Mr. Yan Xiaolei (閆小雷), aged 39, joined the Company since its establishment on September 20, 2010. At present, Mr. Yan is the secretary to the Board of the Company and the company secretary of the Company. Mr. Yan also serves as a tutor for the Master of Professional Accounting at the Research Institute for Fiscal Science, Ministry of Finance, P.R.China (財政部財政科學研究所). Mr. Yan has 14 years' experience in finance and corporate management. He served as the general manager of the capital operation department of Beijing Sound Environment Group Co., Ltd. (北京桑德環保集團有限公司) from March 2000 to December 2001, as chief financial officer and secretary to the board of directors of Beijing Sound Environmental Engineering Stock Co., Ltd. (北京桑德環境工程有限公司) from January 2002 to June 2005, and as executive director, deputy general manager and authorized representative at the Hong Kong Stock Exchange of Sound Global Ltd. (stock code: 00967.HK) from July 2005 to December 2010. He has also served as the secretary to the board of Directors since September 2010 and as the head of the listing working team of the Company since May 2011. Mr. Yan has not held any directorship in any other listed company in the three years immediately preceding the date of this prospectus. Mr. Yan graduated from Qingdao University in Qingdao, Shandong Province, the PRC, with a bachelor's degree in engineering, majoring in information system management in July 1997, and graduated from Northern Jiaotong University (北方交通大學) (now known as Beijing Jiaotong University) in Beijing, PRC, with a master's degree in professional business management in May 2000, and graduated from the Research Institute for Fiscal Science, Ministry of Finance, P.R.China in Beijing, the PRC, with a doctoral degree in management, majoring in accounting, in July 2007. Mr. Yan received the qualification of certified public accountant certified by the Certified Public Accountants Examination Committee (註冊會計師考試委員會) under the Ministry of Finance in the PRC in December 2002 and qualified as a senior economist by the Beijing Qualification Evaluation Committee of Senior Professional Positions (北京市高級專業技術資格評審委員會) in October 2008. Mr. Yan has received various awards, including "2001 Pioneer Worker of the Beijing Township Enterprises Corporation" in 2002, "Skilled Cadre of the Beijing Municipality of 2006" from the Committee of the Beijing Municipality of the Youth League of Communist Party of China, Human Resources Bureau of Beijing, State-owned Assets Supervision and Administration Committee of Beijing and Labor and Social Security Bureau of Beijing in 2007.

Kinship

There is no familiar or blood relationship among any of the Directors, senior management and Supervisors of the Company.

Company Secretaries

Mr. Yan Xiaolei also serves as the company secretary of the Company. For Mr. Yan's biography, please see the above section headed "Senior Management."

Ms. Yung Mei Yee (翁美儀), was appointed as the company secretary assistant of the Company in May 2014. At present, Ms. Yung is the senior manager of KCS Hong Kong Limited and the joint company secretary of certain companies listed on the Hong Kong Stock Exchange. Ms. Yung has 20 years' experience in the company secretarial field, and has extensive knowledge and experience in dealing with corporate governance, regulatory and compliance affairs of listed companies. Ms. Yung obtained a bachelor of arts degree in accountancy from the City Polytechnic of Hong Kong in November 1993, a degree of master of arts in language and law from City University of Hong Kong in November 2000 and a bachelor's degree in law from the University of London in August 2010. She is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

Board Committees

The Company has established four board committees in accordance with the relevant PRC laws and regulations and the corporate governance practice under the Hong Kong Listing Rules, including the strategy committee, the audit committee, the remuneration committee and the nomination committee.

Strategy Committee

The strategy committee of the Company consists of nine Directors, including Mr. Xu Heyi, Mr. Zhang Xiyong, Mr. Li Feng, Mr. Ma Chuanqi, Mr. Qiu Yinfu, Mr. Hubertus Troska, Mr. Yang Shi, Mr. Fu Yuwu and Mr. Zhao Fuquan, with Mr. Xu Heyi as the chairman. The main responsibilities of the strategy committee of the Company are as follows:

1. to review and make suggestions for the medium-to-long-term development strategies (including overall-strategies, function strategies and business strategies) and development plans and proposals of the Company, and to evaluate and monitor the implementation of such plans;
2. to review the annual operation plans and investment proposals of the Company;
3. to review and make suggestions for plans regarding the increase or reduction of the registered capital, and proposals of corporate merger, division, and dissolution or change of the form of the Company;
4. to review and make suggestions for matters such as major investment, financing, guarantee, capital operation and asset operation which are subject to the approval of the Board or the Chairman authorized by the Board;
5. to review and make suggestions for matters such as major business reorganization, acquisition, merger and asset transfer which are subject to the approval of the Board or the Chairman authorized by the Board;
6. to review and make suggestions for the expansion in new markets, new businesses and new products of the Company;
7. to review and make suggestions for any major reorganization and restructuring proposal of the Company;
8. to guide and supervise the implementation of relevant Board resolutions; and
9. other duties as conferred by the Board.

Audit Committee

The audit committee of the Company consists of three Directors, including Mr. Wong Lung Tak Patrick, Mr. Ma Chuanqi and Mr. Liu Kaixiang, with Mr. Wong Lung Tak Patrick as the chairman. The audit committee is mainly responsible for reviewing and supervising our financial reporting procedures, including:

1. to make suggestions for the appointment, reappointment and change of external auditors, handle issues relating to the resignation or removal of such external auditors and make suggestions for the appointment contracts and audit fees of relevant external auditors; to evaluate the work of the external auditors, and supervise the independence, objectivity, and the effectiveness, quality and results of work procedures of the external auditors;
2. to supervise the internal audit system and its implementation;
3. to guide and evaluate the work of the internal auditing department, and to make suggestions as to the appointment and removal of the head of the internal auditing department;

4. to review the financial information of the Company and its disclosure;
5. to review and supervise the effective implementation of the financial reporting system, internal control system and risk management system of the Company;
6. to evaluate and discuss the following arrangements formulated by the Company: whistle-blowing system for employees of the Company to report on any potential misconducts regarding the financial reporting, internal control and other aspects of the Company; to ensure that the Company has put in place appropriate arrangements to carry out fair and independent investigations and follow-up actions for such issues; to serve as the major channel between the Company and the external auditor and to supervise their relationship; and
7. other duties as conferred by the Board.

Remuneration Committee

The remuneration committee of the Company consists of five Directors, including Mr. Bao Robert Xiaochen, Mr. Li Feng, Ms. Wang Jing, Mr. Wong Lung Tak Patrick and Mr. Liu Kaixiang, with Mr. Bao Robert Xiaochen as the chairman. The main duties of the remuneration committee are as follows:

1. to make suggestions for the general remuneration policies and structure for the Company's Directors and senior management, and the establishment of formal and transparent procedures for the formulation of such remuneration policies, and to review the performance appraisal standards and conduct appraisal for Directors and senior management, and to provide corresponding suggestions;
2. to review and approve the proposed remuneration of the management according to corporate operating objectives, and to make suggestions to the Board for the specific remuneration treatment for Directors and senior management, including performance-based remuneration plans. The remuneration committee shall consider all factors including the remuneration paid by comparable companies, time commitments and duties of the Directors, employment conditions of other positions of the Company, and whether the remuneration shall be based on the results performance;
3. to make suggestions to the Board for the specific remuneration of individual executive Directors and senior management members, including non-monetary benefits, pension rights and compensation (including compensation for the loss or termination of office or termination of appointment);
4. to make suggestions to the Board for the remuneration of non-executive Directors;
5. to make suggestions to the Board for the relevant compensation paid to executive Director and senior management for their loss or termination of office or the end of their appointment, and the compensation arrangements regarding the removal or dismissal of Directors due to misconduct (and to ensure the arrangements conform to the terms of contracts, or that otherwise the compensation shall be reasonable and appropriate);
6. to ensure a Director shall not participate in determining his own remuneration; and
7. other duties as conferred by the Board.

The remuneration committee shall publish its terms of reference to clarify its role and powers as authorized by the Board. The remuneration committee shall be provided with sufficient resources to perform its duties.

Nomination Committee

The nomination committee of the Company consists of five Directors, including Mr. Xu Heyi, Mr. Li Zhili, Mr. Fu Yuwu, Mr. Bao Robert Xiaochen and Mr. Zhao Fuquan, with Mr. Xu Heyi as the chairman. The main responsibilities of the nomination committee are as follows:

1. to review the structure, size and composition (including the skills, knowledge and experience of Directors) of the Board at least once a year, and make suggestions to the Board in respect of any proposed changes to the Board according to the corporate strategies of the Company; and the committee shall formulate the Board's diversity policy;
2. to examine the qualifications of candidates for the role of Directors, presidents and secretaries to the Board and to make suggestions to the Board in respect of the appointment or reappointment of Directors and the succession plans of Directors, particularly the chairman and president;
3. to assess the candidates for the secretaries to the Board proposed by the chairman, and the candidates for vice presidents and financial officers proposed by the president and provide opinions to the Board;
4. to identify potential candidates from external talent markets within and outside China and within the Company;
5. to evaluate the independence of independent non-executive Directors; and
6. other duties as conferred by the Board.

Compensation of Directors, Supervisors and Senior Management

The Company offers the executive Director, non-executive Directors, Supervisors and the senior management, as its employees, compensation in the form of salaries, incentive payments, housing allowances, pensions and other social insurance benefits. Independent non-executive Directors of the Company receive compensation according to their duties (including serving as members or chairmen of the Board committees).

For the years ended December 31, 2011, 2012 and 2013, the total compensation before tax paid to the Directors, Supervisors and the senior management by the Group was RMB10,285,000, RMB10,937,000 and RMB14,819,000. In accordance with the current arrangements, the total compensation before tax payable to the Directors and Supervisors by the Group for the year ending December 31, 2014 is expected to be approximately RMB5.54 million.

For the year ended December 31, 2011, the five highest paid individuals of the Group included a director and a supervisor; for the year ended December 31, 2012, the five highest paid individuals of the Group included two directors; and for the year ended December 31, 2013, the five highest paid individuals of the Group included a director and a supervisor. For the years ended December 31, 2011, 2012 and 2013, the total compensation before tax paid to the other three, other three and the three highest paid individuals by the Group was approximately RMB3,656,000, RMB3,018,000 and RMB5,166,000 respectively.

During the Track Record Period, no compensation was paid by the Group or received by any Directors, Supervisors or the five highest paid individuals as incentives for joining the Group or, when they had joined the Group, as compensation for loss of office.

During the Track Record Period, no Directors or Supervisors of the Company waived any compensation. Save as disclosed above, during the Track Record Period, there were no other payments paid or payable to the Directors, Supervisors or five highest paid individuals by the Company or any of its subsidiaries.

Employees

As of the Latest Practicable Date, we had a total of 20,371 full-time employees under the Beijing Motor proprietary brand business, and in Beijing Benz. The following table sets forth a breakdown of the number of our employees by function:

	Number of Employees	%
Production	14,436	70.9
Quality control	872	4.3
Supply	352	1.7
Sales and marketing	840	4.1
Research and development	2,205	10.8
Finance	208	1.0
Administration	401	2.0
Others	1,057	5.2
Total	**20,371**	**100.0**

As of the Latest Practicable Date, we had 4,138 employees, based in Zhuzhou, Hunan Province, who were employees under our Beijing Motor proprietary brand business, and the rest of our employees were based in Beijing.

We have labor unions that protect employees' rights, encourage employee participation in management decisions and assist in mediating disputes between union members and the Company. We believe that our employee relations are satisfactory in general. We also believe that our management policies, working environment and employee development opportunities and benefits have contributed to the building of good employee relations and employee retention. We organize regular recreational activities for our employees. We have not experienced any labor strikes or major labor disputes since our inception.

We carry out recruitment activities through our website, job fairs in China and overseas and through third party recruiters. We have established strategic cooperative relationships with various colleges and vocational schools in the PRC which allow us priority access to their graduates. We believe that these arrangements have helped us maintain the labor force and talent pool necessary for our operations and growth.

We provide training programs for our employees to equip them with the skills and knowledge relevant to their work. This is done through various internal and external training courses as well as through overseas technical training programs. New employees generally go through full-time training before working at the production facilities, and each new employee is assigned a mentor on the job to facilitate the transfer of necessary skills. Moreover, we have a continuing education budget for our management personnel.

The remuneration package of our employees includes salary and various types of allowances. In addition, we have established a performance-based compensation system under which employees may be awarded additional bonuses. Under the relevant labor and social welfare laws and regulations, we are required to pay a monthly social insurance premium in respect of each of our employees covering pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing reserve fund.

Our PRC legal advisers, Jia Yuan Law Offices, have advised us that we have complied with the relevant labor and social welfare laws and regulations in the PRC in all material respects and we have made the relevant contributions in accordance with PRC laws and regulations. We have received compliance confirmation from the relevant social security administration departments and housing provident fund management centers covering the Track Record Period.

Waiver from Strict Compliance with Rules 8.12 and 19A.15 of the Hong Kong Listing Rules

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rules 8.12 and 19A.15 of the Listing Rules. For details of the application for waiver, please see "Waivers from Compliance with the Listing Rules and Exemption from Companies (Winding Up and Miscellaneous Provisions) Ordinance—Management Presence" in this prospectus.

Waiver from Strict Compliance with Rules 3.28 and 8.17 of the Hong Kong Listing Rules

We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules. For details of the application for waiver, please see "Waivers from Compliance with the Listing Rules and Exemption from Companies (Winding Up and Miscellaneous Provisions) Ordinance—Appointment of Company Secretary and Company Secretary Assistant" in this prospectus.

Exemption from Strict Compliance with the Requirements of Paragraph 6 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance

We have applied to the SFC for, and the SFC has granted to us, a certificate of exemption pursuant to Section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance from strict compliance with the requirements of paragraph 6 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, in respect of the disclosure of the residential addresses of Mr. Troska and Mr. Uebber. For details of the application for exemption, please see "Waivers from Compliance with the Listing Rules and Exemption from Companies (Winding Up and Miscellaneous Provisions) Ordinance—Disclosure of Residential Address" in this Prospectus.

Compliance Adviser

We have appointed Shenyin Wanguo as our compliance adviser (the "**Compliance Adviser**") upon listing in order to comply with Rule 3A.19 of the Hong Kong Listing Rules.

- We have appointed Shenyin Wanguo as our Compliance Adviser for the purpose of Rule 3A.19 of the Listing Rules for a period commencing on the date of the listing of our

H Shares on the Stock Exchange and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the date of listing, or until the agreement is terminated, whichever is earlier;

- The Compliance Adviser shall provide our Company with certain services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines and act as one of the principal channels of communication between the Company and the Stock Exchange when necessary;
- Our Company agrees to indemnify the Compliance Adviser for actions against and losses incurred by the Compliance Adviser arising out of, or in connection with, certain events including the performance by the Compliance Adviser of its duties under the agreement;
- The Compliance Adviser will act as our Company's additional channel of communication with the Hong Kong Stock Exchange;
- The Company will terminate the appointment of the Compliance Adviser if the Compliance Adviser's work does not meet its expectations. However, if, after the termination of the appointment of the Compliance Adviser, the Company does not have a compliance adviser for the purposes of meeting the requirements of Rule 19A.05(3)(a) of the Hong Kong Listing Rules, the Company shall not be entitled to exercise such right unless a new compliance adviser acceptable to the Hong Kong Stock Exchange has been appointed by the Company in accordance with the requirements of Rule 19A.05(3)(a) of the Hong Kong Listing Rules. The Compliance Adviser will have the right to terminate its term of office at any time by notice.

This section presents certain information regarding the share capital of our Company following the completion of the Global Offering.

As of the Latest Practicable Date, the registered share capital of our Company was RMB6,381,818,182, divided into 6,381,818,182 Shares, including 5,616,000,000 Domestic Shares and 765,818,182 Unlisted Foreign Shares, with a nominal value of RMB1.00 each.

Assuming the Over-allotment Option is not exercised, the share capital of our Company immediately after the Global Offering will be as follows:

	Number of shares	Approximate percentage of registered share capital
Domestic Shares	5,503,380,000	73.30%
H Shares to be converted from Unlisted Foreign Shares and held by Daimler AG	765,818,182	10.20%
H Shares to be issued by the Company under the Global Offering	1,126,200,000	15.00%
H Shares to be offered for sale by the Selling Shareholders under the Global Offering[(1)]	112,620,000	1.50%
Total Share Capital	7,508,018,182	100.00%

Assuming the Over-allotment Option is exercised in full, the share capital of the Company immediately after the Global Offering will be as follows:

	Number of shares	Approximate percentage of registered share capital
Domestic Shares	5,486,487,000	71.47%
H Shares to be converted from Unlisted Foreign Shares and held by Daimler AG	765,818,182	9.98%
H Shares to be issued by the Company under the Global Offering	1,295,130,000	16.87%
H Shares to be offered for sale by the Selling Shareholders under the Global Offering[(1)]	129,513,000	1.69%
Total Share Capital	7,676,948,182	100.00%

CONVERSION OF OUR DOMESTIC SHARES AND UNLISTED FOREIGN SHARES INTO H SHARES

Conversion of Domestic Shares

According to the stipulations by the State Council's securities regulatory authority and the Articles of Association, our Domestic Shares may be converted into H Shares, and such converted H Shares may be listed or traded on an overseas stock exchange provided that prior to the conversion and trading of such converted shares, the requisite internal approval processes (but without the necessity of Shareholders' approval by class) have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, have been obtained. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities

(1) In accordance with relevant PRC regulations regarding the reduction of state-owned shares, our state-owned shareholders are required to transfer to NSSF such number of Domestic Shares as in aggregate would be equivalent to 10% of the number of the new Shares to be issued by the Company under the Global Offering, or pay the equivalent cash at the Offer Price under the Global Offering to NSSF, or a combination of both. NSSF issued a letter on August 7, 2014 to instruct us to arrange for the sale of the Sale Shares and remit the proceeds therefrom to the account designated by NSSF. See the paragraph headed "Reduction of State-owned Shares" below for more details.

regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

If any of our Domestic Shares are to be converted and to be traded as H Shares on the Stock Exchange, such conversion will be subject to the approval of the relevant PRC regulatory authorities including the CSRC. Approval of the Stock Exchange is required for the listing of such converted shares on the Stock Exchange. Based on the methodology and procedures for the conversion of our Domestic Shares into H Shares as described in this section, we can apply for the listing of all or any portion of our Domestic Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on the H Share register. As any listing of additional shares after our initial listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our initial listing in Hong Kong.

No Shareholder voting by class is required for the listing and trading of the converted shares on an overseas stock exchange. Any application for listing of the converted shares on the Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

As confirmed by our PRC legal advisers, Jia Yuan Law Offices, the Articles of Association are consistent with the relevant PRC laws and regulations on the conversion of domestic shares.

Conversion of Unlisted Foreign Shares

Upon completion of the Global Offering and pursuant to the approval of CSRC dated November 21, 2014, Unlisted Foreign Shares held by Daimler AG will be converted to H Shares on a one-for-one basis and will be listed for trading on the Stock Exchange.

Mechanism and Procedures for Conversion

After all the requisite approvals have been obtained, the following procedures will need to be completed in order to effect the conversion: the relevant Domestic Shares will be withdrawn from our Domestic Shares register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct the H Share Registrar to issue H Share certificates. Registration on our H Share register will be conditioned on (i) our H Share Registrar lodging with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates, and (ii) the admission of the H Shares to trade on the Stock Exchange complying with the Listing Rules and the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the transferred shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

RANKING

Our Domestic Shares and H Shares are both ordinary shares in the share capital of our Company. H Shares may only be subscribed for and traded in Hong Kong dollars. Domestic Shares, on the other hand, may only be subscribed for and traded in RMB. Apart from certain qualified domestic institutional investors in the PRC or through Shanghai-Hong Kong Stock Connect, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. Domestic Shares (unlisted), on the other hand, can only be subscribed for by and traded between legal or natural persons of the PRC, qualified foreign institutional investors and qualified foreign strategic investors. We must pay all dividends in respect of H Shares in Hong Kong dollars and all dividends in respect of Domestic Shares in RMB. See "Appendix IV—Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions" and "Appendix V—Summary of the Articles of Association" in this prospectus for details of the circumstances under which general meetings and class meetings of the Company are required.

Except as described in this prospectus and in relation to the dispatch of notices and financial reports to our Shareholders, dispute resolution, registration of Shares in different parts of our register of Shareholders, the method of share transfer and the appointment of dividend receiving agents, which are all provided for in the Articles of Association and summarized in Appendix V to this prospectus, our Domestic Shares and our H Shares will rank *pari passu* with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. However, the transfer of Domestic Shares is subject to such restrictions as PRC law may impose from time to time. Save for the Global Offering, we do not propose to carry out any public or private issue or to place securities simultaneously with the Global Offering or within the next six months from the Listing Date. We have not approved any share issue plan other than the Global Offering.

TRANSFER OF SHARES ISSUED PRIOR TO LISTING DATE

The Company Law provides that in relation to the Hong Kong Public Offering of a company, the shares issued by a company prior to the Hong Kong Public Offering shall not be transferred for a period of one year from the date on which the publicly offered shares are traded on any stock exchange. Accordingly, Shares issued by our Company prior to the Listing Date shall be subject to this statutory restriction and shall not be transferred for a period of one year from the Listing Date.

REDUCTION OF STATE-OWNED SHARES

In accordance with relevant PRC regulations regarding the reduction of state-owned shares, the Selling Shareholders are required to transfer to NSSF such number of Domestic Shares as in aggregate would be equivalent to 10% of the number of the new Shares to be issued by the Company under the Global Offering (being 112,620,000 H Shares before the exercise of the Over-allotment Option and 129,513,000 H Shares after the exercise in full of the Over-allotment Option), or pay the equivalent cash at the Offer Price under the Global Offering to NSSF, or a combination of both. Pursuant to a letter issued by NSSF (She Bao Ji Jin Fa [2014] No. 124) on August 7, 2014, NSSF instructed us to (i) arrange for the sale of the Sale Shares as part of the Global Offering, and (ii) remit the proceeds from the sale of the Sale Shares to an account designated by NSSF.

The reduction of state-owned shares by the Selling Shareholders was approved by SASAC on February 8, 2014. The conversion of those shares into H Shares and the offering for sale of the Sale Shares were approved by CSRC on November 21, 2014. We have been advised by our PRC legal advisers that the transfer and the conversion, and the offering for sale of the Sale Shares, have been approved by the relevant PRC authorities and are legal under the PRC laws and regulations.

REGISTRATION OF SHARES NOT LISTED ON THE OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, an overseas listed company is required to register its shares that are not listed on the overseas stock exchange with China Securities Depository and Clearing Corporation Limited within 15 Business Days upon listing.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements with 10 cornerstone investors (the "**Cornerstone Investors**" and each a "**Cornerstone Investor**") pursuant to which the Cornerstone Investors have agreed to subscribe, or cause their designated entities (each an "**Investor Subsidiary**") to subscribe, at the Offer Price, for such number of Offer Shares in aggregate (rounded down to the nearest whole board lot of 500 H Shares) that may be purchased with an aggregate amount of approximately US$785.8 million (approximately HK$6,093.7 million) (the "**Cornerstone Placing**") at the Offer Price.

Assuming an Offer Price of HK$7.60 (being the low end of the Offer Price range set out in this prospectus), the total number of Offer Shares subscribed for by the Cornerstone Investors would be approximately 801,804,500, representing approximately (i) 64.7% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised; (ii) 10.7% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (iii) 10.4% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full. Assuming an Offer Price of HK$8.70 (being the mid-point of the Offer Price range set out in this prospectus), the total number of Offer Shares subscribed for by the Cornerstone Investors would be approximately 700,427,000, representing approximately (i) 56.5% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised; (ii) 9.3% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (iii) 9.1% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full. Assuming an Offer Price of HK$9.80 (being the high end of the Offer Price range set out in this prospectus), the total number of Offer Shares subscribed for by the Cornerstone Investors would be approximately 621,807,500, representing approximately (i) 50.2% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised; (ii) 8.3% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (iii) 8.1% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full.

Each of the Cornerstone Investors has agreed that, if the requirement pursuant to Rule 8.08(3) of the Listing Rules, in which no more than 50% of the Shares in public hands on the Listing Date can be beneficially owned by the three largest public Shareholders cannot be satisfied, the Joint Global Coordinators and the Company have the right to adjust the allocation of the number of Shares to be purchased by the Cornerstone Investor in their sole and absolute discretion to satisfy the requirement pursuant to Rule 8.08(3) of the Listing Rules.

To the best knowledge of the Company, each of the Cornerstone Investors is an independent third party, independent of each other, not our connected person, and not an existing Shareholder of the Company.

Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by the Company on or around 18 December 2014.

The Cornerstone Placing forms part of the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Offer Shares in issue and will be counted towards the public float of our Company. None of the Cornerstone Investors will subscribe for any Offer Shares under the Global Offering (other than and pursuant to the respective cornerstone investment agreements). Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any board representation in our Company, nor will any of the Cornerstone Investors become a substantial shareholder of our Company (as defined under the Listing Rules).

Cornerstone Investors

We have entered into cornerstone investment agreements with each of the following Cornerstone Investors in respect of the Cornerstone Placing. The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing:

1. Easy Smart

Easy Smart Limited ("**Easy Smart**") has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 500 H Shares) which may be purchased with an aggregate amount of HK$2,480,000,000 at the Offer Price.

Assuming the Offer Price is fixed at HK$7.60, being the low end of the Offer Price range set out in this prospectus, Easy Smart will subscribe for approximately 326,315,500 Offer Shares representing approximately (i) 26.3% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised; (ii) 4.3% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (iii) 4.3% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full. Assuming the Offer Price is fixed at HK$8.70, being the mid-point of the Offer Price range set out in this prospectus, Easy Smart will subscribe for approximately 285,057,000 Offer Shares representing approximately (i) 23% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised; (ii) 3.8% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (iii) 3.7% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full. Assuming the Offer Price is fixed at HK$9.80, being the high end of the Offer Price range set out in this prospectus, Easy Smart will subscribe for approximately 253,061,000 Offer Shares representing approximately (i) 20.4% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised; (ii) 3.4% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (iii) 3.3% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full.

Easy Smart is a company incorporated in the Cayman Islands, which is wholly owned and controlled by China Aerospace Investment Holdings Ltd ("**CAIH**"). Easy Smart is the overseas investment platform of CAIH, which focuses on the satellite application equipment and products, electronic information technology, new materials and new energy products, financial services and other plate investment.

2. Capital Transportation (HK)

Capital Transportation (HK) Investment Limited ("**Capital Transportation (HK)**") has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of

500 H Shares) which may be purchased with an aggregate amount of US$100,000,000 at the Offer Price.

Assuming the Offer Price is fixed at HK$7.60, being the low end of the Offer Price range set out in this prospectus, Capital Transportation (HK) will subscribe for approximately 102,036,500 Offer Shares representing approximately (i) 8.2% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised; (ii) 1.4% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (iii) 1.3% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full. Assuming the Offer Price is fixed at HK$8.70, being the mid-point of the Offer Price range set out in this prospectus, Capital Transportation (HK) will subscribe for approximately 89,135,500 Offer Shares representing approximately (i) 7.2% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised; (ii) 1.2% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (iii) 1.2% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full. Assuming the Offer Price is fixed at HK$9.80, being the high end of the Offer Price range set out in this prospectus, Capital Transportation (HK) will subscribe for approximately 79,130,500 Offer Shares representing approximately (i) 6.4% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised; (ii) 1.1% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (iii) 1.0% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full.

Capital Transportation (HK) is a limited company incorporated in Hong Kong. It is a wholly-owned subsidiary of Beijing Automobile City Investment and Management Co. Ltd.. Capital Transportation (HK) is principally engaged in professional investment in the field of innovative technology, renewable energy sources and new materials.

3. E-Town International

E-Town International Holding (Hong Kong) Co., Limited ("**E-Town International**") has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 500 H Shares) which may be purchased with an aggregate amount of US$100,000,000 at the Offer Price.

Assuming the Offer Price is fixed at HK$7.60, being the low end of the Offer Price range set out in this prospectus, E-Town International will subscribe for approximately 102,036,500 Offer Shares representing approximately (i) 8.2% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised; (ii) 1.4% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (iii) 1.3% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full. Assuming the Offer Price is fixed at HK$8.70, being the mid-point of the Offer Price range set out in this prospectus, E-Town International will subscribe for approximately 89,135,500 Offer Shares representing approximately (i) 7.2% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised; (ii) 1.2% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (iii) 1.2% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full.

Assuming the Offer Price is fixed at HK$9.80, being the high end of the Offer Price range set out in this prospectus, E-Town International will subscribe for approximately 79,130,500 Offer Shares representing approximately (i) 6.4% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised; (ii) 1.1% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (iii) 1.0% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full.

E-Town International is a company incorporated in Hong Kong with its principal business of equity investment in Asia and North America. It is a wholly-owned subsidiary of Beijing E-Town International Investment & Development Co., Ltd which is a mainly engaged in businesses of industrial financing services, equity investment, fund management and industrial/high-tech park operations.

4. BEG (BVI)

Beijing Enterprises Group (BVI) Company Limited ("**BEG BVI**") has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 500 H Shares) which may be purchased with an aggregate amount of US$50,000,000 at the Offer Price.

Assuming the Offer Price is fixed at HK$7.60, being the low end of the Offer Price range set out in this prospectus, BEG BVI will subscribe for approximately 51,018,000 Offer Shares representing approximately (i) 4.1% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised; (ii) 0.7% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (iii) 0.7% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full. Assuming the Offer Price is fixed at HK$8.70, being the mid-point of the Offer Price range set out in this prospectus, BEG BVI will subscribe for approximately 44,567,500 Offer Shares representing approximately (i) 3.6% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised; (ii) 0.6% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (iii) 0.6% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full. Assuming the Offer Price is fixed at HK$9.80, being the high end of the Offer Price range set out in this prospectus, BEG BVI will subscribe for approximately 39,565,000 Offer Shares representing approximately (i) 3.2% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised; (ii) 0.5% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (iii) 0.5% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full.

BEG (BVI) is a company incorporated in the British Virgin Islands and is mainly engaged in investment holding. It is a wholly-owned subsidiary of Beijing Enterprises Group Company Limited which is mainly engaged in the investments in infrastructure and public utility sectors in Beijing.

5. CMB International Capital Corporation Limited

CMB International Capital Corporation Limited ("**CMB International Capital**") has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 500 H Shares) which may be purchased with an aggregate amount of US$50,000,000 at the Offer Price.

Assuming the Offer Price is fixed at HK$7.60, being the low end of the Offer Price range set out in this prospectus, CMB International Capital will subscribe for approximately 51,018,000 Offer Shares representing approximately (i) 4.1% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised; (ii) 0.7% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (iii) 0.7% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full. Assuming the Offer Price is fixed at HK$8.70, being the mid-point of the Offer Price range set out in this prospectus, CMB International Capital will subscribe for approximately 44,567,500 Offer Shares representing approximately (i) 3.6% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised; (ii) 0.6% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (iii) 0.6% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full. Assuming the Offer Price is fixed at HK$9.80, being the high end of the Offer Price range set out in this prospectus, CMB International Capital will subscribe for approximately 39,565,000 Offer Shares representing approximately (i) 3.2% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised; (ii) 0.5% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (iii) 0.5% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full.

CMB International Capital is a company incorporated in Hong Kong. Through its wholly owned subsidiaries, CMB International Capital is primarily engaged in providing financial services and investment banking services to institutional and individual clients. It is a 99.99%-owned subsidiary of China Merchants Bank Co., Limited.

6. Fortune Class

Fortune Class Investments Limited (瑞群投資有限公司) ("**Fortune Class**") has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 500 H Shares) which may be purchased with an aggregate amount of US$50,000,000 at the Offer Price.

Assuming the Offer Price is fixed at HK$7.60, being the low end of the Offer Price range set out in this prospectus, Fortune Class will subscribe for approximately 51,018,000 Offer Shares representing approximately (i) 4.1% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised; (ii) 0.7% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (iii) 0.7% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full. Assuming the Offer Price is fixed at HK$8.70, being the mid-point of the Offer Price range set out in this prospectus, Fortune Class will subscribe for approximately 44,567,500 Offer Shares representing approximately (i) 3.6% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised; (ii) 0.6% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (iii) 0.6% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full. Assuming the Offer Price is fixed at HK$9.80, being the high end of the Offer Price range set out in this prospectus, Fortune Class will subscribe for approximately 39,565,000 Offer Shares representing approximately (i) 3.2% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised; (ii) 0.5% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (iii) 0.5% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full.

Fortune Class is a company incorporated in the British Virgin Islands and is an indirect wholly-owned subsidiary of CITIC Limited. On August 25, 2014, CITIC Pacific Limited, which was the Hong Kong listed subsidiary of CITIC Group Corporation ("CITIC Group"), acquired the main business of CITIC Group and changed its name to CITIC Limited. CITIC Limited is one of China's largest conglomerate enterprises and is principally engaged in the businesses of financial services, real estate and infrastructure, engineering contracting, resources and energy, and manufacturing.

7. PICC Property and Casualty

PICC Property and Casualty Company Limited ("**PICC Property and Casualty**") has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 500 H Shares) which may be purchased with an aggregate amount of US$50,000,000 at the Offer Price.

Assuming the Offer Price is fixed at HK$7.60, being the low end of the Offer Price range set out in this prospectus, PICC Property and Casualty will subscribe for approximately 51,018,000 Offer Shares representing approximately (i) 4.1% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised; (ii) 0.7% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (iii) 0.7% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full. Assuming the Offer Price is fixed at HK$8.70, being the mid-point of the Offer Price range set out in this prospectus, PICC Property and Casualty will subscribe for approximately 44,567,500 Offer Shares representing approximately (i) 3.6% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised; (ii) 0.6% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (iii) 0.6% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full. Assuming the Offer Price is fixed at HK$9.80, being the high end of the Offer Price range set out in this prospectus, PICC Property and Casualty will subscribe for approximately 39,565,000 Offer Shares representing approximately (i) 3.2% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised; (ii) 0.5% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (iii) 0.5% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full.

PICC P&C is a company incorporated in the PRC. It is 69% owned by The People's Insurance Company (Group) of China Limited, which was established in October 1949 and is principally engaged in the businesses of life insurance, property and casualty insurance, health insurance, asset management and provision of integrated financial products and services.

8. Dazhong Transportation (Hong Kong)

Dazhong Transportation (Hong Kong) Limited (大眾交通（香港）有限公司) ("**Dazhong Transportation (Hong Kong)**") has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 500 H Shares) which may be purchased with an aggregate amount of US$30,000,000 at the Offer Price.

Assuming the Offer Price is fixed at HK$7.60, being the low end of the Offer Price range set out in this prospectus, Dazhong Transportation (Hong Kong) will subscribe for approximately 30,611,000 Offer Shares representing approximately (i) 2.5% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised; (ii) 0.4% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (iii) 0.4% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full. Assuming the Offer Price is fixed at HK$8.70, being the mid-point of the Offer Price range set out in this prospectus, Dazhong Transportation (Hong Kong) will subscribe for approximately 26,740,500 Offer Shares representing approximately (i) 2.2% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised; (ii) 0.4% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (iii) 0.3% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full. Assuming the Offer Price is fixed at HK$9.80, being the high end of the Offer Price range set out in this prospectus, Dazhong Transportation (Hong Kong) will subscribe for approximately 23,739,000 Offer Shares representing approximately (i) 1.9% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised; (ii) 0.3% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (iii) 0.3% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full.

Dazhong Transportation (Hong Kong), incorporated in Hong Kong, was principally engaged in transportation activities. It was wholly owned by Dazhong Transportation (Group) Co., LTD., which is one of the largest comprehensive transportation service providers in the area of Shanghai and Yangtze River Delta region.

9. Converge Bright

Converge Bright Assets Limited (匯明資產有限公司) ("**Converge Bright**") has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 500 H Shares) which may be purchased with an aggregate amount of US$26,000,000 at the Offer Price.

Assuming the Offer Price is fixed at HK$7.60, being the low end of the Offer Price range set out in this prospectus, Converge Bright will subscribe for approximately 26,529,500 Offer Shares representing approximately (i) 2.1% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised; (ii) 0.4% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (iii) 0.3% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full. Assuming the Offer Price is fixed at HK$8.70, being the mid-point of the Offer Price range set out in this prospectus, Converge Bright will subscribe for approximately 23,175,000 Offer Shares representing approximately (i) 1.9% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised; (ii) 0.3% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (iii) 0.3% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full. Assuming the Offer Price is fixed at HK$9.80, being the high end of the Offer Price range set out in this prospectus, Converge Bright will subscribe for approximately 20,573,500 Offer Shares representing approximately (i) 1.7% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised; (ii) 0.3% of the Shares in issue upon completion of the Global

Offering, assuming that the Over-allotment Option is not exercised; or (iii) 0.3% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full.

Converge Bright is a company incorporated in the British Virgin Island with its principal business being financial and equity investment. Converge Bright's ultimate controlling shareholder is Mr. Liu Weizhong who is an individual financial investor.

10. North Industries Group Investment Management Company Ltd.

North Industries Group Investment Management Company Ltd. (中兵投資管理有限責任公司) ("**North Industries Group Investment**") has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 500 H Shares) which may be purchased with an aggregate amount of US$10,000,000 at the Offer Price.

Assuming the Offer Price is fixed at HK$7.60, being the low end of the Offer Price range set out in this Prospectus, North Industries Group Investment will subscribe for approximately 10,203,500 Offer Shares representing approximately (i) 0.8% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised; (ii) 0.1% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (iii) 0.1% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full. Assuming the Offer Price is fixed at HK$8.70, being the mid-point of the Offer Price range set out in this Prospectus, North Industries Group Investment will subscribe for approximately 8,913,500 Offer Shares representing approximately (i) 0.7% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised; (ii) 0.1% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (iii) 0.1% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full. Assuming the Offer Price is fixed at HK$9.80, being the high end of the Offer Price range set out in this Prospectus, North Industries Group Investment will subscribe for approximately 7,913,000 Offer Shares representing approximately (i) 0.6% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised; (ii) 0.1% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (iii) 0.1% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full.

Established on March 18, 2014, North Industries Group Investment, incorporated in China with limited liability, is a wholly-owned subsidiary of China North Industries Group Corporation with a registered capital of RMB1 billion. North Industries Group Investment Management Company Ltd is mainly engaged in investment management, asset management, project investment and provision of economic information consultation. It will adhere to the strategy of systematic and lean management on the whole value chain, and implement a market-oriented, standardized and specialized operation mode. Through the provision of financial services and capital operation, it will promote the effective integration of the industrial capital in the ordnance industry and the financial capital in the society, and gradually explore and establish its peculiar modes of equity operation, asset operation and management and financial investment.

Conditions Precedent

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

(a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been entered into and having become unconditional (in accordance with their respective original terms or as subsequently varied by agreement of the parties thereto) and not having been terminated;

(b) the Listing Committee of the Hong Kong Stock Exchange having granted the Listing of, and permission to deal in, the H Shares and that such approval or permission has not been revoked prior to the commencement of dealings in the H Shares on the Hong Kong Stock Exchange;

(c) the respective representations, warranties, undertakings and acknowledgements of the relevant Cornerstone Investor and the Company under the relevant cornerstone investment agreement are, at the relevant time, accurate and true in all material respects and not misleading and there being no material breach of the relevant cornerstone investment agreement on the part of the relevant Cornerstone Investor; and

(d) no laws having been enacted or promulgated by any governmental authority which prohibit the consummation of the transactions contemplated in the Global Offering and there being no orders or injunctions from a court of competent jurisdiction in effect preceding or prohibiting consummation of such transactions.

Restrictions on the Cornerstone Investors' Investment

Each of the Cornerstone Investors has agreed that, without the prior written consent of our Company, the Joint Global Coordinators and the Joint Sponsors, it will not, and will procure that the Investor Subsidiary will not, at any time during the period of six (6) months following the Listing Date, dispose of (as defined in the relevant cornerstone investment agreement) any of the H Shares or any interest in any company or entity holding any of the relevant H Shares, other than in certain limited circumstances such as transfers to any wholly-owned subsidiary of such Cornerstone Investor provided that, among others, such wholly-owned subsidiary undertakes to, and the Cornerstone Investor undertakes to procure that such subsidiary will, abide by the terms and restrictions imposed on the Cornerstone Investor.

Immediately following the completion of the Global Offering (and assuming the Over-allotment Option is not exercised), our share capital will be comprised of 5,503,380,000 Domestic Shares and 2,004,638,182 H Shares, representing approximately 73.3% and 26.7% of our total share capital, respectively.

The following table sets out the shareholdings of our Substantial Shareholders (as defined under Part XV of the SFO) immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised):

Name of Shareholder	Class of Shares to be held after the Global Offering	Number of Shares to be held after the Global Offering	Nature of interest	Approximate percentage of shareholding in the relevant class of Shares after the Global Offering	Approximate percentage of shareholding in the total share capital of the Company after the Global Offering
BAIC Group	Domestic Shares	3,424,376,191	Beneficial owner	62.2%	45.6%
Shougang Limited	Domestic Shares	1,028,748,707	Beneficial owner	18.7%	13.7%
Daimler AG	H Shares	765,818,182	Beneficial owner	38.2%	10.2%
Benyuan Jinghong	Domestic Shares	342,138,918	Beneficial owner	6.2%	4.6%
Easy Smart	H Shares	326,315,500(1)	Beneficial owner	16.3%	4.3%
Capital Transportation (HK)	H Shares	102,036,500(1)	Beneficial owner	5.1%	1.4%
E-Town International ...	H Shares	102,036,500(1)	Beneficial owner	5.1%	1.4%

(1) Assuming an Offer Price of HK$7.60 (being the low end of the Offer Price range set out in this prospectus).

The following table sets out the shareholdings of our Substantial Shareholders (as defined under Part XV of the SFO) immediately following the completion of the Global Offering (assuming Over-allotment Option is exercised in full):

Name of Shareholder	Class of Shares to be held after the Global Offering	Number of Shares to be held after the Global Offering	Nature of interest	Approximate percentage of shareholding in the relevant class of Shares after the Global Offering	Approximate percentage of shareholding in the total share capital of the Company after the Global Offering
BAIC Group	Domestic Shares	3,409,448,667	Beneficial owner	62.1%	44.4%
Shougang Limited	Domestic Shares	1,028,748,707	Beneficial owner	18.8%	13.4%
Daimler AG	H Shares	765,818,182	Beneficial owner	35.0%	10.0%
Benyuan Jinghong	Domestic Shares	342,138,918	Beneficial owner	6.2%	4.5%
Easy Smart	H Shares	326,315,500(2)	Beneficial owner	14.9%	4.3%

(2) Assuming an Offer Price of HK$7.60 (being the low end of the Offer Price range set out in this prospectus).

Save as disclosed herein, our Directors are not aware of any person who will, immediately following the Global Offering, have an interest or short position in Shares or underlying shares of our Company, which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO. Other than that (i) either of BAIC Group and Shougang Limited was, as of the Latest Practicable Date, ultimately controlled by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality, and (ii) BAIC Group was, as of the Latest Practicable Date, indirectly interested in 40% of the company that indirectly invested in Benyuan Jinghong, to the best knowledge of the Company, we are not aware of any other relationship among our Substantial Shareholders as of the Latest Practicable Date. We are not aware of any arrangement, which may result in any change of control in our Company at any subsequent date.

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

OVERVIEW

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

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

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

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

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

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

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

RECENT DEVELOPMENTS

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

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

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

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

BASIS OF PRESENTATION

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

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

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

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

Economic Condition and Demand for Passenger Vehicles in China

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

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

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

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

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

Competition and Pricing

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

Production Capacity

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

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

Cost and Supply of Raw Materials, Parts and Components

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

The Profitability of Beijing Motor

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

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

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

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

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

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

Reorganization, Acquisitions and Disposals

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

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

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

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

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

Revenue Recognition

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

Products

We manufacture and sell automobiles and components and parts to our customers. The revenue is recognized when significant risks and rewards of ownership of the products are transferred to the purchasers and the revenue can be measured reliably. The vehicles are often sold with sales rebates. Sales are recorded based on the prices specified in the sales contracts, net of the sales rebates during the period.

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

Services

The revenue is recognized when service is rendered.

Dividend income

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

Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to us and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

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

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

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

Intangible assets

Research and development costs

Expenditure on an internal research and development project is classified into research cost and development cost based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at the end of the project. Research cost is recognized in profit or loss in the period in which it is incurred. Development cost is capitalized only if all of the following conditions are satisfied:

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

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

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

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

Impairment of non-financial assets

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

Inventories

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

Accounts and other receivables

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

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

Judgments and Estimates

Capitalization of intangible assets

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

Impairment of long-lived assets

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

Determination of the value in use is an area involving management judgment in order to assess whether the carrying value of the intangible development assets not available for use can be supported by the net present value of future cash flows. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of (i) future unlevered free cash flows; (ii) long-term growth rates; and (iii) the selection of discount rates to reflect the risks involved.

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

Provisions

We recognize a provision when there is a present obligation from a past event, a transfer of economic benefits is probable and the amount of costs of the transfer can be estimated reliably. In instances where these criteria are not met, we may record a contingent liability. Obligations arising in respect of contingent liabilities could have a material effect on our financial position.

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

Depreciation and amortization

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

Income taxes

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

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

DESCRIPTION OF SELECTED INCOME STATEMENT LINE ITEMS

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

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

Business Segments

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

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

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

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

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

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

Continuing Operations

Revenue

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

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

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

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

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

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

Cost of Sales

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

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

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

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

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

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

Gross Profit/(Loss) and Gross Margin

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

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

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

Selling and Distribution Expenses

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

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

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

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

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

General and Administrative Expenses

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

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

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

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

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

Other Gains/(Losses), Net

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

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

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

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

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

Finance Income/(Costs), Net

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

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

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

Share of profits of joint ventures

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

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

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

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

Income Tax Expenses

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

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

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

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

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

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

Discontinued Operations

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

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

RESULTS OF OPERATIONS

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

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

Revenue

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

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

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

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

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

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

Cost of Sales

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

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

Gross profit/(loss)

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

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

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

Selling and distribution expenses

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

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

General and administrative expenses

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

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

Other gains/(losses), net

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

Operating profit/(loss)

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

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

Finance income/(costs), net

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

Share of profits of joint ventures

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

Share of (losses)/profits of associates

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

Profit before income tax

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

Income tax expense

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

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

Profit from continuing operations

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

Profit from discontinuing operations

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

2013 compared with 2012

Revenue

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

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

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

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

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

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

Cost of sales

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

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

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

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

Gross profit/(loss)

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

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

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

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

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

Selling and distribution expenses

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

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

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

General and administrative expenses

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

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

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

Other gains/(losses), net

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

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

Operating profit/(loss)

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

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

Finance income/(costs), net

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

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

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

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

Share of profits of joint ventures

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

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

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

Share of (losses)/profits of associates

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

Profit before income tax

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

Income tax expense

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

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

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

Profit from continuing operations

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

Loss from discontinued operations

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

2012 compared with 2011

Revenue

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

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

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

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

Cost of sales

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

Gross profit/(loss)

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

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

Selling and distribution expenses

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

General and administrative expenses

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

Other gains/(losses), net

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

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

Operating loss/(profit)

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

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

Finance costs, net

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

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

Share of profits of joint ventures

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

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

Share of (losses)/profits of associates

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

Profit before income tax

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

Income tax expense

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

Profit from continuing operations

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

Loss from discontinued operations

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

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

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

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

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

CASH FLOW

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

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

(1) Beijing Motor's cash generated from investing activities includes cash flow generated from dividends paid by joint ventures and associates.

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

Cash Flow Generated from/(used in) Operating Activities

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

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

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

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

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

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

Cash Flow used in Investing Activities

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

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

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

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

Cash Flow Generated from Financing Activities

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

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

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

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

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

NET CURRENT ASSETS AND LIABILITIES

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

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

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

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

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

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

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

INVENTORY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ACCOUNTS RECEIVABLE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ADVANCES TO SUPPLIERS

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

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

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

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

OTHER RECEIVABLES AND PREPAYMENTS

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

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

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

(2) Others mainly include security for imported equipments.

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

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

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

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

RESTRICTED CASH

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

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

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

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

HELD-FOR-SALE ASSETS FOR DISPOSAL

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

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

ACCOUNTS PAYABLE

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

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

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

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

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

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

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

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

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

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

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

OTHER PAYABLES AND ACCRUALS

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

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

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

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

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

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

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

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

INDEBTEDNESS

Bank Loans and Other Borrowings

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

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

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

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

Bank borrowings

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

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

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

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

Bonds

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

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

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

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

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

Other Information

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

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

CAPITAL EXPENDITURE

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

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

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

INTANGIBLE ASSETS

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

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

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

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

CAPITAL COMMITMENTS

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

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

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

OPERATING LEASE COMMITMENTS

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

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

CONTINGENT LIABILITIES

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

OFF-BALANCE SHEET ARRANGEMENTS

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

KEY FINANCIAL RATIOS

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

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

(1) Return on equity represents profit attributable to equity owners of the Company divided by total capital and reserves attributable to equity holders and then multiplied by 100%.
(2) Return on total assets represents profit attributable to equity owners of the Company divided by total assets and then multiplied by 100%.
(3) Current ratio represents total current assets divided by total current liabilities.
(4) Net debt/equity ratio represents total borrowings minus cash and cash equivalents divided by total equity (total assets minus total liabilities).

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

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

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

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

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

FINANCIAL INFORMATION OF BEIJING BENZ

Description of Selected Income Statement Line Items

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

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

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

Revenue

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

Cost of Sales

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

Gross Profit and Gross Margin

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

Selling and Distribution Expenses

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

General and Administrative Expenses

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

Other Gains, Net

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

Finance Costs, Net

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

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

Income Tax Expenses

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

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

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

Results of Operations

2013 compared with 2012

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

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

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

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

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

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

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

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

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

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

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

2012 compared with 2011

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

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

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

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

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

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

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

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

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

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

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

Liquidity

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

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

Cash Flow Generated from Operating Activities

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

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

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

Cash Flow Used in Investing Activities

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

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

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

Cash Flow Generated from Financing Activities

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

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

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

Net Current Assets and Liabilities

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

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

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

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

Inventories

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

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

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

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

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

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

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

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

Accounts Receivable

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

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

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

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

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

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

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

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

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

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

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

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

Other Receivables and Prepayments

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

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

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

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

Accounts Payable

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

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

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

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

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

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

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

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

Other Payables and Accruals

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

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

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

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

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

Indebtedness

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

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

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

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

SUMMARIZED FINANCIAL INFORMATION OF BEIJING HYUNDAI

Summarized Statements of Comprehensive Income

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

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

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

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

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

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

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

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

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

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

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

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

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

2013 compared with 2012

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

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

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

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

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

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

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

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

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

2012 compared with 2011

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

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

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

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

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

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

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

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

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

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

Summarized Balance Sheets

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

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

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

Cash and cash equivalents

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

Accounts receivable

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

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

Inventories

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

Other current assets

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

Non-current assets

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

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

Accounts payable

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

Other current liabilities

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

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

Non-current liabilities

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

MARKET RISK DISCLOSURE

Foreign Exchange Risk

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

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

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

Interest Rate Risk

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

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

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

Credit Risk

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

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

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities.

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

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

RELATED-PARTY TRANSACTIONS

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

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

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

DIVIDEND POLICY

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

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

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

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

DISTRIBUTABLE RESERVES

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

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

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

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

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

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

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

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

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

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

DISCLOSURE REQUIRED UNDER RULES 13.13 to 13.19 OF THE LISTING RULES

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

NO MATERIAL ADVERSE CHANGE

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

LISTING EXPENSES

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

FUTURE PLANS

See "Business—Business Strategies" for a detailed discussion of our future plans.

USE OF PROCEEDS

Assuming an Offer Price of HK$8.70 per H Share (being the mid-point of the stated range of the Offer Price between HK$7.60 and HK$9.80 per H Share), we estimate that we will receive net proceeds of approximately HK$9,656.8 million from the Global Offering after deducting the underwriting commissions and other estimated expenses in the Global Offering, if the Over-allotment Option is not exercised.

In line with our business strategies, we intend to use the net proceeds from the Global Offering for the purposes and in the amounts (assuming the Over-allotment Option is not exercised) set forth below:

- approximately 60%, or HK$5,794.1 million (RMB4,584.8 million), will be used for fixed asset investment, which has a total estimated investment amount of approximately RMB33.2 billion. We have obtained the relevant approvals and/or permits required from the government authorities in China in order to implement these fixed asset investment plans. The following table sets forth the details of these projects:

Projects	Total investment	Net proceeds to be used	Net proceeds allocation
Beijing Motor			
Powertrain Manufacturing Base Construction Project (Phase I)	RMB4,020.0 million	RMB2,060.1 million	approximately 81% for construction investment, 2% for interest accrued during construction, and 17% for others
Powertrain Research and Development Center Construction Project (Phase I)	RMB1,000.7 million	RMB551.8 million	approximately 95% for construction investment, 4% for interest accrued during construction, and 1% for others
Beijing Benz			
Passenger vehicle production expansion plan	RMB21,145.6 million	RMB1,349.4 million	approximately 91% for construction investment, 4% for interest accrued during construction, and 5% for others
Engine Factory	RMB6,990.6 million	RMB623.5 million	approximately 90% for construction investment, 4% for interest accrued during construction, and 6% for others
Total	RMB33,156.9 million	RMB4,584.8 million	

For additional information, see "Business—Manufacturing Facilities and Process;"

- approximately 10%, or HK$965.7 million, will be used to develop Beijing Motor passenger vehicles;
- approximately 5%, or HK$482.8 million, will be used for the development of the sales network and the promotion of Beijing Motor passenger vehicles;

- approximately 15%, or HK$1,448.5 million, will be used to repay our bank borrowings. To the extent that we may prepay the principal and interest of any bank borrowings, we will not incur any prepayment penalties as a result of such prepayment. The following table sets forth the details of these loans:

Lender	Maturity	Interest rate
Bank of China (Hong Kong)	May 2015	2.85% plus 3-month LIBOR
Bank of Beijing	September 2016	5.76%
Agricultural Bank of China	July 2017	5.76%
Agricultural Bank of China	July 2017	6.40%
Industrial and Commercial Bank of China	February 2018	5.89%

For additional information, see "Financial Information—Indebtedness;" and

- approximately 10%, or HK$965.7 million, will be used to replenish our working capital and for general corporate use.

If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds from the offering of these additional H Shares will be approximately HK$1,454.9 million, after deducting the underwriting commissions and estimated expenses in the Global Offering, assuming an Offer Price of HK$8.70 per H Share (being the mid-point of the stated range of the Offer Price between HK$7.60 and HK$9.80 per H Share). We intend to use all the additional net proceeds proportionately as earmarked above.

The allocation of the net proceeds used for the above will be adjusted in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range. If the Offer Price is fixed at HK$9.80 per H Share, being the high end of the stated Offer Share range, our net proceeds will be (i) increased by approximately HK$1,226.3 million, assuming the Over-allotment Option is not exercised; or (ii) increased by approximately HK$1,410.3 million, assuming the Over-allotment Option is exercised in full. In such circumstances, we intend to apply such additional net proceeds to the same purposes above on a pro rata basis. If the Offer Price is fixed at HK$7.60 per H Share, being the low end of the stated Offer Share range, our net proceeds will be (i) decreased by approximately HK$1,226.3 million, assuming the Over-allotment Option is not exercised; or (ii) decreased by approximately HK$1,410.3 million, assuming the Over-allotment Option is exercised in full. In such circumstances, we presently intend to reduce the net proceeds applied to the same purposes above on a pro rata basis.

To the extent that the net proceeds of the Global Offering are not immediately applied to the above purposes and to the extent permitted by relevant laws and regulations, the Company intends that such proceeds be placed in short-term interest-bearing instruments such as bank deposits or money market funds with licensed banks or other financial institutions in Hong Kong or the PRC.

The net proceeds from the sale of the Sale Shares by the Selling Shareholders in the Global Offering (assuming the Over-allotment Option is not exercised) are estimated to be approximately HK$1,092.6 million, assuming an Offer Price of HK$9.80 per H Share (being the high end of the estimated price range), or approximately HK$847.3 million, assuming an Offer Price of HK$7.60 per H Share (being the low end of the estimated price range). If the Over-allotment Option is exercised in full, such net proceeds are estimated to be approximately HK$1,256.4 million, assuming an Offer Price of HK$9.80 per H Share (being the high end of the estimated price range), or approximately HK$974.4

million, assuming an Offer Price of HK$7.60 per H Share (being the low end of the estimated price range). The Company will not be entitled to retain any of the proceeds from the sale of the Sale Shares by the Selling Shareholders. In accordance with the instructions from the NSSF, the Company is required to remit the net proceeds from the sale of the Sale Shares under the Global Offering to the NSSF.

HONG KONG UNDERWRITERS

Deutsche Bank AG, Hong Kong Branch
The Hongkong and Shanghai Banking Corporation Limited
Morgan Stanley Asia Limited
CITIC Securities Corporate Finance (HK) Limited
China Merchants Securities (HK) Co., Limited
UBS AG, Hong Kong Branch
China Securities (International) Corporate Finance Company Limited
BOCI Asia Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between our Company, BAIC Group (for itself and on behalf of the other Selling Shareholders), the Joint Global Coordinators, the Joint Bookrunners and the Underwriters, the Global Offering will not proceed and will lapse. The Global Offering comprises the Hong Kong Public Offering of initially 61,941,000 Hong Kong Offer Shares and the International Offering of initially 1,176,879,000 International Offer Shares, subject in each case, to reallocation on the basis as described in the section "Structure of the Global Offering" as well as to the Over-allotment Option in the case of the International Offering.

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on December 8, 2014. Pursuant to the Hong Kong Underwriting Agreement, the Company is offering the Hong Kong Offer Shares for subscription by the public in Hong Kong on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (i) the Listing Committee granting approval for the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering on the Main Board of the Stock Exchange and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement (including the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, BAIC Group (for itself and on behalf of the other Selling Shareholders) and us agreeing upon the Offer Price), the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters and the Joint Bookrunners) and the Joint Sponsors shall be entitled, after consultation with the Company to the extent reasonably practicable, by written notice to the Company, to terminate the Hong Kong Underwriting Agreement with immediate effect if, at any time prior to 8:00 a.m. on the Listing Date:

(A) there shall develop, occur, exist or come into effect:

i. any national or international event or series of events in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed)) in or affecting Relevant Jurisdictions (as defined below); or

ii. any change or development involving a prospective change or development, or any event or series of events likely to result in any change or development involving a prospective change or development, in any national or international, financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting Hong Kong, the PRC, Japan, the United States, the United Kingdom, the European Union as a whole, Singapore, or any other jurisdiction relevant to any member of the Group or the Global Offering (each, a "**Relevant Jurisdiction**"); or

iii. any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the SEHK, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, the NYSE Amex Equities, the NASDAQ Global Market, the London Stock Exchange or the Tokyo Stock Exchange; or

iv. any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other Authority), New York (imposed at Federal or New York State level or other competent Authority), London, the PRC, the European Union as a whole, or any of the Relevant Jurisdictions declared by the relevant Authorities, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of the Relevant Jurisdictions; or

v. any new Law, or any change or development involving a prospective change in the existing laws or in the interpretation or application by any court or other competent Authority of existing Laws, in each case, in any of the Relevant Jurisdictions; or

vi. the imposition of economic sanctions, or the withdrawal of trading privileges, directly or indirectly, by, or for any of the Relevant Jurisdictions; or

vii. a change or development involving a prospective change in or affecting exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a material devaluation of the Hong Kong dollar or appreciation of the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions or any change or prospective change in Taxation in any Relevant Jurisdiction adversely affecting an investment in the H Shares,

viii. any legal or regulatory proceeding, action or claim of any third party being threatened or instigated against any member of the Group and/or the executive Directors; or

ix. a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

x. the chairman or chief executive officer of the Company vacating his or her office; or

xi. an Authority or a political body or organization in any of the Relevant Jurisdictions commencing any investigation or other action against any member of the Group or Director or an announcement by an Authority or a political body or organization in any of the Relevant Jurisdictions that it intends to take any such action; or

xii. a contravention by any member of the Group of the Listing Rules or applicable Laws; or

xiii. a governmental, regulatory or judicial prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the H Shares pursuant to the terms of the Global Offering; or

xiv. non-compliance of the Prospectus (or any other documents used in connection with the contemplated offer, subscription and sale of the H Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable Laws; or

xv. an order or petition or demand for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group,

which, individually or in the aggregate, in the sole opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters and the Joint Bookrunners) and the Joint Sponsors: (1) has or will or is likely to have a Material Adverse Change; or (2) has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or (3) makes or will make or is likely to make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or (4) has or will or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement or International Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(B) there has come to the notice of the Joint Sponsors, the Joint Bookrunners, the Joint Global Coordinators or any of the Hong Kong Underwriters:

i. that any statement contained in any of the prospectus and the Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect, incomplete in any material respect or misleading in any respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the prospectus and the Application Forms and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest or not based on reasonable assumptions; or

ii. that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of the Prospectus, result in a material misstatement in or constitute an material omission from any of the prospectus and the Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

iii. any material breach of any of the undertakings, obligations or provisions of the Hong Kong Underwriting Agreement or the International Underwriting Agreement by the Company; or

iv. that any expert named in the Prospectus (other than the Joint Sponsors) withdraws its consent to the issue of the Application Forms or the Prospectus with the inclusion of its reports, letters, summaries of valuations, and references to its name in the form and context in which it respectively appears in any of the Prospectus or the Application Forms; or

v. any material event, act or omission which gives or is likely to give rise to any liability of the Company pursuant to Clause 12 of the Hong Kong Underwriting Agreement; or

vi any Material Adverse Change; or

vii. any breach of, or any event or circumstance rendering untrue, incorrect or misleading in any respect, any of the warranties given under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

viii. approval by the Listing Committee of the listing of, and permission to deal in, the H Shares to be issued or sold (including any additional H Shares that may be issued or sold pursuant to the exercise of the Over-Allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

ix. the Company withdraws the Prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering.

Undertakings to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by the Company

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that it will not issue any further H Shares or other securities convertible into equity securities of the Company (whether or not of a class already listed) or enter into any agreement or arrangement to such issue within six months from the Listing Date (whether or not such issue of H Shares or such other securities will be completed within six months from the commencement of dealing), except pursuant to the Global Offering or under any of the circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by the Controlling Shareholder

Pursuant to Rule 10.07 of the Listing Rules, the Controlling Shareholder has undertaken to the Stock Exchange and to the Company that it will not and will procure that the relevant registered holder(s) will not:

(i) in the period commencing on the date by reference to which disclosure of its shareholding in the Company is made in this prospectus and ending on the date which is six months from the date on which dealings in the H Shares commence on the Stock Exchange (the "**First Six-Month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any share of the Company directly or indirectly beneficially owned by us (except for the shares to be transferred to NSSF as required by relevant PRC laws, regulations or rules; or

(ii) in the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any shares of the Company directly or indirectly beneficially owned by us, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be the Controlling Shareholder of the Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, the Controlling Shareholder has undertaken to the Stock Exchange and to the Company that, within the period commencing on the date by reference to which disclosure of its shareholding in the Company is made in this prospectus and ending on the date which is 12 months from the date on which dealings in the H Shares commence on the Stock Exchange, it will:

(a) when it pledges and/or charges any shares or other securities of the Company beneficially owned by it directly or indirectly in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform the Company of such pledge and/or charge together with the number of Shares so pledged and/or charged; and

(b) when it receives indications, either verbal or written, from the pledgee and/or chargee that any of the pledged and/or charged shares will be disposed of, immediately inform the Company of such indications.

We will also, as soon as we have been informed of the above matters (if any) by the Controlling Shareholder, inform the Stock Exchange and disclose such matters as soon as possible by way of an announcement to be published as required under the Listing Rules.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by the Company

The Company has undertaken to each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, the Hong Kong Underwriters (except pursuant to the Global Offering (including the H Shares to be offered by the Selling Shareholders as required by relevant PRC law, regulations and rules regarding the reduction of state-owned shares and the H Shares to be issued and/or sold pursuant to Over-allotment Option)), at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, when the First Six-Month Period expires, we will not without the prior written consent of the Joint Sponsors and Joint Global Coordinators (on behalf of the Joint Bookrunners and the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of, or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any H Shares or any other securities of the Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or other securities of the Company), or deposit any H Shares or other securities of the Company, with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any H Shares or any other securities of the Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or other securities of the Company); or

(c) enter into any transaction with the same economic effect as any transaction specified in paragraph (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraph (a), (b) or (c) above is to be settled by delivery of H Shares or other securities of the Company, or in cash or otherwise (whether or not the issue of such H Shares or such other shares or securities of the Company will be completed within the First Six-Month Period).

In the event that, during the Second Six-Month Period, the Company enters into any of the transactions specified in paragraph (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, the Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

Hong Kong Underwriters' Interests in the Company

Save for their respective obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement and saved as disclosed in this prospectus, as of the Latest Practicable Date, none of the Hong Kong Underwriters was interested legally or beneficially, directly or indirectly, in any H Shares or other securities of the Company or any other member of the Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any H Shares or other securities of the Company or any other member of the Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, the Company, the Selling Shareholders expect to enter into the International Underwriting Agreement with the Joint Bookrunners and the International Underwriters. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters or their respective affiliates would, subject to certain conditions set out therein, severally agree to procure purchasers for, or to purchase, Offer Shares being offered pursuant to the International Offering (excluding, for the avoidance of doubt, the Offer Shares which are subject to the Over-allotment Option). It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. Please see "Structure of the Global Offering—The International Offering" for further details.

Over-allotment Option

We and the Selling Shareholders expect to grant to the Joint Bookrunners and the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the Joint Bookrunners and the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company and the Selling Shareholders to offer up to an aggregate of 185,823,000 H Shares, representing no more than 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering, to cover over-allocations in the International Offering, if any.

Commissions and Expenses

The Underwriters or their respective affiliates will receive an underwriting commission of 1.0% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares issued pursuant to the exercise of the Over-allotment Option), out of which they will pay any sub-underwriting commissions and other fees.

For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters or their respective affiliates but will instead be paid, at the rate applicable to the International Offering, to the Joint Bookrunners and the relevant International Underwriters.

The aggregate underwriting commissions and fees together with the Stock Exchange listing fees, the SFC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to amount in aggregate to approximately HK$183.0 million (assuming an Offer Price of HK$8.70 per Offer Share (which is the mid-point of the indicative Offer Price range), the Over-allotment Option is not exercised and the full payment of a discretionary incentive fee), are payable and borne by the Company. The Selling Shareholders will pay the SFC transaction levy and the Stock Exchange trading fee in respect of the Sale Shares.

Indemnity

The Company has agreed to indemnify the Hong Kong Underwriters and the Joint Bookrunners for certain losses which they may suffer or incur, including liabilities under the U.S. Securities Act, losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by the Company of the Hong Kong Underwriting Agreement.

INDEPENDENCE OF THE JOINT SPONSORS

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the H Shares, those activities could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in "Structure of the Global Offering." Such activities may affect the market price or value of the

H Shares, the liquidity or trading volume in the H Shares and the volatility of the price of the H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to the Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(i) the Hong Kong Public Offering of initially 61,941,000 H Shares (subject to adjustment as mentioned below) for subscription by the public in Hong Kong as described in the section "The Hong Kong Public Offering" below; and

(ii) the International Offering of an aggregate of 1,176,879,000 H Shares (subject to adjustment and the Over-allotment Option as mentioned below), of which 1,064,259,000 H Shares are to be issued by the Company and 112,620,000 H Shares are to be offered for sale by the Selling Shareholders after conversion from Domestic Shares, (a) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in accordance with Regulation S and (b) in the United States to QIBs in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act, as described in "The International Offering" below.

Investors may either:

(i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or

(ii) apply for or indicate an interest for International Offer Shares under the International Offering, but may not do both.

Our Company has obtained the requisite PRC governmental approvals, including the approval of the CSRC, in respect of the Global Offering.

The Offer Shares will represent approximately 16.50% of the issued share capital of the Company immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 18.56% of the issued share capital of the Company immediately following the completion of the Global Offering.

References in this prospectus to applications, Application Forms, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

The Company is initially offering 61,941,000 H Shares for subscription by the public in Hong Kong at the Offer Price, representing 5% of the total number of Offer Shares initially available under the Global Offering. The number of H Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 0.8% of the issued share capital of the Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in the section "Conditions of the Global Offering" below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: pool A (30,970,500 Offer Shares) and pool B (30,970,500 Offer Shares) with any odd board lots being allocated to pool A. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the value of pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the "price" for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 30,970,500 Hong Kong Offer Shares (being 50% of the 61,941,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation under the Listing Rules. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached as further described below:

- 61,941,000 Offer Shares available in the Hong Kong Public Offering, representing approximately 5% of the Offer Shares initially available under the Global Offering;

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 92,912,000 Offer Shares, representing approximately 7.5% of the Offer Shares initially available under the Global Offering;
- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 123,882,000 Offer Shares, representing 10% of the Offer Shares initially available under the Global Offering; and
- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 247,764,000 Offer Shares, representing 20% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators and the Joint Sponsors deem appropriate. In addition, the Joint Global Coordinators and the Joint Sponsors may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed for, the Joint Global Coordinators and the Joint Sponsors have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is breached and/or untrue (as the case may be) or if it has been or will be placed or allocated International Offer Shares under the International Offering.

The listing of the H Shares on the Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$9.80 per Offer Share in addition to the brokerage, the SFC transaction levy and the

Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK$4,949.38 for one board lot of 500 H Shares. If the Offer Price, as finally determined in the manner described in the section "Pricing and Allocation" below, is less than the maximum Offer Price of HK$9.80 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section "How to Apply for the Hong Kong Offer Shares."

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

The International Offering will consist of an offering of initially 1,176,879,000 H Shares, consisting of 1,064,259,000 new H Shares to be issued by the Company and 112,620,000 H Shares to be converted from Domestic Shares held by the Selling Shareholders, representing 95% of the total number of Offer Shares initially available under the Global Offering.

The Selling Shareholders

The Selling Shareholders are initially offering a total of 112,620,000 Sale Shares as part of the Global Offering. The Selling Shareholders may sell up to an aggregate of 129,513,000 Sale Shares if the Over-allotment Option is exercised in full.

Pursuant to a letter issued by NSSF (She Bao Ji Jin Fa [2014] No. 124) on August 7, 2014, NSSF instructed us to (i) arrange for the sale of the Sale Shares as part of the Global Offering, and (ii) remit the proceeds from the sale of the Sale Shares to an account designated by NSSF.

Allocation

The International Offering will include selective marketing of Offer Shares to QIBs in the United States as well as institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in "Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further H Shares, and/or hold or sell its H Shares, after the Listing. Such allocation is intended to result in a distribution of the H Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Company and the Shareholders as a whole.

The Joint Global Coordinators (on behalf of the Joint Bookrunners and the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allotment of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the clawback arrangement described in the section "The Hong Kong Public Offering—Reallocation" above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Company and the Selling Shareholders are expected to grant the Over-allotment Option to the Joint Bookrunners and the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the Joint Bookrunners and the International Underwriters).

Pursuant to the Over-allotment Option, the Joint Bookrunners and the International Underwriters will have the right, exercisable by the Joint Global Coordinators (on behalf of the Joint Bookrunners and the International Underwriters) from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require the Company and the Selling Shareholders to offer up to an aggregate of 185,823,000 H Shares, representing not more than 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to, among others, cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional International Offer Shares to be offered pursuant thereto will represent approximately 2.4% of the issued share capital of the Company immediately following the completion of the Global Offering. H Shares to be issued or sold pursuant to partial exercises of the Over-allotment Option will be divided on a pro rata basis between new H Shares issued by the Company and H Shares to be converted from Domestic Shares sold by the Selling Shareholders in accordance with the total H Shares available under the Over-allotment Option. The Joint Global Coordinators may also cover such over-allocations by purchasing H Shares in the secondary market or by a combination of purchases in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations. If the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, as stabilizing manager, on behalf of the Joint Bookrunners and the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the H Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Short sales involve the sale by the Stabilizing Manager of a greater number of H Shares than the underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option.

The Stabilizing Manager may close out any covered short position by either exercising the Over-allotment Option to purchase additional H Shares or purchasing H Shares in the open market. In determining the source of the H Shares to close out the covered short position, the Stabilizing Manager will consider, among other things, the price of H Shares in the open market as compared to the price at which they may purchase additional H Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the H Shares while the Global Offering is in progress. Any market purchases of our H Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for it, to conduct any such stabilizing action. Such stabilizing action, if taken: (i) will be conducted at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it and in what the Stabilizing Manager reasonably regards as the best interest of the Company; (ii) may be discontinued at any time; and (iii) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the H Shares, (ii) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the H Shares, (iii) purchasing, or agreeing to purchase, the H Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the H Shares for the sole purpose of preventing or minimizing any reduction in the market price of the H Shares, (v) selling or agreeing to sell any H Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Stabilizing actions by the Stabilizing Manager, its affiliates or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it may, in connection with the stabilizing action, maintain a long position in the H Shares;
- there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager, its affiliates or any person acting for it will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager, its affiliates or any person acting for it and selling in the open market, may have an adverse impact on the market price of the H Shares;
- no stabilizing action can be taken to support the price of the H Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on January 11, 2015, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the H Shares, and therefore the price of the H Shares, could fall;
- the price of the H Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

The Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO will be made within seven days of the expiration of the stabilization period.

Over-allocation

Following any over-allocation of H Shares in connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it may cover such over-allocations by, among others, exercising the Over-allotment Option in full or in part, by using H Shares purchased by the Stabilizing Manager or any person acting for it in the secondary market at prices that do not exceed the Offer Price, or a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilization, the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO. The number of H Shares which can be over-allocated will not exceed the number of H Shares which may be sold pursuant to the exercise in full of the Over-allotment Option, being 185,823,000 H Shares, representing 15% of the Offer Shares initially available under the Global Offering.

PRICING AND ALLOCATION

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about December 12, 2014 and, in any event, no later than December 15, 2014, by agreement between the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, the Company and BAIC Group (for itself and on behalf of the other Selling Shareholders), and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$9.80 per Offer Share and is expected to be not less than HK$7.60 per Offer Share unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering must pay, on application, the maximum Offer Price of HK$9.80 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK$4,949.38 for one board lot of 500 H Shares. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the Offer Price range stated in this prospectus.

The Joint Bookrunners and the International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

The Joint Global Coordinators, on behalf of the Joint Bookrunners and the Underwriters, may, where they deem appropriate, based on the level of interest expressed by prospective investors and institutional investors during the book-building process in respect of the International Offering, and with the consent of the Company, reduce the number of Offer Shares offered and/or the Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of our Company (**www.baicmotor.com**) and the website of the Stock Exchange (**www.hkexnews.hk**) notices of the reduction. Upon the issue of such a notice, the revised number of Offer Shares and/or the Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators, the Joint Bookrunners and the Underwriters, the Company and BAIC Group (for itself and on behalf of the other Selling Shareholders), will be fixed within such revised Offer Price range. Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Global Offering statistics as currently set out in this prospectus and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Global Coordinators, the Joint Bookrunners and the Underwriters, the Company and BAIC Group (for itself and on behalf of the other Selling Shareholders), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares, the Joint Global Coordinators and the Joint Sponsors may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 5% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Bookrunners.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in “How to Apply for the Hong Kong Offer Shares—Publication of Results.”

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to the Company, BAIC Group (for itself and on behalf of the other Selling Shareholders), the Joint Global Coordinators, the Joint Bookrunners and the Underwriters agreeing on the Offer Price.

The Company expects to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarized in the section “Underwriting.”

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

(i) the Listing Committee granting approval for the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option) on the Main Board of the Stock Exchange and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

(ii) the Offer Price having been duly agreed between the Company, BAIC Group (for itself and on behalf of the other Selling Shareholders), the Joint Global Coordinators, the Joint Bookrunners and the Underwriters;

(iii) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(iv) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between the Company, BAIC Group (for itself and on behalf of the other Selling Shareholders), the Joint Global Coordinators, the Joint Bookrunners and the Underwriters on or before December 15, 2014, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among others, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at **www.hkexnews.hk** and the Company at **www.baicmotor.com** on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in "How to Apply for the Hong Kong Offer Shares—Despatch/Collection of H Share Certificates and Refund Monies." In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates issued in respect of the Offer Shares will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional in all respects and the right of termination described in "Underwriting" has not been exercised at any time prior to 8:00 a.m. on the Listing Date.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the H Shares in issue and to be issued pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option).

No part of our Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

H SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and the Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, December 19, 2014, it is expected that dealings in the Offer Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, December 19, 2014.

The H Shares will be traded in board lots of 500 H Shares each and the stock code of the H Shares will be 1958.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director, a Supervisor or chief executive officer of the Company and/or any of its subsidiaries;

- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, December 9, 2014 to 12:00 noon on Friday, December 12, 2014 from:

(i) any of the following offices of the Joint Bookrunners:

Deutsche Bank AG, Hong Kong Branch
Level 52
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Morgan Stanley Asia Limited
46/F, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

China Merchants Securities (HK) Co., Limited
48/F., One Exchange Square
Central
Hong Kong

UBS AG, Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

(ii) any of the branches of the following receiving banks:

Industrial and Commercial Bank of China (Asia) Limited

	Branch	Address
Hong Kong Island	West Point Branch	242-244 Queen's Road West, Sai Ying Pun, Hong Kong
	Quarry Bay Branch	Shop SLG1, Sub-Lower Ground Floor, Westlands Gardens, Nos. 2–12, Westlands Road, Quarry Bay, Hong Kong
Kowloon	Mongkok Branch	G/F., Belgian Bank Building, 721-725 Nathan Road, Mongkok, Kowloon
	Ngau Tau Kok Branch	Shop Nos. G211-214, G/F, Phase II, Amoy Plaza, 77 Ngau Tau Kok Road, Kowloon
New Territories	Tuen Mun Branch	217 A-F Central Services Building, Nan Fung Industrial City, 18 Tin Hau Road, Tuen Mun, New Territories
	Tai Po Branch	Shop F, G/F, Mee Fat Building, No 34-38 Tai Wing Lane, Tai Po, New Territories

Bank of Communications Co., Ltd. Hong Kong Branch

	Branch	Address
Hong Kong Island	Hong Kong Branch	20 Pedder Street, Central, Hong Kong
	King's Road Sub-Branch	67–71 King's Road, Hong Kong
Kowloon	Tsim Sha Tsui Sub-Branch	Shop 1–3, G/F., 22–28 Mody Road, Tsim Sha Tsui, Kowloon
	Cheung Sha Wan Plaza Sub-Branch	Unit G04, Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road, Kowloon
New Territories	Yuen Long Sub-Branch	Shop 2B, G/F, Man Yu Building, 2–14 Tai Fung Street, Yuen Long, New Territories
	Tseung Kwan O Sub-Branch	Shop 253–255, Metro City Shopping Arcade, Phase I, Tseung Kwan O, New Territories

Wing Lung Bank, Limited

	Branch	Address
Hong Kong Island	Johnston Road Branch	118 Johnston Road
	North Point Branch	361 King's Road
Kowloon	Lam Tin Sceneway Plaza Branch	Shop 59, 3/F Sceneway Plaza, 8 Sceneway Road, Lam Tin
	To Kwa Wan Branch	64 To Kwa Wan Road
New Territories	Tsuen Wan Branch	251 Sha Tsui Road
	Sheung Shui Branch	128 San Fung Avenue

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, December 9, 2014 until 12:00 noon on Friday, December 12, 2014 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "ICBC (Asia) Nominee Limited—BAIC Motor Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- Tuesday, December 9, 2014 - 9:00 a.m. to 5:00 p.m.
- Wednesday, December 10, 2014 - 9:00 a.m. to 5:00 p.m.
- Thursday, December 11, 2014 - 9:00 a.m. to 5:00 p.m.
- Friday, December 12, 2014 - 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, December 12, 2014, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to the Company, our H Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any H Share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the H Share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the Yellow Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "Who can apply" section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO service

You may submit your application to the **White Form eIPO** service at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, December 9, 2014 until 11:30 a.m. on Friday, December 12, 2014 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, December 12, 2014 or such later time under the "Effects of Bad Weather on the Opening of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of White Form eIPO service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK$ 2 for each "BAIC MOTOR CORPORATION LIMITED" **White Form eIPO** application submitted via the website to support the funding of "Source of Dong Jiang—Hong Kong Forest" project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 2979-7888 or through the CCASS Internet System (***https://ip.ccass.com***) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our H Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, our H Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.
- agree with the Company, for itself and for the benefit of each shareholder of the Company and each director, supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in

part of this application to have agreed, for itself and on behalf of each shareholder of the Company and each director, supervisor, manager and other senior officer of the Company, with each CCASS Participant giving electronic application instructions):

(a) to refer all differences and claims arising from the Articles of Association of the Company or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association of the Company;

(b) that any award made in such arbitration shall be final and conclusive; and

(c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

- agree with the Company (for the Company itself and for the benefit of each shareholder of the Company) that H shares in the Company are freely transferable by their holders; and
- authorize the Company to enter into a contract on its behalf with each director and officer of the Company whereby each such director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association of the Company.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 500 Hong Kong Offer Shares. Instructions for more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Tuesday, December 9, 2014 - 9:00 a.m. to 8:30 p.m.[(1)].
- Wednesday, December 10, 2014 - 8:00 a.m. to 8:30 p.m.[(1)].
- Thursday, December 11, 2014 - 8:00 a.m. to 8:30 p.m.[(1)].
- Friday, December 12, 2014 - 8:00 a.m.[(1)] to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing / Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Tuesday, December 9, 2014 until 12:00 noon on Friday, December 12, 2014 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Friday, December 12, 2014, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the H Share Registrar, the receiving bankers, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong

Offer Shares through the **White Form eIPO** service is also only a facility provided by the White Form eIPO Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Bookrunners, the Joint Sponsors, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Friday, December 12, 2014.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for H Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for H Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 500 Hong Kong Public Offer Shares. Each application or electronic application instruction in respect of more than 500 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "Structure of the Global Offering—Pricing and Allocation."

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warming signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, December 12, 2014. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, December 12, 2014 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable," an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, December 18, 2014 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the Company's website at **www.baicmotor.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.baicmotor.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Thursday, December 18, 2014;
- from the designated results of allocations website at **www.iporesults.com** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, December 18, 2014 to 12:00 midnight on Wednesday, December 24, 2014;
- by telephone enquiry line by calling 2862-8669 between 9:00 a.m. and 10:00 p.m. from Thursday, December 18, 2014 to Sunday, December 21, 2014;
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, December 18, 2014 to Saturday, December 20, 2014 at all the receiving bank branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering."

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or through **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe(s) that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$9.80 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering—Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, December 18, 2014.

14. DESPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND MONIES

You will receive one H share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- H Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, H Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/ passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of H Share certificates and refund monies as mentioned below, any refund cheques and H Share certificates are expected to be posted on or around Thursday, December 18, 2014. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

H Share certificates will only become valid at 8:00 a.m. on Friday, December 19, 2014 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or H Share certificate(s) from the H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, December 18, 2014 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund cheque(s) and/or H Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or H Share certificate(s) will be sent to the address on the relevant Application Form on Thursday, December 18, 2014, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, December 18, 2014, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, December 18, 2014, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

For Hong Kong Public Offering shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS investor participant**

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, December 18, 2014 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO Service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, December 18, 2014, or such other date as notified by the Company in the newspapers as the date of despatch/collection of H Share certificates/ e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, December 18, 2014 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, December 18, 2014, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information

relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Thursday, December 18, 2014. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, December 18, 2014 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, December 18, 2014. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, December 18, 2014.

15. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Offer Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Offer Shares to be admitted into CCASS.

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

pwc 羅兵咸永道

December 9, 2014

The Directors
BAIC Motor Corporation Limited

HSBC Corporate Finance (Hong Kong) Limited
CITIC Securities Corporate Finance (HK) Limited
Deutsche Securities Asia Limited
UBS Securities Hong Kong Limited

Dear Sirs,

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

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

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

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

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

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

Directors' Responsibility for the Financial Information

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

Reporting Accountant's Responsibility

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

Opinion

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

Review of Stub Period Comparative Financial Information

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

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

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the IAASB. A review of the Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with ISAs and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

I. FINANCIAL INFORMATION OF THE GROUP

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

CONSOLIDATED BALANCE SHEETS

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

CONSOLIDATED BALANCE SHEETS (CONTINUED)

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

BALANCE SHEETS

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

BALANCE SHEETS (CONTINUED)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	For the year ended December 31,			For the six months ended June 30,	
		2011	2012	2013	2013	2014
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Continuing operations						
Revenue	5	1,915,738	3,519,669	12,781,868	2,293,837	25,126,877
Cost of sales	29	(1,888,490)	(3,687,797)	(12,366,687)	(2,607,290)	(21,711,810)
Gross profit/(loss)		27,248	(168,128)	415,181	(313,453)	3,415,067
Selling and distribution expenses	29	(398,640)	(1,030,547)	(2,203,297)	(489,616)	(2,071,834)
General and administrative expenses	29	(354,469)	(505,532)	(1,251,360)	(290,836)	(1,275,454)
Other gains, net	28	106,426	1,855,459	619,650	50,892	13,407
Operating (loss)/profit		(619,435)	151,252	(2,419,826)	(1,043,013)	81,186
Finance income	31	31,921	43,161	113,630	25,210	156,283
Finance costs	31	(113,797)	(201,414)	(589,342)	(231,712)	(392,851)
Finance costs, net		(81,876)	(158,253)	(475,712)	(206,502)	(236,568)
Share of profits of joint ventures		3,571,598	3,834,902	5,986,518	2,951,154	2,777,840
Share of (losses)/profits of associates		(86,147)	(42,844)	35,749	11,881	35,364
Profit before income tax		2,784,140	3,785,057	3,126,729	1,713,520	2,657,822
Income tax expense	32	(21,324)	(226,316)	(113,316)	(8,790)	(318,244)
Profit for the year/period from continuing operations		2,762,816	3,558,741	3,013,413	1,704,730	2,339,578
Discontinued operations						
Loss for the year from discontinued operations	20	(196,184)	(80,670)	—	—	—
Profit for the year/period		2,566,632	3,478,071	3,013,413	1,704,730	2,339,578
Other comprehensive income		—	—	—	—	—
Total comprehensive income for the year/period		2,566,632	3,478,071	3,013,413	1,704,730	2,339,578
Attributable to:						
Equity holders of the Company		2,598,483	3,417,427	2,776,380	1,650,211	1,809,713
Non-controlling interests		(31,851)	60,644	237,033	54,519	529,865
		2,566,632	3,478,071	3,013,413	1,704,730	2,339,578
Profit/(loss) and total comprehensive income/(loss) attributable to equity holders of the Company from:						
— continuing operations		2,698,386	3,458,569	2,776,380	1,650,211	1,809,713
— discontinued operations		(99,903)	(41,142)	—	—	—
		2,598,483	3,417,427	2,776,380	1,650,211	1,809,713
Basic and diluted earnings/losses per share for profit/(loss) attributable to equity holders of the Company during the year/period (RMB)						
— continuing operations	33	0.56	0.69	0.49	0.30	0.28
— discontinued operations	33	(0.02)	(0.01)	—	—	—
		0.54	0.68	0.49	0.30	0.28
Dividends (RMB'000)	34	—	1,500,000	1,807,937	212,482	677,984

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							
	Share capital	Share premium	Capital reserve	Statutory surplus reserve	Retained earnings	Sub-total	Non-controlling interests	Total
	RMB'000 (Note 21)	RMB'000 (Note 22(a))	RMB'000 (Note 22(c))	RMB'000 (Note 22(b))	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2011	4,261,283	4,369,814	(2,613,985)	683,580	794,184	7,494,876	457,105	7,951,981
Total comprehensive income/(loss) for the year	—	—	—	—	2,598,483	2,598,483	(31,851)	2,566,632
Transactions with owners								
Issuance of new shares	738,717	1,272,561	(511,278)	—	—	1,500,000	—	1,500,000
Contribution from non-controlling interests holder of a subsidiary	—	—	—	—	—	—	45,000	45,000
Dividends to non-controlling interests holders of subsidiaries	—	—	—	—	—	—	(29,174)	(29,174)
Deemed distributions to holding company (Note 1.2(a))	—	—	(734,796)	—	—	(734,796)	—	(734,796)
	738,717	1,272,561	(1,246,074)	—	—	765,204	15,826	781,030
Balance at December 31, 2011	5,000,000	5,642,375	(3,860,059)	683,580	3,392,667	10,858,563	441,080	11,299,643
Balance at January 1, 2012	5,000,000	5,642,375	(3,860,059)	683,580	3,392,667	10,858,563	441,080	11,299,643
Total comprehensive income for the year	—	—	—	—	3,417,427	3,417,427	60,644	3,478,071
Transactions with owners								
Issuance of new shares	462,000	2,541,000	—	—	—	3,003,000	—	3,003,000
Appropriation to statutory surplus reserve	—	—	—	193,383	(193,383)	—	—	—
Dividends declared/paid by the Company	—	—	—	—	(1,500,000)	(1,500,000)	—	(1,500,000)
Dividends to non-controlling interests holders of subsidiaries	—	—	—	—	—	—	(70,546)	(70,546)
Disposal of subsidiaries (Note 1.2(b)(i))	—	—	—	—	—	—	(88,583)	(88,583)
Acquisition of non-controlling interests (Note 1.2(b)(ii))	—	—	(14,920)	—	—	(14,920)	(128,612)	(143,532)
Increase of capital reserve in an associate	—	—	33,541	—	—	33,541	672	34,213
	462,000	2,541,000	18,621	193,383	(1,693,383)	1,521,621	(287,069)	1,234,552
Balance at December 31, 2012	5,462,000	8,183,375	(3,841,438)	876,963	5,116,711	15,797,611	214,655	16,012,266
Balance at January 1, 2013	5,462,000	8,183,375	(3,841,438)	876,963	5,116,711	15,797,611	214,655	16,012,266
Total comprehensive income for the year	—	—	—	—	2,776,380	2,776,380	237,033	3,013,413
Transactions with owners								
Issuance of new shares	919,818	5,212,163	—	—	—	6,131,981	—	6,131,981
Appropriation to statutory surplus reserve	—	—	—	249,498	(249,498)	—	—	—
Dividends declared/paid by the Company	—	—	—	—	(1,807,937)	(1,807,937)	—	(1,807,937)
Dividends to non-controlling interests holders of subsidiaries	—	—	—	—	—	—	(920,815)	(920,815)
Acquisition of a subsidiary (Note 37)	—	—	—	—	—	—	7,830,868	7,830,868
Others	—	—	(93)	—	—	(93)	(96)	(189)
	919,818	5,212,163	(93)	249,498	(2,057,435)	4,323,951	6,909,957	11,233,908
Balance at December 31, 2013	6,381,818	13,395,538	(3,841,531)	1,126,461	5,835,656	22,897,942	7,361,645	30,259,587

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the Company							
	Share capital	Share premium	Capital reserve	Statutory surplus reserve	Retained earnings	Sub-total	Non-controlling interests	Total
	RMB'000 (Note 21)	RMB'000 (Note 22(a))	RMB'000 (Note 22(c))	RMB'000 (Note 22(b))	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2013	5,462,000	8,183,375	(3,841,438)	876,963	5,116,711	15,797,611	214,655	16,012,266
Total comprehensive income for the period	—	—	—	—	1,650,211	1,650,211	54,519	1,704,730
Transactions with owners								
Issuance of new shares	154,000	847,000	—	—	—	1,001,000	—	1,001,000
Dividends declared/paid by the Company	—	—	—	—	(212,482)	(212,482)	—	(212,482)
Others	—	—	7	—	—	7	—	7
	154,000	847,000	7	—	(212,482)	788,525	—	788,525
Balance at June 30, 2013 (unaudited)	5,616,000	9,030,375	(3,841,431)	876,963	6,554,440	18,236,347	269,174	18,505,521
Balance at January 1, 2014	6,381,818	13,395,538	(3,841,531)	1,126,461	5,835,656	22,897,942	7,361,645	30,259,587
Total comprehensive income for the period	—	—	—	—	1,809,713	1,809,713	529,865	2,339,578
Transactions with owners								
Dividends declared/paid by the Company	—	—	—	—	(677,984)	(677,984)	—	(677,984)
Others	—	—	67	—	—	67	100	167
	—	—	67	—	(677,984)	(677,917)	100	(677,817)
Balance at June 30, 2014	6,381,818	13,395,538	(3,841,464)	1,126,461	6,967,385	24,029,738	7,891,610	31,921,348

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Note	For the year ended December 31,			For the six months ended June 30,	
		2011	2012	2013	2013	2014
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cash flows from financing activities						
Issuance of new shares		1,500,000	3,003,000	6,131,981	1,001,000	—
Contribution from non-controlling interests holder of a subsidiary		45,000	—	—	—	—
Proceeds from borrowings		2,817,580	10,650,741	10,600,291	5,568,458	9,273,241
Repayments of borrowings		(268,765)	(4,652,898)	(4,111,757)	(2,074,231)	(9,284,620)
Dividends paid by the Company		—	(1,500,000)	(212,482)	—	(1,595,455)
Dividends to non-controlling interests holders of subsidiaries		(37,174)	(41,017)	(72,802)	—	(31,268)
Acquisition of non-controlling interests		—	(74,316)	—	—	—
Dividends to original shareholders of a subsidiary		(2,008,968)	—	—	—	—
Net cash generated from/(used in) financing activities		2,047,673	7,385,510	12,335,231	4,495,227	(1,638,102)
Net (decrease)/increase in cash and cash equivalents		(1,418,765)	1,072,288	13,570,276	3,400,807	(2,017,781)
Cash and cash equivalents at January 1,		3,237,020	1,817,526	2,891,385	2,891,385	16,459,044
Exchange (losses)/gains on cash and cash equivalents		(729)	1,571	(2,617)	(1,790)	(517)
Cash and cash equivalents at December 31/June 30,	35(d)	1,817,526	2,891,385	16,459,044	6,290,402	14,440,746

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP

1 General Information

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

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

1.1 Incorporation of the Company

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

(a) BAIC Group subscribed 51% equity interest of the Company by injection of the following into the Company:

- 100% equity interest in each of BAIC Motor Powertrain Co., Ltd. ("Powertrain") and BAIC Auto New Energy Vehicle Limited Company ("New Energy"), 51% equity interest in Beijing Automobile Works Co., Ltd. ("BAIC Limited") and approximately 41.21% equity interest in BAIC Investment Co., Ltd. ("BAIC Investment") amounting to a total consideration of approximately RMB 3,599 million;
- passenger vehicle-related manufacturing business amounting to a total consideration of approximately RMB 511 million; and
- approximately RMB 1,317 million in cash.

(b) Beijing Shougang Co., Ltd. ("Shougang Limited"), Beijing State-Owned Assets Management Co., Ltd. ("BSAM"), Modern Innovation Holding Co., Ltd. ("Modern Innovation") and Beijing Energy Investment Holding Co., Ltd. ("Beijing Energy Investment") subscribed an aggregate of 44% equity interest of the Company by injection of their respective equity interests in BAIC Investment (in aggregate of approximately 56.74%) amounting to a total consideration of approximately RMB 4,032 million and RMB 650 million in cash.

(c) Beijing State-owned Assets Management and Administration Center ("BSAMAC") subscribed 5% equity interest of the Company for a cash consideration of approximately RMB 532 million.

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

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

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

1 General Information—continued

1.1 Incorporation of the Company—continued

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

1.2 Major changes in Group structure

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

(a) Business combinations under common control

(i) On January 25, 2011, the Company acquired from BAIC Group its two branches and operations that are engaged in passenger vehicle-related manufacturing and research and development activities for a total cash consideration of approximately RMB 674 million.

(ii) On November 28, 2011, the Company acquired from BAIC Group its entire 100% equity interest in BAIC Hong Kong Investment Corp. Limited ("BAIC Hong Kong") for a total cash consideration of approximately RMB 60 million.

(b) Other material transactions with BAIC Group

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

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

(ii) On June 21, 2012, the Company acquired from Beijing Beinei Limited, a subsidiary of BAIC Group, its entire 50% equity interest in Beijing Beinei Engine Parts and Components Co., Ltd. ("Beijing Beinei Engine") for a total cash consideration of approximately RMB 144 million. Prior to this, the Group had been consolidating Beijing Beinei Engine given that BAIC Investment held 50% equity interest and has control over this entity.

(iii) On January 4, 2013, the Company acquired BAIC Group's entire 50% equity interests in Beijing Benz Automotive Co., Ltd. ("Beijing Benz") at a cash consideration of approximately RMB 6,725 million. On November 18, 2013, the Company acquired a further 1% equity interest in Beijing Benz at a cash consideration of RMB 216 million and thereby obtained control of Beijing Benz, which became a subsidiary of the Company since then. Further information is set out in Note 37 to this Financial Information of the Group and Section III—Additional Financial Information of Beijing Benz.

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

1 General Information—continued

1.2 Major changes in Group structure—continued

(b) Other material transactions with BAIC Group—continued

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

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

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

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

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

1 General Information—continued

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

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

notes:

(i) The statutory financial statements of this company for the years ended December 31, 2011, 2012 and 2013 were audited by Grant Thornton China LLP (formerly known as Grant Thornton Jingdu Tianhua).

(ii) The statutory financial statements of this company for the years ended December 31, 2011, 2012 and 2013 were audited by KPMG Huazhen (SGP) (formerly known as KPMG Huazhen).

(iii) The statutory financial statements of this company for the years ended December 31, 2011, 2012 and 2013 were audited by PricewaterhouseCoopers Zhong Tian LLP (formerly known as PricewaterhouseCoopers Zhong Tian CPAs Limited Company).

(iv) The statutory financial statements of this company for the years ended December 31, 2011, 2012 and 2013 were audited by Grant Thornton Certified Public Accountants.

* Prior to June 21, 2012, Beijing Beinei Engine was considered as a subsidiary of BAIC Investment since BAIC Investment was able to control the board of Beijing Beinei Engine though a contractual arrangement. Beijing Beinei Engine became a wholly owned subsidiary of the Group from June 21, 2012 onwards.

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

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

2 Summary of significant accounting policies—continued

2.1 Basis of preparation—continued

The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value.

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

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

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

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

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

New/revised standards, amendments to standards and interpretations

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

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

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

2 Summary of significant accounting policies—continued

2.1 Basis of preparation—continued

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

- IFRIC 21 "Levies" (effective for annual periods beginning on or after January 1, 2014) is an interpretation on the accounting for levies imposed by governments. IFRIC 21 is an interpretation of IAS 37 "Provisions, contingent liabilities and contingent assets." IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- Annual improvements 2012 (effective for annual periods beginning on or after July 1, 2014). The amendments include changes from the 2010-2012 cycle of the annual improvements project that affect seven standards: IFRS 2 "Share-based Payment," IFRS 3 "Business Combinations," IFRS 8 "Operating Segments," the basis for conclusion on IFRS 13 "Fair Value Measurement," IAS 16 "Property, Plant and Equipment," IAS 24 "Related Party Disclosures" and IAS 38 "Intangible Assets."

- Annual improvements 2013 (effective for annual periods beginning on or after July 1, 2014). The amendments include changes from the 2011-2013 cycle of the annual improvements project that affect four standards: IFRS 1 "First-time Adoption of International Financial Reporting Standards," IFRS 3 "Business Combinations," IFRS 13 "Fair Value Measurement" and IAS 40 "Investment Property."

- IFRS 15, "Revenue from Contracts with Customers" (effective for annual periods beginning on or after January 1, 2017) replaces the previous revenue standards and the related Interpretations on revenue recognition. It establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract (3) Determine the transaction price (4) Allocate transaction price to performance obligations and (5) recognize revenue when performance obligation is satisfied. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes' to an 'asset-liability' approach based on transfer of control. It provides specific guidance on capitalization of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

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

2 Summary of significant accounting policies—continued

2.2 Subsidiaries

(a) Consolidation

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

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

(b) Separate financial statements

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

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

2 Summary of significant accounting policies—continued

2.2 Subsidiaries—continued

(b) Separate financial statements—continued

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

(c) Disposal of subsidiaries

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

2.3 Joint arrangements

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

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

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

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

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

2.4 Associates

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

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

2 Summary of significant accounting policies—continued

2.4 Associates—continued

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

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

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

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

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

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

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) Functional and presentation currency

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

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

2 Summary of significant accounting policies—continued

2.6 Foreign currency translation—continued

(b) Transactions and balances

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

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

2.7 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

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

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

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

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

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

2.8 Land use rights

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

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

2 Summary of significant accounting policies—continued

2.9 Intangible assets

(a) Intellectual rights

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

(b) Computer software

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

(c) Research and development costs

The expenditure on an internal research and development project is classified into research cost and development cost based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at end of the project.

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

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

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

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

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

(d) Goodwill

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

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

2 Summary of significant accounting policies—continued

2.9 Intangible assets—continued

(d) Goodwill—continued

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

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

2.10 Impairment of non-financial assets

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

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

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

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

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

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

2 Summary of significant accounting policies—continued

2.12 Financial assets

(a) Classification

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

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

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

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

(b) Recognition and measurement

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

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

(c) Offsetting financial instruments

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

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

2 Summary of significant accounting policies—continued

2.12 Financial assets—continued

(d) Impairment of financial assets

(i) Assets carried at amortized cost

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

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

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

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

(ii) Assets classified as available for sale

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

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

2 Summary of significant accounting policies—continued

2.12 Financial assets—continued

(d) Impairment of financial assets—continued

(ii) Assets classified as available for sale—continued

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

2.13 Derivative financial instruments and hedging activities

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

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

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

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

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

2.14 Inventories

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

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

2 Summary of significant accounting policies—continued

2.15 Accounts and other receivables

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

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

2.16 Cash and cash equivalents

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

2.17 Share capital

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

2.18 Accounts payable

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

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

2.19 Borrowings

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

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

2.20 Borrowing costs

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

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

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

2 Summary of significant accounting policies—continued

2.21 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

(i) Inside basis differences

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

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

(ii) Outside basis differences

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

(c) Offsetting

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

2.22 Employee benefits

(a) Pension obligations

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

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

2 Summary of significant accounting policies—continued

2.22 Employee benefits —continued

(a) Pension obligations—continued

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

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

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

2.23 Provision

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

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

2.24 Revenue recognition

Revenue is measured at the fair value of the consideration received, or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The revenue recognition policies applied by the Group for each of these activities are as follows:

(a) Products

The Group manufactures and sells vehicles and auto parts to its dealers and automotive manufacturers. Sales of products are recognized when the significant risks and rewards of ownership of the products have been passed to the buyers and the amount of revenue can be measured reliably.

The vehicles are often sold with sales rebates. Sales are recorded based on the prices specified in the sales contracts, net of the sales rebates which are calculated periodically.

(b) Services

Revenues are recognized when services are rendered.

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

2 Summary of significant accounting policies—continued

2.24 Revenue recognition—continued

(c) Dividend income

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

2.25 Interest income

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

2.26 Leases

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

2.27 Government grants

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

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

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

2.28 Financial guarantee contracts

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

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

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

2 Summary of significant accounting policies—continued

2.28 Financial guarantee contracts—continued

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

2.29 Dividend distribution

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

3 Financial risk management

3.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

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

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

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

3 Financial risk management—continued

3.1 Financial risk factors—continued

(a) Market risk—continued

(i) Foreign exchange risk—continued

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

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

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

(ii) Interest rate risk

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

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

As at December 31, 2011, 2012 and 2013 and June 30, 2014, if the interest rates on borrowings had been 100 basis points higher/lower than the prevailing rate, with all other variables held constant, net profit for each of the years ended December 31, 2011, 2012

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

3 Financial risk management—continued

3.1 Financial risk factors—continued

(a) Market risk—continued

(ii) Interest rate risk—continued

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

(b) Credit risk

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

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

(c) Liquidity risk

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

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

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

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

3 Financial risk management—continued

3.1 Financial risk factors—continued

(c) Liquidity risk—continued

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

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

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

3 Financial risk management—continued

3.2 Capital management

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

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

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

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

3.3 Fair value estimation

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

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

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

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

3 Financial risk management—continued

3.3 Fair value estimation—continued

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

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

4 Critical accounting estimates and judgments

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

(a) Capitalization of intangible assets

Costs incurred on development projects are recognized as intangible assets when it is probable that the projects will be successful considering the criteria set out in Note 2.9(c). The Group's development activities are tracked by its engineering department and documented to support the basis of determining if and when the criteria were met.

(b) Impairment of long-lived assets

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

Determination of the value in use is an area involving management judgment in order to assess whether the carrying value of the intangible development assets not available for use can be supported by the net present value of future cash flows. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of (I) future unlevered free cash flows; (II) long-term growth rates; and (III) the selection of discount rates to reflect the risks involved.

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

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

4 Critical accounting estimates and judgments—continued

(c) Provisions

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

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

(d) Depreciation and amortization

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

(e) Income taxes

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

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

5 Segment information

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

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

5 Segment information—continued

Management has determined the reporting segments based on these reports.

The Group considers the business from a product perspective:

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

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

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

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

5 Segment information—continued

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

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

5 Segment information—continued

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

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

	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Continuing operations					
Segment gross profit/(loss)	27,248	(168,128)	415,181	(313,453)	3,415,067
Selling and distribution expenses, general and administrative expenses and finance costs, net	(834,985)	(1,694,332)	(3,930,369)	(986,954)	(3,583,856)
Other gains, net	106,426	1,855,459	619,650	50,892	13,407
Share of profits of joint ventures and associates, net	3,485,451	3,792,058	6,022,267	2,963,035	2,813,204
Profit before income tax	2,784,140	3,785,057	3,126,729	1,713,520	2,657,822
Income tax expense	(21,324)	(226,316)	(113,316)	(8,790)	(318,244)
Profit for the year/period	2,762,816	3,558,741	3,013,413	1,704,730	2,339,578
Discontinued operations					
Segment gross losses	(38,174)	(15,266)	—	—	—
Selling and distribution expenses, general and administrative expenses, other gains and finance costs, net	(155,542)	(64,712)	—	—	—
Loss before income tax	(193,716)	(79,978)	—	—	—
Income tax expense	(2,468)	(692)	—	—	—
Loss for the year/period	(196,184)	(80,670)	—	—	—

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

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

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

5 Segment information—continued

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

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

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

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

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

6 Property, plant and equipment

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

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

6 Property, plant and equipment—continued

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

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

6 Property, plant and equipment—continued

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

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

6 Property, plant and equipment—continued

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

notes:

(a) There is no property, plant and equipment pledged as collateral under borrowing agreements at December 31, of 2011, 2012 and 2013 and June 30, 2014.

(b) The Group has capitalized borrowing costs amounting to RMB 40,960,000, RMB 227,667,000 and RMB 170,063,000, RMB 95,709,000 and RMB 179,849,000 on qualifying assets of property, plant and equipment for each of the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2013 and 2014 respectively. Borrowing costs were capitalized at the weighted average of its borrowing rate of 6.17%, 6.43% and 6.32%, 6.62% and 4.04% during the respective years/periods.

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

6 Property, plant and equipment—continued

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

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

(d) As at June 30, 2014, the Group has not obtained the formal ownership certificates for certain buildings with carrying values of approximately RMB 643,629,000. In the opinion of the directors, the absence of formal title to these buildings does not impair their values to the Group as the probability of the Group being evicted on the ground of absence of formal title is remote.

(e) Among other disposals, the Company disposed of certain property, plant and equipment related to research, development and manufacturing of off-road vehicles to BAIC Group in December 2013 with an aggregate carrying value of approximately RMB 117 million.

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

7 Land use rights

	Group				
	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cost					
At January 1,	267,262	1,213,384	1,249,706	1,249,706	5,249,459
Additions	1,031,048	36,322	3,330	2,180	—
Transfer to disposal group classified as held for sale (Note 20)	(84,926)	—	—	—	—
Acquisition of a subsidiary (Note 37)	—	—	4,012,023	—	—
Disposal of a subsidiary	—	—	(15,600)	—	—
At December 31/June 30,	1,213,384	1,249,706	5,249,459	1,251,886	5,249,459
Accumulated amortization					
At January 1,	(14,507)	(16,919)	(41,200)	(41,200)	(76,781)
Amortization	(11,471)	(24,281)	(35,883)	(12,450)	(57,958)
Transfer to disposal group classified as held for sale (Note 20)	9,059	—	—	—	—
Disposal of a subsidiary	—	—	302	—	—
At December 31/June 30,	(16,919)	(41,200)	(76,781)	(53,650)	(134,739)
Net book amount					
At December 31/June 30,	1,196,465	1,208,506	5,172,678	1,198,236	5,114,720

	Company				
	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cost					
At January 1,	—	1,036,274	1,036,274	1,036,274	1,036,274
Additions	1,036,274	—	—	—	—
At December 31/June 30,	1,036,274	1,036,274	1,036,274	1,036,274	1,036,274
Accumulated amortization					
At January 1,	—	(7,545)	(28,267)	(28,267)	(49,019)
Amortization	(7,545)	(20,722)	(20,752)	(10,376)	(10,376)
At December 31/June 30,	(7,545)	(28,267)	(49,019)	(38,643)	(59,395)
Net book amount					
At December 31/June 30,	1,028,729	1,008,007	987,255	997,631	976,879

notes:

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

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

7 Land use rights—continued

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

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

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

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

8 Intangible assets

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

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

8 Intangible assets—continued

	Group			
	Development costs	Computer software	Goodwill (note (a))	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Net book amount at January 1, 2014	4,667,243	64,826	807,505	5,539,574
Additions	619,740	84,379	—	704,119
Amortization	(170,754)	(17,049)	—	(187,803)
Net book amount at June 30, 2014	5,116,229	132,156	807,505	6,055,890
At June 30, 2014				
Cost	5,549,668	162,781	807,505	6,519,954
Accumulated amortization	(433,439)	(30,625)	—	(464,064)
Net book amount	5,116,229	132,156	807,505	6,055,890

	Company		
	Development costs	Computer software	Total
	RMB'000	RMB'000	RMB'000
Net book amount at January 1, 2011	—	—	—
Additions	1,165,914	23,988	1,189,902
Amortization	(11,417)	(1,933)	(13,350)
Net book amount at December 31, 2011	1,154,497	22,055	1,176,552
At December 31, 2011			
Cost	1,165,914	23,988	1,189,902
Accumulated amortization	(11,417)	(1,933)	(13,350)
Net book amount	1,154,497	22,055	1,176,552
Net book amount at January 1, 2012	1,154,497	22,055	1,176,552
Additions	810,556	11,486	822,042
Disposals	—	(3,500)	(3,500)
Amortization	(49,904)	(4,435)	(54,339)
Net book amount at December 31, 2012	1,915,149	25,606	1,940,755
At December 31, 2012			
Cost	1,976,470	31,974	2,008,444
Accumulated amortization	(61,321)	(6,368)	(67,689)
Net book amount	1,915,149	25,606	1,940,755
Net book amount at January 1, 2013	1,915,149	25,606	1,940,755
Additions	1,137,136	23,352	1,160,488
Disposals (note (d))	(255,394)	(5,840)	(261,234)
Amortization	(144,071)	(7,222)	(151,293)
Net book amount at December 31, 2013	2,652,820	35,896	2,688,716
At December 31, 2013			
Cost	2,858,213	47,613	2,905,826
Accumulated amortization	(205,393)	(11,717)	(217,110)
Net book amount	2,652,820	35,896	2,688,716

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

8 Intangible assets—continued

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

notes:

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

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

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

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

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

8 Intangible assets—continued

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

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

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

9 Investments in subsidiaries

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

notes:

(a) Material non-controlling interests

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

(i) Summarized balance sheet**

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

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

9 Investments in subsidiaries—continued

(ii) Summarized statement of comprehensive income**

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

(iii) Summarized statement of cash flows**

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

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

10 Investments in joint ventures

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

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

10 Investments in joint ventures—continued

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

notes:

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

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

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

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

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

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

10 Investments in joint ventures—continued

(d) Summarized financial information for joint ventures

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

(i) Summarized balance sheets of material joint ventures

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

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

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

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

10 Investments in joint ventures—continued

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

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

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

(iii) Individually immaterial joint ventures

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

	As at December 31,			As at June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Aggregate carrying amount of the net assets of individually immaterial joint ventures	763,704	—	134,158	77,689	183,460
Aggregate amounts of the Group's share thereon	381,852	—	65,737	38,068	90,203
Aggregate net profit and total comprehensive income	310,814	199,838	31,474	(24,349)	18,524
Aggregate amount of the Group's share net profit and total comprehensive income	155,407	99,919	15,737	(11,932)	9,077

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

11 Investments in associates

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

	Company				
	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
At January 1,	—	80,000	80,000	80,000	89,000
Additional investments	80,000	—	9,000	—	47,250
Disposals	—	—	—	—	—
At December 31/June 30,	80,000	80,000	89,000	80,000	136,250

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

11 Investments in associates—continued

notes:

(a) Summarized financial information for associates

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

(i) Summarized balance sheets of material associates

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

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

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

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

11 Investments in associates—continued

(i) Summarized balance sheets of material associates—continued

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

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

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

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

11 Investments in associates—continued

(ii) Summarized statements of comprehensive income

	Beijing Shougang Cold-Rolled Sheet Co., Ltd.				
	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	9,197,229	8,150,062	8,785,537	4,654,674	4,340,061
Cost of sales	(9,450,686)	(8,219,398)	(8,667,057)	(4,581,700)	(4,180,661)
Other expenses	(527,972)	(520,755)	(495,699)	(273,329)	(300,877)
Loss and total comprehensive loss	(781,429)	(590,091)	(377,219)	(200,355)	(141,477)

	BAG Finance				
	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	4,204	158,450	360,907	133,281	213,897
Cost of sales	—	(51,858)	(118,747)	(41,479)	(87,842)
Other expenses	(3,060)	(38,929)	(53,887)	(21,140)	(35,048)
Income tax expense	(444)	(17,041)	(47,219)	(17,666)	(22,753)
Profit and total comprehensive income	700	50,622	141,054	52,996	68,254

(b) Individually immaterial associates

In addition to the interest in associates disclosed above, the Group also has interests in a number of individually immaterial associates that are accounted for using the equity method.

	As at December 31,			As at June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Aggregate carrying amount of the net assets of individually immaterial associates	1,405,385	1,516,213	2,083,750	1,523,707	2,134,539
Aggregate amounts of the Group's share thereon	446,450	432,095	601,167	450,104	667,931
Aggregate net profit and total comprehensive income	273,369	302,288	231,329	124,077	98,258
Aggregate amount of the Group's share net profit and total comprehensive income	69,999	70,018	82,982	41,353	50,008

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

12 Available-for-sale financial assets

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted investments, at cost	1,000	5,000	4,000	4,000

	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted investments, at cost	1,000	4,000	4,000	4,000

These assets principally represent interests in certain unlisted companies which do not have a quoted market price in an active market and for which the range of other methods of reasonably estimating fair value is significant and the probabilities of the various estimates cannot be reasonably assessed. Accordingly, these investments are carried at cost less accumulated impairment losses.

13 Deferred income taxes

(a) Group

	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income tax assets:				
—to be recovered after more than 12 months	161	161	2,084,727	2,173,040
—to be recovered within 12 months	17,407	—	615,631	324,106
	17,568	161	2,700,358	2,497,146
Deferred income tax liabilities:				
—to be settled after more than 12 months	(27,165)	(61,844)	(865,036)	(850,867)
—to be settled within 12 months	(7,857)	(9,356)	(81,356)	(82,650)
	(35,022)	(71,200)	(946,392)	(933,517)

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

13 Deferred income taxes—continued

(a) Group—continued

The movement in deferred income tax assets and liabilities of the Group is as follows:

Deferred income tax assets	Provisions for impairment losses	Tax losses	Accruals	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2011	2,777	—	—	—	2,777
(Charged)/credited to statement of comprehensive income	(1,716)	17,478	—	—	15,762
Transfer to disposal group classified as held for sale (Note 20)	(971)	—	—	—	(971)
At December 31, 2011	90	17,478	—	—	17,568
Credited/(charged) to statement of comprehensive income	71	(17,478)	—	—	(17,407)
At December 31, 2012	161	—	—	—	161
Acquisition of a subsidiary (Note 37)	289,519	—	2,394,144	30,892	2,714,555
Credited/(charged) to statement of comprehensive income	8,549	—	(24,256)	1,349	(14,358)
At December 31, 2013	298,229	—	2,369,888	32,241	2,700,358
At January 1, 2013	161	—	—	—	161
Credited/(charged) to statement of comprehensive income	—	—	—	—	—
At June 30, 2013 (unaudited)	161	—	—	—	161
At January 1, 2014	298,229	—	2,369,888	32,241	2,700,358
Charged to statement of comprehensive income	—	—	(202,176)	(1,036)	(203,212)
At June 30, 2014	298,229	—	2,167,712	31,205	2,497,146

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

13 Deferred income taxes—continued

(a) Group—continued

Deferred income tax liabilities	Unrealized loss in inventories	Capitalized interest	Valuation surplus upon acquisition of a subsidiary	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2011	—	(5,727)	—	(5,727)
Charged to statement of comprehensive income	(7,857)	(21,438)	—	(29,295)
At December 31, 2011	(7,857)	(27,165)	—	(35,022)
Charged to statement of comprehensive income	(1,498)	(34,680)	—	(36,178)
At December 31, 2012	(9,355)	(61,845)	—	(71,200)
Acquisition of a subsidiary (Note 37)	—	—	(900,962)	(900,962)
(Charged)/credited to statement of comprehensive income	9,355	(10,320)	26,735	25,770
At December 31, 2013	—	(72,165)	(874,227)	(946,392)
At January 1, 2013	(9,355)	(61,845)	—	(71,200)
Credited/(charged) to statement of comprehensive income	9,355	(10,421)	—	(1,066)
At June 30, 2013 (unaudited)	—	(72,266)	—	(72,266)
At January 1, 2014	—	(72,165)	(874,227)	(946,392)
Credited/(charged) to statement of comprehensive income	—	(8,316)	21,191	12,875
At June 30, 2014	—	(80,481)	(853,036)	(933,517)

Deferred income tax assets are recognized for tax loss carry forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets of RMB 197,630,000, RMB 502,625,000, RMB 1,414,175,000 and RMB 1,786,526,000 in respect of losses and deductible temporary differences amounting to RMB 790,520,000, RMB 2,010,500,000, RMB 5,656,700,000 and RMB 7,146,105,000 that can be carried forward against future taxable income as at December 31, 2011, 2012 and 2013 and June 30, 2014 respectively. These unrecognized tax loss carry forwards are expiring within 5 years.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

13 Deferred income taxes—continued

(b) Company

	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income tax liabilities:				
—to be settled after more than 12 months	(9,650)	(35,610)	(37,112)	(39,957)

The movement in deferred income tax liabilities of the Company is as follows:

	Capitalized interest
	RMB'000
At January 1, 2011	—
Charged to income statement	(9,650)
At December 31, 2011	(9,650)
Charged to income statement	(25,960)
At December 31, 2012	(35,610)
Charged to income statement	(1,502)
At December 31, 2013	(37,112)
At January 1, 2013	(35,610)
Credit to income statement	669
At June 30, 2013 (unaudited)	(34,941)
At January 1, 2014	(37,112)
Charged to income statement	(2,845)
At June 30, 2014	(39,957)

Deferred income tax assets are recognized for tax loss carry forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Company did not recognize deferred income tax assets of RMB 191,843,000, RMB 376,178,000, RMB 863,709,000 and RMB 1,008,867,000 in respect of losses and deductible temporary differences amounting to RMB 767,372,000, RMB 1,504,712,000, RMB 3,454,836,000 and RMB 4,035,466,000 that can be carried forward against future taxable income as at December 31, 2011, 2012 and 2013 and June 30, 2014 respectively. These unrecognized tax loss carry forwards are expiring within 5 years.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

14 Inventories

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	77,056	253,242	3,175,791	3,652,733
Work in progress	138,812	47,061	305,453	318,662
Finished goods	237,888	616,029	4,213,036	2,302,138
	453,756	916,332	7,694,280	6,273,533
Less: provision for impairment (note (a))	(12,334)	(81,214)	(215,161)	(140,293)
	441,422	835,118	7,479,119	6,133,240

	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	42,317	168,970	305,817	342,279
Work in progress	14,896	15,686	23,854	3,999
Finished goods	204,516	67,974	128,630	277,645
	261,729	252,630	458,301	623,923
Less: provision for impairment (note (a))	(12,334)	(7,382)	(9,436)	(9,609)
	249,395	245,248	448,865	614,314

notes:

(a) Provision for impairment is recognized for the amount by which the carrying amount of the inventories exceeds its recoverable amount, and was recorded in cost of sales in the statements of comprehensive income.

(b) The cost of inventories recognized as an expense and included in cost of sales for each of the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2013 and 2014 amounted to RMB 1,888,490,000, RMB 3,687,797,000, RMB 12,366,687,000, RMB 2,607,290,000 and RMB 21,711,810,000 respectively.

(c) Finished goods of RMB 112 million, RMB 938 million and RMB 1,110 million as at December 31, 2012 and 2013 and June 30, 2014 respectively were pledged as collateral to secure the bank borrowings to the dealers.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

15 Accounts receivable

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables, gross (note (a))	62,432	61,659	3,407,728	3,479,433
Less: provision for impairment	(636)	(1,341)	(10,078)	(4,825)
	61,796	60,318	3,397,650	3,474,608
Notes receivable (note (b))	93,193	466,373	2,606,185	3,058,875
	154,989	526,691	6,003,835	6,533,483

	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables, gross (note (a))	5,891	380,108	1,341,815	1,562,515
Less: provision for impairment	—	(335)	(3,547)	(3,547)
	5,891	379,773	1,338,268	1,558,968
Notes receivable (note (b))	93,193	349,002	1,295,371	865,430
	99,084	728,775	2,633,639	2,424,398

notes:

(a) The majority of the Group's sales are on advance payments except for Beijing Benz which are made on credit. A credit period of up to 3 to 6 months may be granted in respect of sales to customers with good credit history and long-established relationship with the Group. The ageing analysis of trade receivables is as follows:

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Current to 1 year	59,968	58,707	3,402,939	3,478,960
1 to 2 years	127	513	2,182	457
2 to 3 years	—	102	270	—
Over 3 years	2,337	2,337	2,337	16
	62,432	61,659	3,407,728	3,479,433

	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Current to 1 year	5,891	380,108	1,340,090	1,562,515
1 to 2 years	—	—	1,725	—
2 to 3 years	—	—	—	—
Over 3 years	—	—	—	—
	5,891	380,108	1,341,815	1,562,515

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

15 Accounts receivable—continued

As at December 31, 2011, 2012 and 2013 and June 30, 2014, the following trade receivables were past due but not impaired. These mainly relate to a number of customers for whom there is no recent history of default. The ageing analysis of these past due but not impaired receivables is as follows:

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Current to 1 year	9,127	9,021	155,886	8,828
1 to 2 years	127	513	2,182	457
2 to 3 years	—	102	270	—
Over 3 years	1,701	996	—	16
	10,955	10,632	158,338	9,301

	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Current to 1 year	5,891	—	—	—
1 to 2 years	—	—	1,725	—
2 to 3 years	—	—	—	—
Over 3 years	—	—	—	—
	5,891	—	1,725	—

As at December 31, 2011, 2012 and 2013 and June 30, 2013 and 2014, movement on the provision for impairment of trade receivables is as follows:

	Group	Company
	RMB'000	RMB'000
As at January 1, 2011	—	—
Provision for impairment	(636)	—
As at December 31, 2011	(636)	—
Provision for impairment	(705)	(335)
As at December 31, 2012	(1,341)	(335)
Provision for impairment	(8,737)	(3,212)
As at December 31, 2013	(10,078)	(3,547)
As at January 1, 2013	(1,341)	(335)
Provision for impairment	—	—
As at June 30, 2013 (unaudited)	(1,341)	(335)
As at January 1, 2014	(10,078)	(3,547)
Reversal of provision for impairment	5,253	—
As at June 30, 2014	(4,825)	(3,547)

(b) Substantially all notes receivable are bank acceptance notes with average maturity periods of within six months.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

15 Accounts receivable—continued

(c) All accounts receivable are denominated in RMB and their carrying amounts approximate fair values.

(d) There is no accounts receivable pledged as collateral.

(e) The amounts of notes receivable pledged as collateral for notes payable issued by banks as at respective balance sheet dates are as follows:

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Pledged notes receivable	9,500	6,780	165,588	100,180

	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Pledged notes receivable	9,500	6,780	165,588	100,180

16 Advances to suppliers

In the ordinary course of business, the Group is required to make advance payments to certain suppliers according to the terms of respective agreements. The advance payments made to these parties are unsecured, non-interest bearing and will be settled or utilized in accordance with the terms of relevant agreements.

17 Other receivables and prepayments

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from				
—other related parties (note (a),(b))	37,641	971,000	1,496,090	210,236
Value-added tax, consumption tax recoverable and prepaid income tax	131,388	249,694	922,244	1,560,128
Deposits	667	1,053	7,282	13,883
Government grant (note (c))	—	—	129,645	171,051
Others	18,324	56,042	123,242	120,021
	188,020	1,277,789	2,678,503	2,075,319
Less: provision for impairment	(2,054)	(1,877)	(918)	(316)
	185,966	1,275,912	2,677,585	2,075,003

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

17 Other receivables and prepayments—continued

	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Dividends receivable	—	1,028,285	1,493,355	—
Amounts due from				
—subsidiaries (note (a))	162,029	1,396,946	3,179,926	4,593,249
—other related parties (note (a),(b))	31,648	501,812	909,378	15,937
Value-added tax, consumption tax recoverable	83,233	148,080	301,514	729,329
Deposits	665	935	300	701
Government grant (note (c))	—	—	129,645	171,051
Others	16,411	9,177	26,867	7,186
	293,986	3,085,235	6,040,985	5,517,453
Less: provision for impairment	(107)	(455)	(191)	(191)
	293,879	3,084,780	6,040,794	5,517,262

notes:

(a) The amounts due from subsidiaries and other related parties are unsecured, interest free, repayable on demand and denominated in RMB.

(b) As at December 31, 2012 and 2013 and June 30, 2014, the balances of the Group include receivables arising from disposals of BAIC Limited and certain other subsidiaries, joint ventures and associates of RMB 939,113,000, RMB 363,861,000 and nil respectively.

Balance of the Group at December 31, 2013 and June 30, 2014 also includes receivables arising from disposal of certain intangible assets and property, plant and equipment to BAIC Group of RMB 411,247,000 and nil respectively.

(c) This mainly includes subsidies from national and local governments for the sales of new energy vehicles.

18 Restricted cash

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Capital verification account (note (a))	—	3,003,000	—	—
Pledged deposits (note (b))	2,000	210,050	546,901	596,546
	2,000	3,213,050	546,901	596,546

	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Capital verification account (note (a))	—	3,003,000	—	—
Pledged deposits (note (b))	2,000	201,049	546,901	596,546
	2,000	3,204,049	546,901	596,546

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

18 Restricted cash—continued

notes:

(a) As at December 31, 2012, the Company was in the process of completing the capital verification on the capital injected by the Company's shareholders. The process was subsequently completed in January 2013.

(b) Pledged deposits are maintained with banks for issuance of bank notes. They earn interests at annual rates ranging from 2.85%, 2.85% to 3.08%, 2.85% to 3.08% and 2.85% to 3.08% as at December 31, 2011, 2012 and 2013 and June 30, 2014, respectively.

19 Cash and cash equivalents

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	1,040,509	1,274,940	4,955,864	6,902,151
Short-term deposits (note (a))	347,411	1,616,445	11,503,180	7,538,595
	1,387,920	2,891,385	16,459,044	14,440,746

	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	643,948	562,200	1,033,983	381,518
Short-term deposits (note (a))	245,367	771,640	4,310,031	1,773,779
	889,315	1,333,840	5,344,014	2,155,297

notes:

(a) As at December 31, 2012 and 2013 and June 30, 2014, balances of RMB 794,719,000, RMB 5,903,793,000 and RMB 2,767,887,000 respectively of the Group, and RMB 208,489,000, RMB 2,760,534,000 and RMB 315,842,000 respectively of the Company, were deposited in a 20% owned associate, BAG Finance, which was approved by the China Banking Regulatory Commission as a non-bank financial institution. These deposits can be withdrawn on demand.

(b) At December 31, 2011, 2012 and 2013 and June 30, 2014, approximately 100%, 99%, 99% and 100% respectively of the Group's cash and cash equivalents and all of the Company's cash and cash equivalents are denominated in RMB. The conversion of RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

20 Assets of disposal group classified as held for sale and discontinued operations

As set out in Note 1.2(b)(i), in 2011 and 2012, the commercial vehicles business undertaken by BAIC Limited, and logistics and auction business undertaken by Zhongdu Logistics and Beiqi Penglong are collectively referred to as "discontinued operations" on the consolidated statements of comprehensive income. The assets and liabilities related to Zhongdu Logistics, Beiqi Penglong and BAIC Limited are classified as held for sale at December 31, 2011.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

20 Assets of disposal group classified as held for sale and discontinued operations—continued

The assets and liabilities held for sale at December 31, 2011 related to these disposals which were completed in 2012 were as follows:

	Group	Company
	RMB'000	RMB'000
Assets of disposal group classified as held for sale		
Property, plant and equipment	770,453	—
Land use rights	75,867	—
Intangible assets	137	—
Investments in subsidiaries	—	467,994
Investments in associates	59,120	—
Deferred income tax assets	971	—
Inventories	423,191	—
Accounts receivable	242,974	—
Advances to suppliers	39,097	—
Other receivables and prepayments	42,989	—
Cash and cash equivalents	429,606	—
Other assets	27,119	—
	2,111,524	467,994
Liabilities of disposal group classified as held for sale		
Borrowings	50,000	—
Accounts payable	1,409,660	—
Advances from customers	167,684	—
Other payables and accruals	212,774	—
	1,840,118	—

Analyses of the results of discontinued operations in 2011 and 2012 were as follows:

	For the year ended December 31,	
	2011	2012
	RMB'000	RMB'000
Revenue	1,398,159	751,537
Expenses	(1,591,875)	(831,515)
Loss before income tax	(193,716)	(79,978)
Income tax expense	(2,468)	(692)
Net loss and total comprehensive loss	(196,184)	(80,670)
Attributable to:		
—Equity holders of the Company	(99,903)	(41,142)
—Non-controlling interests	(96,281)	(39,528)

Analyses of the cash flows of discontinued operations were as follows:

Net cash used in operating activities	(148,655)	(72,301)
Net cash used in investing activities	(9,031)	(25,189)
Total cash used	(157,686)	(97,490)

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

21 Share capital

	Ordinary shares of RMB 1 each ('000)	RMB'000
At January 1, 2011	4,261,283	4,261,283
Additions	738,717	738,717
At December 31, 2011	5,000,000	5,000,000
Additions	462,000	462,000
At December 31, 2012	5,462,000	5,462,000
Additions	919,818	919,818
At December 31, 2013	6,381,818	6,381,818
At January 1, 2013	5,462,000	5,462,000
Additions	154,000	154,000
At June 30, 2013 (unaudited)	5,616,000	5,616,000
At January 1, 2014	6,381,818	6,381,818
Additions	—	—
At June 30, 2014	6,381,818	6,381,818

note:

As disclosed in Note 1.1, the Company was incorporated on September 20, 2010 by Six Promoters with a total initial consideration of RMB 10,642 million which was fully completed by December 31, 2011, of which RMB 5,000 million was credited to the paid up capital and RMB 5,642 million to the share premium as at December 31, 2011.

In 2012, the Company has issued 462 million new shares to the existing shareholders at a total consideration of RMB 3,003 million, of which RMB 462 million was credited to the paid up capital and RMB 2,541 million to the share premium. Upon completion of this capital increase, the Company's paid up capital was increased from RMB 5,000 million to RMB 5,462 million.

In 2013, the Company further increased its paid up capital through (a) the issuance of 154 million new shares to the existing shareholders at a total consideration of RMB 1,001 million, of which RMB 154 million was credited to the paid up capital and RMB 847 million to the share premium; and (b) the issuance of 766 million new shares to Daimler AG at a total consideration of RMB 5,131 million, of which RMB 766 million was credited to the paid up capital and RMB 4,365 million to the share premium. Upon completion of these further capital increases and as at December 31, 2013, the Company's paid up capital was increased from RMB 5,462 million to approximately RMB 6,382 million.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

22 Reserves

Movements in the reserves of the Group are set out in the consolidated statements of changes in equity. Movements in reserves of the Company are set out below:

	Share premium	Statutory surplus reserve	(Accumulated losses)/ retained earnings	Total
	RMB'000 (note (a))	RMB'000 (note (b))	RMB'000	RMB'000
At January 1, 2011	4,369,814	—	(9,195)	4,360,619
Loss for the year	—	—	(223,245)	(223,245)
Issuance of new shares	1,272,561	—	—	1,272,561
At December 31, 2011	5,642,375	—	(232,440)	5,409,935
Profit for the year	—	—	2,257,129	2,257,129
Issuance of new shares	2,541,000	—	—	2,541,000
Appropriation to statutory surplus reserve	—	193,383	(193,383)	—
Dividends declared/paid	—	—	(1,500,000)	(1,500,000)
At December 31, 2012	8,183,375	193,383	331,306	8,708,064
Profit for the year	—	—	1,917,669	1,917,669
Issuance of new shares	5,212,163	—	—	5,212,163
Appropriation to statutory surplus reserve	—	249,498	(249,498)	—
Dividends declared/paid	—	—	(1,807,937)	(1,807,937)
At December 31, 2013	13,395,538	442,881	191,540	14,029,959
At January 1, 2013	8,183,375	193,383	331,306	8,708,064
Loss for the period	—	—	(781,906)	(781,906)
Issuance of new shares	847,000	—	—	847,000
Dividends declared/paid	—	—	(212,482)	(212,482)
At June 30, 2013 (unaudited)	9,030,375	193,383	(663,082)	8,560,676
At January 1, 2014	13,395,538	442,881	191,540	14,029,959
Loss for the period	—	—	(573,328)	(573,328)
Dividends declared/paid	—	—	(677,984)	(677,984)
At June 30, 2014	13,395,538	442,881	(1,059,772)	12,778,647

notes:

(a) Share premium

Share premium of the Company and the Group represents the difference between the fair value of shares issued and their respective par value.

(b) Statutory surplus reserve

In accordance with the relevant PRC laws and financial regulations, every year the Company is required to transfer 10% of the profit after taxation determined in accordance with the PRC accounting standards to the statutory surplus reserve until the balance reaches 50% of the paid-up share capital. Such reserve can be used to reduce any losses incurred and to increase share capital. Except for the reduction of losses incurred, any other usage should not result in this reserve balance falling below 25% of the registered capital.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

22 Reserves—continued

(c) Capital reserve

Capital reserve of the Group includes reserves arising from capital contributions from equity holders. The consolidation difference that arises under merger accounting is also included in capital reserve of the Group and computed by comparing fair value of the share capital issued and the carrying amount of the net assets in the subsidiaries. Upon business combinations under common control where there are acquisitions with holding company, the consideration is also accounted for in capital reserve of the Group as deemed distribution.

23 Borrowings

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current				
Bank borrowings				
—secured (Note 38(c))	11,000	—	1,000,000	—
—unsecured (note (c))	1,028,580	4,090,019	7,933,824	6,809,618
	1,039,580	4,090,019	8,933,824	6,809,618
Corporate bonds, unsecured (note (a))	1,493,153	3,979,225	5,483,646	4,489,032
	2,532,733	8,069,244	14,417,470	11,298,650
Current				
Bank borrowings				
—secured (Note 38(c))	20,000	—	—	—
—unsecured (note (c) and (d))	2,250,000	3,487,260	6,953,549	7,435,913
	2,270,000	3,487,260	6,953,549	7,435,913
Add: current portion of non-current bank borrowings:				
—secured (Note 38(c), note (b))	1,257,264	—	—	—
—unsecured	263,000	139,740	879,859	2,560,034
	3,790,264	3,627,000	7,833,408	9,995,947
Corporate bonds, unsecured (note (a))	—	—	—	997,616
Total borrowings	6,322,997	11,696,244	22,250,878	22,292,213

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

23 Borrowings—continued

	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current				
Bank borrowings				
—secured (Note 38(c))	—	—	3,200,000	2,025,000
—unsecured (note (c))	947,580	2,543,069	3,152,749	3,427,998
	947,580	2,543,069	6,352,749	5,452,998
Corporate bonds, unsecured (note (a))	—	2,484,861	3,988,009	2,992,728
	947,580	5,027,930	10,340,758	8,445,726
Current				
Bank borrowings				
—secured (Note 38(c))	—	—	—	—
—unsecured (note (c) and (d))	2,120,000	3,377,260	3,365,100	4,079,140
	2,120,000	3,377,260	3,365,100	4,079,140
Add: current portion of non-current bank borrowings:				
—secured (Note 38(c))	—	—	299,000	325,000
—unsecured	—	60,020	379,699	600,758
	2,120,000	3,437,280	4,043,799	5,004,898
Corporate bonds, unsecured (note (a))	—	—	—	997,616
Total borrowings	3,067,580	8,465,210	14,384,557	14,448,240

Maturity of borrowings

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	3,790,264	3,627,000	7,833,408	10,993,563
Between 1 and 2 years	388,543	327,481	6,261,976	4,475,802
Between 2 and 5 years	209,037	7,520,763	7,960,504	6,822,848
Over 5 years	1,935,153	221,000	194,990	—
	6,322,997	11,696,244	22,250,878	22,292,213
Wholly repayable:				
—within 5 years	4,322,844	11,189,244	21,621,878	22,292,213
—over 5 years	2,000,153	507,000	629,000	—
	6,322,997	11,696,244	22,250,878	22,292,213

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

23 Borrowings—continued

	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	2,120,000	3,437,280	4,043,799	6,002,514
Between 1 and 2 years	310,543	307,040	4,751,421	4,448,802
Between 2 and 5 years	195,037	4,499,890	5,589,337	3,996,924
Over 5 years	442,000	221,000	—	—
	3,067,580	8,465,210	14,384,557	14,448,240
Wholly repayable:				
—within 5 years	2,560,580	7,958,210	14,384,557	14,448,240
—over 5 years	507,000	507,000	—	—
	3,067,580	8,465,210	14,384,557	14,448,240

Contractual repricing dates upon interest rate changes

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Within 6 months	1,810,580	4,488,349	14,916,263	16,204,505
6 to 12 months	1,046,000	819,000	790,000	601,060
	2,856,580	5,307,349	15,706,263	16,805,565

	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Within 6 months	1,480,580	3,853,349	8,889,548	9,953,396
6 to 12 months	300,000	200,000	507,000	504,500
	1,780,580	4,053,349	9,396,548	10,457,896

Weighted average annual interest rates

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
Bank borrowings	5.06%	5.96%	5.69%	5.01%
Corporate bonds	5.28%	5.55%	5.42%	5.28%

	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
Bank borrowings	6.38%	6.46%	5.27%	5.16%
Corporate bonds	—	5.84%	5.48%	5.30%

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

23 Borrowings—continued

Currency denomination

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	5,069,733	10,251,574	17,298,093	17,601,603
US$	1,253,264	1,280,737	1,315,486	1,364,472
HK$	—	163,933	159,819	161,657
Euro	—	—	3,477,480	3,164,481
	6,322,997	11,696,244	22,250,878	22,292,213

	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	3,067,580	8,465,210	14,384,557	14,448,240
US$	—	—	—	—
HK$	—	—	—	—
Euro	—	—	—	—
	3,067,580	8,465,210	14,384,557	14,448,240

Undrawn facilities at floating rates

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	820,000	1,459,795	7,124,848	8,581,000
Over 1 year	2,659,420	3,961,856	24,713,353	25,469,303
	3,479,420	5,421,651	31,838,201	34,050,303

	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	820,000	1,459,795	2,538,004	150,000
Over 1 year	2,659,420	3,961,856	17,782,353	15,933,803
	3,479,420	5,421,651	20,320,357	16,083,803

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

23 Borrowings—continued

notes:

(a) Corporate bonds are analyzed as follows:

Issuer	Issue date	Interest rate per annum	Par value	Carrying value	Fair value	Maturity
			RMB'000	RMB'000	RMB'000	
At December 31, 2011						
BAIC Investment	January 29, 2010	5.18%	1,500,000	1,493,153	1,528,246	7 years
At December 31, 2012						
BAIC Investment	January 29, 2010	5.18%	1,500,000	1,494,364	1,564,688	7 years
Company	February 9, 2012	5.70%	1,000,000	992,074	1,072,731	3 years
Company	August 14, 2012	5.00%	1,500,000	1,492,787	1,543,118	3 years
				3,979,225		
At December 31, 2013						
BAIC Investment	January 29, 2010	5.18%	1,500,000	1,495,637	1,441,743	7 years
Company	February 9, 2012	5.70%	1,000,000	995,712	977,175	3 years
Company	August 14, 2012	5.00%	1,500,000	1,493,698	1,479,635	3 years
Company	April 10, 2013	4.96%	1,500,000	1,498,599	1,460,080	3 years
				5,483,646		
At June 30, 2014						
BAIC Investment	January 29, 2010	5.18%	1,500,000	1,496,304	1,525,571	7 years
Company	February 9, 2012	5.70%	1,000,000	997,616	1,027,596	3 years
Company	August 14, 2012	5.00%	1,500,000	1,494,165	1,569,914	3 years
Company	April 10, 2013	4.96%	1,500,000	1,498,563	1,522,613	3 years
				5,486,648		

The above fair values are based on cash flows discounted using the market borrowing rates of 5.85%, 4.58% to 5.33% and 4.44% to 5.17% and 4.7% to 5.36% at December 31, 2011, 2012 and 2013 and June 30, 2014 respectively. They are within level 2 of the fair value hierarchy.

(b) Balance of the Group at December 31, 2011 mainly represents bank borrowings of USD 200,000,000 bearing interest at 6-month LIBOR+2% per annum. They were secured by BAIC Group's interest in 147 million ordinary shares of Beiqi Foton Motor Co., Ltd. (a company whose shares are listed on Shanghai Stock Exchange), with a total value of approximately RMB 2,921 million.

These borrowings were fully repaid during 2012 with related securities released.

(c) Balances of the Group at December 31, 2012 and 2013 and June 30, 2014 include the borrowings of RMB 815 million and RMB 1,716 million and RMB 1,027 million respectively from BAG Finance, an associate of the Group.

(d) Balances of the Group at December 31, 2011 and 2012 include entrusted loans from banks of RMB 300 million and RMB 300 million respectively provided by BAIC Group.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

24 Provisions

Warranties

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Current	8,318	52,509	334,413	279,822
Non-current	—	—	694,331	881,922
Total	8,318	52,509	1,028,744	1,161,744

	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Current	8,318	—	—	—
Non-current	—	—	—	—
Total	8,318	—	—	—

Movements of warranties for each of the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2013 and 2014 are as follows:

	Group	Company
	RMB'000	RMB'000
At January 1, 2011	—	—
Additions	8,318	8,318
Payments	—	—
At December 31, 2011	8,318	8,318
Additions	56,265	45,335
Transfer to a subsidiary (note)	—	(43,800)
Payments	(12,074)	(9,853)
At December 31, 2012	52,509	—
Acquisition of a subsidiary (Note 37)	892,520	—
Additions	154,414	—
Amortization of discount on non-current provisions	10,762	—
Payments	(81,461)	—
At December 31, 2013	1,028,744	—
At January 1, 2013	52,509	—
Additions	60,934	—
Payments	(77,450)	—
At June 30, 2013 (unaudited)	35,993	—
At January 1, 2014	1,028,744	—
Additions	275,899	—
Amortization of discount on non-current provisions	67,044	—
Payments	(209,943)	—
At June 30, 2014	1,161,744	—

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

24 Provisions—continued

note:

Balance was transferred from the Company to a subsidiary of the Company, BAIC Motor Sales Co., Ltd., upon its establishment in 2012.

25 Deferred income from government grants

Balances mainly include supports from local government to compensate for purchases of land use rights and development of new technologies.

Movements of deferred income from government grants for each of the years ended December 31, 2011, 2012 and 2013 and six months ended June 30, 2013 and 2014 are as follows:

	Group	Company
	RMB'000	RMB'000
At January 1, 2011	204,811	—
Additions	64,279	—
Amortization	(12,159)	—
At December 31, 2011	256,931	—
Additions	90,165	8,000
Amortization	(5,210)	—
At December 31, 2012	341,886	8,000
Acquisition of a subsidiary (Note 37)	43,800	—
Additions	146,510	80,000
Disposal of a subsidiary	(130,051)	—
Amortization	(13,323)	—
At December 31, 2013	388,822	88,000
At January 1, 2013	341,886	8,000
Additions	100,961	80,000
Amortization	(7,351)	—
At June 30, 2013 (unaudited)	435,496	88,000
At January 1, 2014	388,822	88,000
Additions	12,351	232
Amortization/reclassification	(27,229)	(20,000)
At June 30, 2014	373,944	68,232

26 Accounts payable

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payable	463,307	1,264,452	10,404,199	9,129,049
Notes payable	8,496	228,285	707,548	1,218,413
	471,803	1,492,737	11,111,747	10,347,462

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

26 Accounts payable—continued

	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payable	306,762	1,098,850	3,062,448	2,504,106
Notes payable	8,496	202,950	707,547	777,873
	315,258	1,301,800	3,769,995	3,281,979

Aging analysis of trade payable is as follows:

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Current to 1 year	461,343	1,260,710	10,386,070	9,082,565
1 year to 2 years	1,116	1,850	17,026	46,065
2 years to 3 years	683	1,047	199	194
over 3 years	165	845	904	225
	463,307	1,264,452	10,404,199	9,129,049

	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Current to 1 year	306,762	1,098,850	3,061,330	2,458,858
1 year to 2 years	—	—	1,118	45,081
2 years to 3 years	—	—	—	167
over 3 years	—	—	—	—
	306,762	1,098,850	3,062,448	2,504,106

27 Other payables and accruals

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Sales discounts and rebates	39,984	68,291	4,874,650	4,178,623
Advertising and promotion	515	64,644	1,182,608	726,101
Wages, salaries and other employee benefits	50,059	119,678	570,634	369,612
Payables for property, plant and equipment and intangible assets	296,113	361,499	1,933,307	2,289,376
Payables for materials	20,474	33,370	176,901	230,426
Interests payable	80,038	167,744	238,603	173,758
Amounts due to —other related parties (note (a), (b))	975,342	533,933	4,562,411	4,228,575
Other taxes (note (c))	15,047	30,153	142,461	125,684
Deposits	17,527	122,498	88,708	110,699
Transportation and warehouse expenses	—	—	179,549	191,586
Pre-delivery inspection expenses	—	—	88,013	83,103
Others	6,262	65,175	1,502,361	782,926
	1,501,361	1,566,985	15,540,206	13,490,469

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

27 Other payables and accruals—continued

	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Sales discounts and rebates	39,984	—	—	—
Advertising and promotion	—	—	990	—
Wages, salaries and other employee benefits	43,070	85,855	137,031	132,269
Payables for property, plant and equipment and intangible assets	272,134	247,356	835,492	659,741
Payables for materials	20,474	33,370	53,961	90,445
Interests payable	5,437	93,328	148,382	118,401
Amounts due to				
—subsidiaries (note (a))	—	567,247	48,677	637,102
—other related parties (note (a), (b))	696,393	224,828	1,093,166	599,503
Other taxes (note (c))	11,660	26,878	89,693	64,859
Deposits	13,413	14,229	16,982	38,301
Others	6,103	12,576	717,566	271,355
	1,108,668	1,305,667	3,141,940	2,611,976

notes:

(a) The amounts due to subsidiaries and other related parties are unsecured, interest free, repayable on demand and denominated in RMB.

(b) Balances of the Group and Company include payable for acquisition of equity interests in

— BAIC Hong Kong of approximately RMB 59,949,000 at December 31, 2011 (Note 1.2(a)(ii)); and

— Beijing Beinei Engine of approximately RMB 69,216,000 at December 31, 2012 (Note 1.2(b)(ii)).

(c) These include payables of value-added tax, business tax, consumption tax and other taxes.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

28 Other gains, net

	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Gain from sales of scrap materials	13,411	19,589	39,532	11,192	29,733
Net foreign exchange gain/(loss)	65,983	6,417	25,597	25,155	(52,714)
Government grants (note (a))	23,072	714,968	213,886	15,356	49,215
Gain/(loss) on disposal of					
—property, plant and equipment and intangible assets	7,882	5,020	(1,507)	(426)	(50)
—investments in subsidiaries (Note 1.2(b)(i) and (iv))	—	440,608	126,201	—	—
—investments in joint ventures (note (b))	—	603,745	—	—	—
—investments in associates (note (b))	—	74,344	—	—	—
Gain on remeasuring existing 50% interests in Beijing Benz upon business combination	—	—	156,552	—	—
Others	(3,922)	(9,232)	59,389	(385)	(12,777)
	106,426	1,855,459	619,650	50,892	13,407

notes:

(a) In February 2012, the Company received a grant from local government of RMB 613 million to support the promotion of the market and channel for vehicles with the Company's own brands.

The government grants received in 2013 mainly include subsidies from national and local government for the sales of new energy vehicles.

(b) During 2012, the Group disposed its full 50% equity interests in Beijing Hyundai Mobis Parts Co., Ltd., and other joint venture and associates to certain related parties of the Group.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

29 Expense by nature

	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Raw materials used	1,663,772	3,508,756	12,004,130	4,072,904	21,199,308
Changes in inventories of finished goods and work-in-progress	(28,885)	(284,882)	(1,389,343)	(2,085,609)	(2,252,697)
Advertising and promotion	239,018	658,564	1,286,674	321,012	579,028
Employee benefit costs (Note 30)	292,114	490,836	1,136,284	315,183	1,287,796
Transportation and warehouse expenses	65,585	133,003	365,630	121,584	462,336
Depreciation on property, plant and equipment	128,775	113,403	554,460	131,264	783,522
Amortization on					
—land use rights	10,562	24,281	35,883	12,450	57,958
—intangible assets	14,116	55,719	217,342	91,722	187,803
Impairment charges/(reversals) on					
—inventories	12,334	81,035	223,594	119,732	116,897
—receivables	5,635	709	7,876	—	(5,856)
—property, plant and equipment	—	—	2,095	—	—
Warranty expenses	16,851	53,543	101,256	703	168,640
Research costs	14,987	43,826	23,479	8,368	14,439
Utilities	36,646	41,736	153,467	55,101	172,384
Operating lease expenses	22,919	36,777	118,952	54,720	70,208
Office and travel expenses	24,825	39,034	86,182	20,095	35,245
Tax and levies	17,847	32,068	155,060	20,229	904,889
Conference fees	23,325	18,376	16,985	2,575	5,130
Consulting fees	5,077	15,453	16,704	1,816	7,921
Entertainment	5,494	7,172	13,766	4,242	5,118
Auditors' remuneration—audit services	1,331	2,295	3,040	66	8,811
Service fees and charges	—	—	219,347	—	687,823
Listing expenses	—	—	—	—	8,702
Others	69,271	152,172	468,481	119,585	553,693
Total cost of sales, selling and distribution expenses, and general and administrative expenses	2,641,599	5,223,876	15,821,344	3,387,742	25,059,098

30 Employee benefit costs

	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Wages and salaries	219,000	353,821	861,514	227,557	958,889
Pension scheme and other social security costs	39,593	73,949	150,049	36,672	132,919
Housing benefits	9,814	21,414	47,262	14,344	56,386
Welfare, medical and other expenses	23,707	41,652	77,459	36,610	139,602
	292,114	490,836	1,136,284	315,183	1,287,796

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

30 Employee benefit costs—continued

(a) Directors', supervisors' and chief executive's emoluments

The remuneration of each director, supervisor and the chief executive for the year ended December 31, 2011 is set out below:

	Salaries, allowances and other benefits	Employer's contribution to pension scheme	Discretionary bonus	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive director				
Han Yonggui (韓永貴) (Chief Executive)	756	38	415	1,209
Non-executive director				
Xu Heyi (徐和誼)	—	—	—	—
Li Zhili (李志立)	531	30	—	561
Ma Chuanqi (馬傳騏)	—	—	—	—
Yu Zhongfu (于仲福)	—	—	—	—
Guo Xinmin (郭新民)	—	—	—	—
Wei Gang (魏剛)	—	—	—	—
Chen Jiang (陳江)	—	—	—	—
Fang Jianyi (方建一)	—	—	—	—
Han Qing (韓慶)	—	—	—	—
Shi Youwen (石幼文)	—	—	—	—
Gao Yang (高央)	—	—	—	—
Yang Shi (楊實)	—	—	—	—
Supervisor				
Zhang Yuguo (張裕國)	—	—	—	—
Chen Yifeng (陳宜峰)	—	—	—	—
Zhang Hui (張輝)	593	49	308	950
Wang Xu (王旭)	—	—	—	—
Zhu Zhenghua (朱正華)	—	—	—	—
	1,880	117	723	2,720

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

30 Employee benefit costs—continued

(a) Directors', supervisors' and chief executive's emoluments—continued

The remuneration of each director, supervisor and the chief executive for the year ended December 31, 2012 is set out below:

	Salaries, allowances and other benefits	Employer's contribution to pension scheme	Discretionary bonus	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive director				
Han Yonggui (韓永貴) (Chief Executive)	832	48	308	1,188
Non-executive director				
Xu Heyi (徐和誼)	—	—	—	—
Li Zhili (李志立)	622	48	245	915
Ma Chuanqi (馬傳騏)	—	—	—	—
Yu Zhongfu (于仲福)	—	—	—	—
Guo Xinmin (郭新民)	—	—	—	—
Wei Gang (魏剛)	—	—	—	—
Chen Jiang (陳江)	—	—	—	—
Fang Jianyi (方建一)	—	—	—	—
Han Qing (韓慶)	—	—	—	—
Shi Youwen (石幼文)	—	—	—	—
Gao Yang (高央)	—	—	—	—
Yang Shi (楊實)	—	—	—	—
Supervisor				
Zhang Yuguo (張裕國)	—	—	—	—
Chen Yifeng (陳宜峰)	—	—	—	—
Zhang Hui (張輝)	588	48	231	867
Wang Xu (王旭)	—	—	—	—
Zhu Zhenghua (朱正華)	—	—	—	—
	2,042	144	784	2,970

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

30 Employee benefit costs—continued

(a) Directors', supervisors' and chief executive's emoluments—continued

The remuneration of each director, supervisor and the chief executive for the year ended December 31, 2013 is set out below:

	Salaries, allowances and other benefits	Employer's contribution to pension scheme	Discretionary bonus	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive director				
Li Feng (李峰) (Chief Executive)(3)	124	20	5	149
Non-executive director				
Xu Heyi (徐和誼)	—	—	—	—
Han Yonggui (韓永貴)(1)	893	41	440	1,374
Zhang Xiyong (張夕勇)(3)	—	—	—	—
Li Zhili (李志立)	727	41	538	1,306
Wei Gang (魏剛)	—	—	—	—
Chen Jiang (陳江)	—	—	—	—
Wang Baomin (王保民)(3)	—	—	—	—
Qiu Yinfu (邱銀富)(3)	—	—	—	—
Shi Youwen (石幼文)	—	—	—	—
Gao Yang (高央)(2)	—	—	—	—
Yang Shi (楊實)	—	—	—	—
Ma Chuanqi (馬傳騏)	—	—	—	—
Hubertus Troska(3)	—	—	—	—
Bodo Uebber(3)	—	—	—	—
Guo Xinmin (郭新民)(2)	—	—	—	—
Yu Zhongfu (于仲福)	—	—	—	—
Fang Jianyi (方建一)(2)	—	—	—	—
Han Qing (韓慶)(2)	—	—	—	—
Supervisor				
Zhang Yuguo (張裕國)	—	—	—	—
Yin Weijie (尹維劼)(3)	—	—	—	—
Zhu Zhenghua (朱正華)	—	—	—	—
Li Chengjun (李承軍)(3)	—	—	—	—
Zhang Guofu (張國富)(3)	—	—	—	—
Chen Yifeng (陳宜峰)(2)	—	—	—	—
Zhang Hui (張輝)(2)	653	41	476	1,170
Wang Xu (王旭)(2)	—	—	—	—
	2,397	143	1,459	3,999

Notes:

(1) Resigned as executive director in September 2013 and appointed as non-executive director.
(2) Resigned in September 2013.
(3) Appointed in September 2013.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

30 Employee benefit costs—continued

(a) Directors', supervisors' and chief executive's emoluments—continued

The remuneration of each director, supervisor and the chief executive for the six months ended June 30, 2013 (unaudited) is set out below:

	Salaries, allowances and other benefits	Employer's contribution to pension scheme	Discretionary bonus	Total
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Executive director				
Han Yonggui (韓永貴) (Chief Executive)	420	14	440	874
Non-executive director				
Xu Heyi (徐和誼)	—	—	—	—
Li Zhili (李志立)	352	14	435	801
Wei Gang (魏剛)	—	—	—	—
Chen Jiang (陳江)	—	—	—	—
Shi Youwen (石幼文)	—	—	—	—
Gao Yang (高央)	—	—	—	—
Yang Shi (楊實)	—	—	—	—
Ma Chuanqi (馬傳騏)	—	—	—	—
Guo Xinmin (郭新民)	—	—	—	—
Yu Zhongfu (于仲福)	—	—	—	—
Fang Jianyi (方建一)	—	—	—	—
Han Qing (韓慶)	—	—	—	—
Supervisor				
Zhang Yuguo (張裕國)	—	—	—	—
Zhu Zhenghua (朱正華)	—	—	—	—
Chen Yifeng (陳宜峰)	—	—	—	—
Zhang Hui (張輝)	312	14	433	759
Wang Xu (王旭)	—	—	—	—
	1,084	42	1,308	2,434

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

30 Employee benefit costs—continued

(a) Directors', supervisors' and chief executive's emoluments—continued

The remuneration of each director, supervisor and the chief executive for the six months ended June 30, 2014 is set out below:

	Salaries, allowances and other benefits	Employer's contribution to pension scheme	Discretionary bonus	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive director				
Li Feng (李峰) (Chief Executive)	458	8	—	466
Non-executive director				
Xu Heyi (徐和誼)	—	—	—	—
Han Yonggui (韓永貴)(1)	172	9	—	181
Zhang Xiyong (張夕勇)	—	—	—	—
Li Zhili (李志立)	411	11	152	574
Wei Gang (魏剛)(2)	—	—	—	—
Chen Jiang (陳江)(2)	—	—	—	—
Wang Baomin (王保民)(2)	—	—	—	—
Qiu Yinfu (邱銀富)	—	—	—	—
Shi Youwen (石幼文)(2)	—	—	—	—
Yang Shi (楊實)	—	—	—	—
Ma Chuanqi (馬傳騏)	—	—	—	—
Hubertus Troska	—	—	—	—
Bodo Uebber	—	—	—	—
Yu Zhongfu (于仲福)(3)	—	—	—	—
Wang Jing (王京)(4)	—	—	—	—
Supervisor				
Zhang Yuguo (張裕國)	—	—	—	—
Yin Weijie (尹維劼)	—	—	—	—
Zhu Zhenghua (朱正華)	—	—	—	—
Li Chengjun (李承軍)	355	11	60	426
Zhang Guofu (張國富)	—	—	—	—
	1,396	39	212	1,647

Notes:

(1) Resigned in February 2014.
(2) Resigned in December 2014.
(3) Resigned in April 2014.
(4) Appointed in April 2014.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

30 Employee benefit costs—continued

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include one director and one supervisor for the year ended December 31, 2011, two directors for the year ended December 31, 2012, one director and one supervisor for the year ended December 31, 2013, two directors and one supervisor for the six months ended June 30, 2013 and no director and supervisor for the six months ended June 30, 2014. Their emoluments are reflected in the analysis presented above. The emoluments paid to the remaining individuals are as follows:

	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries, allowances and other benefits	1,707	1,996	3,852	687	8,135
Employer's contribution to pension scheme	127	145	73	28	—
Discretionary bonuses	1,822	877	1,241	871	—
	3,656	3,018	5,166	1,586	8,135

The emoluments of the remaining individuals fell within the following bands:

	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	Number of individuals			Number of individuals	
Emolument bands (in HK dollar)					
HK$0—HK$1,000,000	—	—	—	1	—
HK$1,000,001—HK$1,500,000	2	3	—	1	—
HK$1,500,001—HK$2,000,000	1	—	2	—	—
HK$2,000,001—HK$2,500,000	—	—	—	—	5
HK$2,500,001—HK$3,000,000	—	—	—	—	—
HK$3,000,001—HK$3,500,000	—	—	1	—	—

During the Relevant Periods, there was no emolument paid by the Group to any of the directors, supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

31 Finance costs, net

	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Finance income					
Interest on bank deposits	31,921	43,161	113,630	25,210	156,283
Finance costs					
Interest expense on bank borrowings					
—Wholly repayable within 5 years	127,255	361,070	591,769	265,951	401,858
—Not wholly repayable within 5 years	23,316	31,203	4,080	—	—
Interest expense on corporate bonds					
—Wholly repayable within 5 years	—	84,325	275,131	116,828	144,326
—Not wholly repayable within 5 years	78,909	78,849	—	—	—
Amortization of discount on non-current provisions	—	—	10,762	—	67,044
	229,480	555,447	881,742	382,779	613,228
Less: amount capitalized in qualifying assets (Notes 6 and 8)	(115,683)	(354,033)	(292,400)	(151,067)	(220,377)
	113,797	201,414	589,342	231,712	392,851
Finance costs, net	(81,876)	(158,253)	(475,712)	(206,502)	(236,568)

32 Income tax expense

	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current income tax	7,791	172,731	124,728	7,724	127,907
Deferred income tax (Note 13)	13,533	53,585	(11,412)	1,066	190,337
	21,324	226,316	113,316	8,790	318,244

According to the New and High-Technology Enterprise Certificate jointly issued by the Beijing Municipal Science & Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and Beijing Local Taxation Bureau, the following entities of the Group were recognized as new and high-technology enterprises with preferential income tax rate of 15%:

	Period with preferential rate
—Company	2012 to 2014
—Beijing Beinei Engine	2009 to 2014
— Powertrain	2013 to 2015

Except for the aforementioned companies and a subsidiary which is subject to Hong Kong profits tax at a rate of 16.5%, provision for PRC enterprise income tax is calculated based on the statutory income tax rate of 25% for each of the years ended 2011, 2012 and 2013 on the assessable

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

32 Income tax expense—continued

income of respective Group entities in accordance with relevant PRC enterprise income tax rules and regulations.

The reconciliation between the Group's actual tax charge and the amount which is calculated based on the statutory income tax rate of 25% in the PRC is as follows:

	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before income tax	2,784,140	3,785,057	3,126,729	1,713,520	2,657,822
Tax calculated at the statutory tax rate of 25%	696,035	946,264	781,682	428,380	664,456
Preferential tax rates on income of certain Group entities	(1,826)	(3,464)	(11,640)	(3,087)	(1,244)
Impact on share of results of joint ventures and associates	(871,363)	(948,015)	(1,505,567)	(740,759)	(703,301)
Income not subject to tax	(4,363)	(116,191)	(87,715)	(49)	(21,242)
Expenses not deductible for tax purposes	10,611	100,678	25,006	9,120	7,223
Utilization of previously unrecognized tax losses	(166)	(57,951)	—	—	—
Tax losses/deductible temporary differences for which no deferred tax was recognized	192,396	304,995	911,550	315,185	372,352
Tax charge	21,324	226,316	113,316	8,790	318,244

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

33 Earnings/(losses) per share

Basic earnings/(losses) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the Relevant Periods.

	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit/(loss) attributable to equity holders of the Company					
—continuing operations	2,698,386	3,458,569	2,776,380	1,650,211	1,809,713
—discontinuing operations	(99,903)	(41,142)	—	—	—
	2,598,483	3,417,427	2,776,380	1,650,211	1,809,713
Weighted average number of ordinary shares in issue (thousands)	4,860,326	5,001,266	5,612,391	5,469,700	6,381,818

During the Relevant Periods, there were no potential dilutive ordinary shares and diluted earnings/(losses) per share was equal to basic earnings/(losses) per share.

34 Dividends

	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000 except for per share data	RMB'000 except for per share data	RMB'000 except for per share data	RMB'000 except for per share data (unaudited)	RMB'000 except for per share data
Dividends declared/paid	—	1,500,000	1,807,937	212,482	677,984
Dividends per share (RMB)	—	0.30	0.32	0.04	0.11

The Company has paid dividends of approximately RMB678 million in August and September 2014 to its shareholders.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

35 Consolidated statements of cash flows

(a) Cash used in operations of continuing operations:

	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before income tax	2,784,140	3,785,057	3,126,729	1,713,520	2,657,822
Adjustments for:					
Share of profits of joint ventures	(3,571,598)	(3,834,902)	(5,986,518)	(2,951,154)	(2,777,840)
Share of losses/(profits) of associates	86,147	42,844	(35,749)	(11,881)	(35,364)
(Gain)/loss on disposal of					
—property, plant and equipment and intangible assets	(7,882)	(5,020)	1,507	426	50
—investments in subsidiaries	—	(440,608)	(126,201)	—	—
—investments in joint ventures	—	(603,745)	—	—	—
—investments in associates	—	(74,344)	—	—	—
Gain on remeasuring existing 50% interests in Beijing Benz upon business combination	—	—	(156,552)	—	—
Depreciation on property, plant and equipment	128,775	113,403	554,460	131,264	783,522
Amortization on					
—land use rights	10,562	24,281	35,883	12,450	57,958
—intangible assets	14,116	55,719	217,342	91,722	187,803
Provision for impairment					
—inventories	12,334	81,035	223,594	119,732	116,897
—receivables	5,635	709	7,876	—	(5,856)
—property, plant and equipment	—	—	2,095	—	—
Net foreign exchange gain	(65,983)	(6,417)	(25,597)	(25,155)	52,714
Finance costs, net	81,876	158,253	475,712	206,502	236,568
Amortization of deferred income from government grant	(12,159)	(5,210)	(13,323)	(7,351)	(7,229)
	(534,037)	(708,945)	(1,698,742)	(719,925)	1,267,045
Changes in working capital:					
—increase in accounts receivable	(134,790)	(579,773)	(1,746,128)	(390,064)	(524,394)
—(increase)/decrease in advances to suppliers, other receivables and prepayments	(377,407)	(1,896,220)	(756,103)	5,380	(236,863)
—(increase)/decrease in inventories	(363,427)	(625,725)	(2,082,190)	(707,675)	1,258,715
—increase/(decrease) in accounts payable	297,139	1,173,349	3,075,270	1,288,531	(764,286)
—increase/(decrease) in advance from customers, other payables and accruals	294,560	2,120,948	1,393,561	391,314	(1,386,401)
—increase/(decrease) in provisions	33,802	44,191	72,954	(16,515)	133,000
Net cash used in operations of continuing operations	(784,160)	(472,175)	(1,741,378)	(148,954)	(253,184)

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

35 Consolidated statements of cash flows—continued

(b) Proceeds from disposals of property, plant and equipment and intangible assets comprise:

	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net book amount	962	17,199	453,753	9,437	26,726
Gain/(loss) on disposals (Note 28)	7,882	5,020	(1,507)	(426)	(50)
(Increase)/decrease in receivables	(386)	88	(410,951)	298	411,248
Cash proceeds	8,458	22,307	41,295	9,309	437,924

(c) Disposals of investments in subsidiaries:

	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Non-current assets	—	1,545,942	365,415	—	—
Current assets	—	3,513,887	359,088	—	—
Total assets	—	5,059,829	724,503	—	—
Non-current liabilities	—	(1,182,309)	(130,051)	—	—
Current liabilities	—	(3,671,545)	(452,269)	—	—
Total liabilities	—	(4,853,854)	(582,320)	—	—
Non-controlling interests	—	(88,583)	—	—	—
	—	117,392	142,183	—	—
Total consideration (Note 1.2(b)(i) and (iv))	—	558,000	268,384	—	—
Gain on disposals	—	440,608	126,201	—	—
Net cash inflow/(outflow) is determined as follows:					
Cash proceeds received	—	90,206	736,178	350,000	—
Less: cash and cash equivalents disposed	—	(902,902)	(38,253)	—	—
	—	(812,696)	697,925	350,000	—

(d) The balance of cash and cash equivalents as at December 31, 2011 on the consolidated statement of cash flows includes the cash and cash equivalents that have been classified as assets held for sale amounting to approximately RMB 429,606,000 (Note 20).

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

36 Commitments

(a) Capital commitments

The Group and the Company have the following capital commitments for property, plant and equipment not provided for as at December 31, 2011, 2012 and 2013 and June 30, 2014 respectively.

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted but not provided for	2,130,371	3,460,419	2,759,867	6,596,713
Authorized but not contracted for	7,041,955	5,466,371	19,895,326	19,117,038

	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted but not provided for	1,104,514	1,501,801	1,241,429	905,535
Authorized but not contracted for	7,041,955	5,466,371	2,914,070	9,908,104

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Up to 1 year	15,461	86,443	748	81,318
1 to 5 years	—	217,842	—	13,302
Over 5 years	—	—	—	—
	15,461	304,285	748	94,620

	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Up to 1 year	6,347	72,286	748	65,425
1 to 5 years	—	217,842	—	8,400
Over 5 years	—	—	—	—
	6,347	290,128	748	73,825

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

37 Business combination

As disclosed in Note 1.2 (b)(iii), on January 4, 2013 the Company acquired BAIC Group's entire 50% equity interests in Beijing Benz with a cash consideration of approximately RMB 6,725,247,000. On November 18, 2013 ("Acquisition Date"), the Company acquired a further 1% equity interests in Beijing Benz with a cash consideration of RMB 216,000,000 and thereby obtained control of Beijing Benz which became a subsidiary of the Company since then.

The following table summarizes the consideration paid for Beijing Benz, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the Acquisition Date.

	RMB'000
Consideration:	
—Cash	216,000
—Fair value of existing 50% equity interests in Beijing Benz at Acquisition Date	8,742,000
	8,958,000
Recognized amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	12,230,501
Land use rights	4,012,023
Intangible assets	16,203
Deferred income tax assets	2,714,555
Inventories	5,037,956
Accounts receivable	3,769,222
Other receivables and prepayments	992,162
Cash and cash equivalents	10,176,141
Total identifiable assets acquired	38,948,763
Borrowings	(4,107,198)
Accounts payable	(6,714,613)
Advances from customers	(65,626)
Other payables and accruals	(9,757,135)
Current income tax liabilities	(485,546)
Deferred income tax liabilities	(900,962)
Provisions	(892,520)
Deferred income from government grants	(43,800)
Total identifiable liabilities assumed	(22,967,400)
Non-controlling interests	(7,830,868)
Goodwill (Note 8)	807,505
	8,958,000

Acquisition-related costs of RMB 8,100,000 have been charged to general and administrative expenses in the consolidated statement of comprehensive income for the year ended December 31, 2013.

The goodwill is primarily arisen from the synergy reached from the combination of two automotive enterprises.

Non-controlling interests in Beijing Benz were recognized at proportionate share of its net assets.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

37 Business combination—continued

The Group recognized a gain of approximately RMB 156,552,000 as a result of remeasuring at fair value of its 50% equity interest in Beijing Benz held before the business combination. The gain is included in other gains in the Group's statement of comprehensive income for the year ended December 31, 2013 (Note 28).

The revenue and net profit included in the consolidated statement of comprehensive income were approximately RMB 5,934,369,000 and RMB 248,462,000 respectively during the period from November 18, 2013 to December 31, 2013.

Had Beijing Benz been consolidated from January 1, 2013, the consolidated statement of comprehensive income would show pro-forma revenue and net profit of approximately RMB 40,067,731,000 and RMB 3,428,038,000 respectively for 2013.

Refer to Section III for additional financial information of Beijing Benz as at December 31, 2011, 2012 and November 17, 2013.

38 Related party transactions

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The immediate parent company of the Company is BAIC Group, a state-owned enterprise established in the PRC. BAIC Group is beneficially owned by SASAC Beijing which also owns a significant portion of the productive assets and entities in the PRC (collectively referred as the "government-related entities"). In accordance with IAS 24 "Related Party Disclosures," government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by SASAC Beijing are regarded as related parties of the Group. On that basis, related parties include BAIC Group, other government-related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence, and key management personnel of the Company and BAIC Group, as well as their close family members. For the purpose of the related party transaction disclosures, management believes that meaningful information relating to related party transactions has been adequately disclosed.

In addition to the information disclosed elsewhere in the Financial Information, the following transactions were carried out in the ordinary course of the Group's business and were determined based on mutually agreed terms for each of the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2013 and 2014.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

38 Related party transactions—continued

(a) Significant transactions with related parties:

	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Sale of goods and materials to					
—immediate holding company	—	75	2,612	—	—
—fellow subsidiaries	22,661	249,817	569,792	184,829	729,961
—joint ventures	192,398	204,540	278,630	142,459	144,922
—an associate	138	8,653	459	—	459
—other related companies	32,596	18,926	100,683	32,763	206,042
Services provided to					
—immediate holding company	1,100	3,108	—	—	40
—fellow subsidiaries	—	—	—	—	26
—joint ventures	77,235	2,671	—	—	—
—associates	19,322	4,556	23,165	15,386	17,255
—other related companies	1,716	1,157	7,937	—	48,165
Purchases of goods and materials from					
—immediate holding company	—	57,764	6,793	8	—
—fellow subsidiaries	600,556	1,708,587	2,129,119	775,586	1,205,015
—joint ventures	—	4,261	—	—	—
—associates	7,148	7,266	—	—	—
—other related companies	297,579	585,170	3,977,519	392,497	9,329,860
Services received from					
—immediate holding company	17,318	22,303	36,816	11,872	87,695
—fellow subsidiaries	16	340,952	433,785	127,978	357,909
—joint ventures	—	—	56,471	—	172,165
—associates	153,998	—	—	—	—
—other related companies	—	—	789,048	261,776	1,038,969
Rental expenses paid/payable to					
—fellow subsidiaries	46,223	45,326	145,129	5,123	58,402
Proceeds from disposal of investments to					
—immediate holding company	—	586,190	268,384	—	—
—fellow subsidiaries	—	1,354,644	—	—	—
Proceeds from disposal of intangible assets and property, plant and equipment to					
—fellow subsidiaries	—	—	290,453	—	—
—immediate holding company	—	—	122,368	—	—
Interest income received from					
—an associate	—	11,863	26,062	3,139	34,980
Interest expenses paid/payable to					
—an associate	—	38,704	67,167	29,246	35,647
Key management compensations					
—Salaries, allowances and other benefits	6,370	7,545	9,760	3,278	5,829
—Employer's contribution to pension scheme	437	568	431	128	132
—Discretionary bonuses	3,478	2,824	4,628	3,905	1,234

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

38 Related party transactions—continued

(b) Significant balances with related parties:

	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Accounts receivable				
—immediate holding company	—	1,554	1,429	1,218
—fellow subsidiaries	—	5,662	271,253	293,109
—joint ventures	20,528	21,069	31,652	29,974
—other related companies	—	5,280	111,531	74,896
Advances to suppliers				
—immediate holding company	109,119	60,049	—	—
—fellow subsidiaries	35,483	132,431	146,518	422,662
—associates	7,148	1,072	—	—
—other related companies	—	—	—	2,002
Other receivables and prepayments				
—immediate holding company	1,275	467,970	137,462	135
—fellow subsidiaries	33,648	499,922	1,282,329	24,261
—joint ventures	600	600	600	—
—associates	138	2,508	—	—
—other related companies	1,980	—	75,699	185,840
Cash and cash equivalents				
—an associate	—	794,719	5,903,793	2,767,887
Liabilities				
Accounts payable				
—immediate holding company	—	9,636	2,367	—
—fellow subsidiaries	36,701	197,530	989,475	1,078,907
—associates	360	5,723	—	—
—other related companies	59,464	16,844	4,625,885	4,439,245
Advances from customers				
—immediate holding company	306	—	190	190
—fellow subsidiaries	—	21,324	19,888	59,006
—associates	—	—	537	10,353
—other related companies	—	—	—	138
Other payables and accruals				
—immediate holding company	318,010	28,476	1,254,184	993,304
—fellow subsidiaries	496,835	476,264	223,638	433,255
—joint ventures	—	1,698	38,788	67,713
—associates	153,997	—	—	—
—other related companies	6,500	5,965	1,268,536	1,440,302
Dividends payable to				
—immediate holding company	—	21,530	747,535	374,367
—other related companies	—	—	1,029,730	919,634
Borrowings from				
—an associate	—	815,000	1,715,900	1,027,000
Entrusted loan through banks provided by				
—immediate holding company	300,000	300,000	—	—

note:

The above balances with related parties at December 31, 2011 contain amounts included under assets/liabilities of disposal group classified as held for sale (Note 20).

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

38 Related party transactions—continued

(c) Guarantees:

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantees on bank loans provided by:				
—immediate holding company	1,253,264	—	1,000,000	—
—a fellow subsidiary (Beijing Beinei Limited)	35,000	—	—	—
Guarantees provided to:				
—other related companies	65,000	—	—	—

	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantees provided to:				
—subsidiaries	—	1,518,170	1,527,305	1,574,409
Guarantees provided by:				
—immediate holding company	—	—	1,000,000	—
—subsidiaries	—	—	2,499,000	2,350,000

(d) In March 2011, the Company entered into four non-exclusive trademark license agreements with BAIC Group, pursuant to which BAIC Group agreed to grant the Company non-exclusive licenses to use the trademarks and related logos and designs registered in the name of BAIC Group in the PRC from March 2011 to February 2016 at nil consideration.

39 Subsequent events

(a) On July 24, 2014, the Company completed the acquisition from BAIC Group its entire interests in BAIC Guangzhou Automotive Co., Ltd. ("Guangzhou Company") for a cash consideration of approximately RMB 2,369.8 million, of which, the Company has paid in advance RMB 710.9 million and is included in other long-term assets as at June 30, 2014.

Guangzhou Company had total assets of approximately RMB 555,923,000, RMB 768,041,000 and RMB 1,931,634,000 and RMB 2,927,781,000 and net assets of approximately RMB 551,842,000, RMB 528,422,000 and RMB 815,788,000 and RMB 1,166,352,000 respectively as at December 31, 2011, 2012 and 2013 and June 30, 2014. It recorded no revenue and net loss of approximately RMB 16,512,000, RMB 23,420,000, RMB 63,111,000, RMB 20,975,000 and RMB 29,436,000 respectively for each of the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2013 and 2014.

Additional financial information of Guangzhou Company as at December 31, 2011, 2012 and 2013 and June 30, 2014 and for each of the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2013 and 2014 are set out in Section IV of this report.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

39 Subsequent events —continued

(b) On August 12, 2014, the Company issued RMB 1 billion of private placement bonds with an annual interest rate of 5.4% and a term of three years. On September 10 and 22, 2014, the Company issued RMB 400 million and RMB 600 million medium-term notes, with a term of seven years and an annual interest rate of 5.74% and 5.54% respectively.

III. ADDITIONAL FINANCIAL INFORMATION OF BEIJING BENZ

The following is the financial information of Beijing Benz for each of the years ended December 31, 2011 and 2012 and the period from January 1, to November 17, 2013 before Beijing Benz became a subsidiary of the Company.

BALANCE SHEETS OF BEIJING BENZ

	Note	As at December 31, 2011	As at December 31, 2012	As at November 17, 2013
		RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	4	4,065,275	7,641,285	11,764,225
Land use rights	5	220,881	890,594	874,456
Intangible assets	6	1,205	8,275	16,203
Deferred income tax assets	7	1,936,516	2,278,238	2,714,555
		6,223,877	10,818,392	15,369,439
Current assets				
Inventories	8	2,910,094	3,803,654	5,037,956
Accounts receivable	9	8,306,180	4,366,093	3,769,222
Other receivables and prepayments	10	336,655	139,955	992,162
Derivative financial instruments	11	—	3,334	—
Cash and cash equivalents	12	5,757,213	6,213,110	10,176,141
		17,310,142	14,526,146	19,975,481
Total assets		23,534,019	25,344,538	35,344,920

BALANCE SHEETS OF BEIJING BENZ (CONTINUED)

	Note	As at December 31, 2011	As at December 31, 2012	As at November 17, 2013
		RMB'000	RMB'000	RMB'000
EQUITY				
Capital and reserves attributable to equity holders				
Paid-in capital	13	4,098,241	5,329,791	8,057,552
Other reserves	14	475,009	474,673	541,297
Retained earnings		1,510,630	3,421,533	4,679,633
Total equity		6,083,880	9,225,997	13,278,482
LIABILITIES				
Non-current liabilities				
Borrowings	15	350,000	279,000	934,000
Provisions	16	597,450	612,422	615,482
Deferred income from government grants	17	243,000	43,800	43,800
		1,190,450	935,222	1,593,282
Current liabilities				
Accounts payable	18	4,837,849	5,142,795	6,714,613
Advances from customers		214,901	170,433	65,626
Other payables and accruals	19	7,761,691	7,326,644	9,757,135
Current income tax liabilities		603,479	298,828	485,546
Borrowings	15	2,650,000	1,977,859	3,173,198
Provisions	16	191,769	266,760	277,038
		16,259,689	15,183,319	20,473,156
Total liabilities		17,450,139	16,118,541	22,066,438
Total equity and liabilities		23,534,019	25,344,538	35,344,920
Net current assets/(liabilities)		1,050,453	(657,173)	(497,675)
Total assets less current liabilities		7,274,330	10,161,219	14,871,764

STATEMENTS OF COMPREHENSIVE INCOME OF BEIJING BENZ

	Note	For the year ended December 31, 2011	For the year ended December 31, 2012	For the period from January 1, to November 17, 2013
		RMB'000	RMB'000	RMB'000
Revenue		28,688,223	29,673,370	27,285,863
Cost of sales	21	(22,134,377)	(23,696,286)	(21,928,794)
Gross profit		6,553,846	5,977,084	5,357,069
Selling and distribution expenses	21	(1,736,878)	(2,128,920)	(2,364,074)
General and administrative expenses	21	(1,329,734)	(1,456,209)	(1,400,398)
Other gains, net	20	394,387	170,969	108,486
Operating profit		3,881,621	2,562,924	1,701,083
Finance income	23	94,996	93,882	80,091
Finance costs	23	(76,403)	(98,552)	(104,888)
Finance income/(costs), net		18,593	(4,670)	(24,797)
Profit before income tax		3,900,214	2,558,254	1,676,286
Income tax expense	24	(420,993)	(647,351)	(418,186)
Profit for the year/period		3,479,221	1,910,903	1,258,100
Other comprehensive (loss)/gain				
Item that may be reclassified subsequently to profit or loss				
Fair value (losses)/gains on cash flow hedges		—	(336)	336
Total comprehensive income		3,479,221	1,910,567	1,258,436

STATEMENTS OF CHANGES IN EQUITY OF BEIJING BENZ

	Paid-in capital	Capital reserve	Statutory surplus reserve	Hedging reserve	(Accumulated losses) /retained earnings	Total
	RMB'000 (Note 13)	RMB'000 (Note 14(a))	RMB'000 (Note 14(b))	RMB'000 (Note 14(c))	RMB'000	RMB'000
Balance at January 1, 2011	4,098,241	49,872	425,137	—	(1,968,591)	2,604,659
Total comprehensive income for the year	—	—	—	—	3,479,221	3,479,221
Balance at December 31, 2011	4,098,241	49,872	425,137	—	1,510,630	6,083,880
Total comprehensive (loss)/ income for the year	—	—	—	(336)	1,910,903	1,910,567
Transactions with owners—capital injection	1,231,550	—	—	—	—	1,231,550
Balance at December 31, 2012	5,329,791	49,872	425,137	(336)	3,421,533	9,225,997
Total comprehensive income for the period	—	—	—	336	1,258,100	1,258,436
Transactions with owners—capital injection	2,727,761	66,288	—	—	—	2,794,049
Balance at November 17, 2013	8,057,552	116,160	425,137	—	4,679,633	13,278,482

STATEMENTS OF CASH FLOWS OF BEIJING BENZ

	Note	For the year ended December 31, 2011	For the year ended December 31, 2012	For the period from January 1, to November 17, 2013
		RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
Cash generated from operations	25	1,764,677	6,266,670	3,963,706
Interest received		94,996	93,882	80,091
Interest paid		(71,736)	(93,107)	(22,312)
Income tax paid		(1,560,649)	(1,293,724)	(580,064)
Net cash generated from operating activities		227,288	4,973,721	3,441,421
Cash flows from investing activities				
Purchase of property, plant and equipment		(1,311,724)	(4,368,844)	(3,915,840)
Purchase of land use rights		(131,633)	(677,931)	—
Proceeds from disposal of property, plant and equipment		5,853	21,025	1,388
Net cash used in investing activities		(1,437,504)	(5,025,750)	(3,914,452)
Cash flows from financing activities				
Capital injection		—	1,231,550	2,578,049
Proceeds from borrowings		2,400,000	2,533,617	5,966,385
Repayments of borrowings		—	(3,276,758)	(4,116,046)
Net cash generated from financing activities		2,400,000	488,409	4,428,388
Net increase in cash and cash equivalents		1,189,784	436,380	3,955,357
Cash and cash equivalents at beginning of the year/period		4,567,409	5,757,213	6,213,110
Exchange gains on cash and cash equivalents		20	19,517	7,674
Cash and cash equivalents at end of the year/period		5,757,213	6,213,110	10,176,141

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF BEIJING BENZ

1 General information

Beijing Benz (formerly known as Beijing Benz-Daimler Chrysler Automotive Co., Ltd.) was incorporated in the PRC as an equity joint venture with limited liability. The address of Beijing Benz's registered office is No.8 Boxing Road, Beijing Economic and Technological Development Area ("BDA"), the PRC.

Beijing Benz is principally engaged in the design, development, production and sales of passenger vehicles and related auto parts. From January 1, 2011 to January 3, 2013, Beijing Benz was 50%, 39.454% and 10.546% owned by BAIC Group, Daimler AG and Daimler Greater China Ltd. respectively. On January 4, 2013, BAIC Group transferred its entire 50% interests in Beijing Benz to the Company and thereafter Beijing Benz became 50%, 39.454% and 10.546% owned by the Company, Daimler AG and Daimler Greater China Ltd. till November 17, 2013.

2 Basis of preparation

The financial information of Beijing Benz for the years ended December 31, 2011 and 2012 and for the period from January 1, to November 17, 2013 has been prepared in accordance with IFRSs issued by IASB under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value and in accordance with the accounting policies of the Group presented on the basis set out in Note 2 of Section II. These policies have been consistently applied to the years and period presented, unless otherwise stated.

3 Segment information

Beijing Benz's segment information is determined on the basis of internal reports that are regularly reviewed by the Executive Management Committee, in order to allocate resources and assess performance. It has been determined that Beijing Benz is an operating segment as a whole based on these management reports.

There was no individual customer which accounts for 10% or more of Beijing Benz's revenue for all the years/period presented. All of its customers are located in the PRC.

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF BEIJING BENZ—continued

4 Property, plant and equipment

	Buildings	Machinery	Vehicles	Furniture, equipment and toolings	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net book amount at January 1, 2011	807,233	643,281	80,946	1,855,222	274,214	3,660,896
Additions	—	152,994	22,478	—	807,926	983,398
Transfers upon completion	100,863	152,337	11,825	152,719	(417,744)	—
Disposals	—	—	(3,014)	(8,237)	—	(11,251)
Depreciation	(52,951)	(172,178)	(20,157)	(322,482)	—	(567,768)
Net book amount at December 31, 2011	855,145	776,434	92,078	1,677,222	664,396	4,065,275
At December 31, 2011						
Cost	1,231,639	2,001,258	152,848	2,912,079	696,565	6,994,389
Accumulated depreciation and impairment	(376,494)	(1,224,824)	(60,770)	(1,234,857)	(32,169)	(2,929,114)
Net book amount	855,145	776,434	92,078	1,677,222	664,396	4,065,275
Net book amount at January 1, 2012	855,145	776,434	92,078	1,677,222	664,396	4,065,275
Additions	81,387	506,099	30,174	265,392	3,418,816	4,301,868
Transfers upon completion	367	54,169	—	314,871	(369,407)	—
Disposals	(15,081)	(59,821)	(2,041)	(12,992)	—	(89,935)
Depreciation	(60,305)	(171,200)	(27,242)	(377,176)	—	(635,923)
Net book amount at December 31, 2012	861,513	1,105,681	92,969	1,867,317	3,713,805	7,641,285
At December 31, 2012						
Cost	1,296,148	2,459,570	177,415	3,425,457	3,745,974	11,104,564
Accumulated depreciation and impairment	(434,635)	(1,353,889)	(84,446)	(1,558,140)	(32,169)	(3,463,279)
Net book amount	861,513	1,105,681	92,969	1,867,317	3,713,805	7,641,285
Net book amount at January 1, 2013	861,513	1,105,681	92,969	1,867,317	3,713,805	7,641,285
Reclassifications	—	737,353	—	(737,353)	—	—
Additions	2,744	72,822	44,966	51,192	4,637,763	4,809,487
Transfers upon completion	2,201,473	845,649	108,787	82,059	(3,237,968)	—
Transfer to intangible assets	—	—	—	—	(7,093)	(7,093)
Disposals	—	(12,782)	(320)	(3,928)	—	(17,030)
Depreciation	(93,609)	(266,447)	(64,694)	(237,674)	—	(662,424)
Net book amount at November 17, 2013	2,972,121	2,482,276	181,708	1,021,613	5,106,507	11,764,225
At November 17, 2013						
Cost	3,500,365	5,149,926	325,895	1,876,995	5,106,507	15,959,688
Accumulated depreciation and impairment	(528,244)	(2,667,650)	(144,187)	(855,382)	—	(4,195,463)
Net book amount	2,972,121	2,482,276	181,708	1,021,613	5,106,507	11,764,225

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF BEIJING BENZ—continued

4 Property, plant and equipment—continued

Depreciation has been charged to the following function of expenses:

	For the year ended December 31,		For the period from January 1, to November 17,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Cost of sales	515,829	559,708	577,615
Selling and distribution expenses	11,271	8,765	9,844
General and administrative expenses	40,668	67,450	74,965
	567,768	635,923	662,424

Beijing Benz has capitalized borrowing costs amounting to approximately RMB 560,000 and RMB 18,165,000 on qualifying assets of property, plant and equipment for the year ended December 31, 2012 and the period from January 1 to November 17, 2013, respectively. Borrowing costs were capitalized at the weighted average of its borrowing rate of 5.76% and 5.95% for the respective year/period.

5 Land use rights

	For the year ended December 31,		For the period from January 1, to November 17,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Cost			
At beginning of year/period	106,771	238,404	916,335
Additions	131,633	677,931	—
At end of year/period	238,404	916,335	916,335
Accumulated amortization			
At beginning of year/period	15,472	17,523	25,741
Amortization	2,051	8,218	16,138
At end of year/period	17,523	25,741	41,879
Net book amount			
At end of year/period	220,881	890,594	874,456

Amortization of land use rights has been charged to cost of sales and general and administrative expenses.

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF BEIJING BENZ—continued

6 Intangible assets

The intangible assets mainly comprised of computer softwares at December 31, 2011, December 31, 2012 and November 17, 2013.

	For the year ended December 31,		For the period from January 1, to November 17,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Cost			
At beginning of year/period	40,461	40,461	49,552
Additions	—	9,091	11,465
At end of year/period	40,461	49,552	61,017
Accumulated amortization			
At beginning of year/period	30,313	39,256	41,277
Amortization	8,943	2,021	3,537
At end of year/period	39,256	41,277	44,814
Net book amount			
At end of year/period	1,205	8,275	16,203

Amortization of intangible assets has been charged to general and administrative expenses.

7 Deferred income tax assets

	As at December 31,		As at November 17,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
To be recovered after more than 12 months	461,800	458,957	463,664
To be recovered within 12 months	1,474,716	1,819,281	2,250,891
	1,936,516	2,278,238	2,714,555

The movements in deferred income tax assets during the year/period are as follows:

	Provisions for impairment losses	Accruals	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2011	280,520	705,154	24,643	1,010,317
Credited/(charged) to statement of comprehensive income	23,210	920,843	(17,854)	926,199
At December 31, 2011	303,730	1,625,997	6,789	1,936,516
(Charged)/credited to statement of comprehensive income	(3,976)	346,390	(692)	341,722
At December 31, 2012	299,754	1,972,387	6,097	2,278,238
(Charged)/credited to statement of comprehensive income	(10,235)	421,757	24,795	436,317
At November 17, 2013	289,519	2,394,144	30,892	2,714,555

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF BEIJING BENZ—continued

8 Inventories

	As at December 31,		As at November 17,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Raw materials	1,441,609	2,381,871	2,693,328
Work in progress	122,142	166,148	216,900
Finished goods	1,446,966	1,368,106	2,240,199
	3,010,717	3,916,125	5,150,427
Less: provision for impairment	(100,623)	(112,471)	(112,471)
	2,910,094	3,803,654	5,037,956

The cost of inventories recognized as an expense and included in cost of sales for each of the years ended December 31, 2011 and 2012 and the period from January 1, to November 17, 2013 amounted to approximately RMB 22,134,377,000, RMB 23,696,286,000 and RMB 21,928,794,000 respectively.

9 Accounts receivable

	As at December 31,		As at November 17,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Trade receivables, gross (note (a))	7,726,546	4,412,231	3,731,440
Less: provision for impairment	(151,236)	(151,236)	(151,236)
	7,575,310	4,260,995	3,580,204
Notes receivable (note (b))	730,870	105,098	189,018
	8,306,180	4,366,093	3,769,222

notes:

(a) The majority of sales are made on credit. Credit periods of up to 6 months may be granted in respect of sales to customers with good credit history and long-established relationship with Beijing Benz. The ageing analysis of trade receivables is as follows:

	As at December 31,		As at November 17,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Within 1 year	7,575,310	4,260,995	3,580,204
Over 3 years	151,236	151,236	151,236
	7,726,546	4,412,231	3,731,440

No trade receivables were past due but not impaired as at December 31, 2011 and 2012 and November 17, 2013.

Trade receivables of approximately RMB 151,236,000 were impaired as at December 31, 2011 and 2012 and November 17, 2013, on which full provision was made as at respective year/period ends. The ageing of these impaired receivables was over 3 years.

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF BEIJING BENZ—continued

9 Accounts receivable—continued

Movement on the provision for impairment of trade receivables is as follows:

	RMB'000
As at January 1, 2011 and 2012 and November 17, 2013	151,236

(b) All of the notes receivable are bank acceptance notes with average maturity period of within six months.

(c) Substantially all accounts receivable are denominated in RMB and the carrying amounts of accounts receivable approximate their far values.

10 Other receivables and prepayments

	As at December 31,		As at November 17,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Deposits and prepayments	288,747	78,325	111,772
Value-added tax and consumption tax recoverable	—	—	602,039
Amount due from an investor (note)	—	—	216,000
Others	47,908	61,630	62,351
	336,655	139,955	992,162

note:

This represents amount due from the Company for the acquisition of 1% equity interest in Beijing Benz.

11 Derivative financial instruments

	As at December 31,		As at November 17,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Forward foreign exchange contracts —cash flow hedges	—	3,334	—

The total notional principal amount of the outstanding forward foreign exchange contracts at December 31, 2012 was approximately RMB 98,066,854.

During 2012 Beijing Benz entered into forward foreign exchange contracts of selling RMB and purchasing Euro to hedge against their relative currency movements for settlement of Euro denominated trade payables due to Daimler AG (the hedged forecast transactions).

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF BEIJING BENZ—continued

12 Cash and cash equivalents

	As at December 31,		As at November 17,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	1,794,666	2,779,420	3,696,876
Short-term bank deposits	3,962,547	3,433,690	6,479,265
	5,757,213	6,213,110	10,176,141

13 Paid-in capital

	Original currency	Equivalent
	USD'000	RMB'000
At January 1, 2011 and at December 31, 2011	585,707	4,098,241
Additions	195,338	1,231,550
At December 31, 2012	781,045	5,329,791
Additions	439,461	2,727,761
At November 17, 2013	1,220,506	8,057,552

14 Other reserves

(a) Capital reserve

Capital reserve represents the difference between the amount of registered paid-in capital and the funds actually received upon completion of capital injection.

(b) Statutory surplus reserve

In accordance with the articles of association of Beijing Benz, it was required to set up certain statutory reserves (including general reserve and enterprise development reserve) which were non-distributable. The transfers of these reserves are at discretion of its directors. These statutory reserves can only be utilized, upon approval by the relevant authority, to offset previous years' losses or to increase capital.

(c) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss.

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF BEIJING BENZ—continued

15 Borrowings

	As at December 31,		As at November 17,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Short-term borrowings			
Unsecured bank borrowings	2,350,000	1,849,859	2,994,198
Add: current portion of long-term bank borrowings	300,000	128,000	179,000
	2,650,000	1,977,859	3,173,198
Long-term borrowings			
Unsecured bank borrowings	650,000	407,000	1,113,000
Less: current portion of long-term bank borrowings	(300,000)	(128,000)	(179,000)
	350,000	279,000	934,000
Total borrowings	3,000,000	2,256,859	4,107,198

	As at December 31,		As at November 17,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Maturity of borrowings			
Within 1 year	2,650,000	1,977,859	3,173,198
Between 1 and 2 years	206,000	179,000	—
Between 2 and 5 years	144,000	100,000	934,000
	3,000,000	2,256,859	4,107,198

	As at December 31,		As at November 17,
	2011	2012	2013
Weighted average annual interest rates			
Bank borrowings	5.25%	5.15%	3.46%

	As at December 31,		As at November 17,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Undrawn facilities			
Over 1 year	600,000	7,084,120	11,641,744

The carrying amounts of borrowings approximate their fair values and all borrowings are denominated in RMB except for a bank borrowing of RMB 2,994,198,000 being denominated in Euro as at November 17, 2013.

16 Provisions

	As at December 31,						As at November 17,		
	2011			2012			2013		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Warranties	191,769	521,597	713,366	266,760	536,569	803,329	277,038	539,629	816,667
Compensation to suppliers	—	75,853	75,853	—	75,853	75,853	—	75,853	75,853
	191,769	597,450	789,219	266,760	612,422	879,182	277,038	615,482	892,520

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF BEIJING BENZ—continued

16 Provisions—continued

Movement of provisions for each of the years ended December 31, 2011 and 2012 and the period from January 1, 2013 to November 17, 2013 is as follows:

	Warranties	Compensation to suppliers	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2011	491,986	75,853	567,839
Additions	332,302	—	332,302
Payments	(110,922)	—	(110,922)
At December 31, 2011	713,366	75,853	789,219
Additions	243,840	—	243,840
Payments	(153,877)	—	(153,877)
At December 31, 2012	803,329	75,853	879,182
Additions	276,794	—	276,794
Payments	(263,456)	—	(263,456)
At November 17, 2013	816,667	75,853	892,520

17 Deferred income from government grants

(a) Balance at December 31, 2011 represents the unutilized balance of government grants received when Beijing Benz relocated from the former address to BDA after compensating for the fixed and intangible assets loss, production suspension and expenses related to the relocation due to city planning. This was recognized as other gains in the statement of comprehensive income in 2012 upon completion of relocation (Note 20).

(b) Balances at December 31, 2012 and November 17, 2013 represent the refund received for acquiring the land where the engine factory of Beijing Benz is located.

18 Accounts payable

	As at December 31,		As at November 17,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Trade payable	4,724,146	5,127,795	6,712,613
Notes payable	113,703	15,000	2,000
	4,837,849	5,142,795	6,714,613

Ageing analysis of trade payable is as follows:

	As at December 31,		As at November 17,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Within 1 year	4,724,146	5,127,795	6,712,613

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF BEIJING BENZ—continued

19 Other payables and accruals

	As at December 31,		As at November 17,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Sales discounts	3,144,388	3,858,671	4,535,101
Advertising and promotion	442,295	787,296	931,595
Wages, salaries and other employee benefits	351,090	447,526	447,165
Service fees and charges	954,936	830,500	1,256,244
Other taxes	1,807,908	420,779	30,673
Others	1,061,074	981,872	2,556,357
	7,761,691	7,326,644	9,757,135

20 Other gains, net

	For the year ended December 31,		For the period from January 1, to November 17,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Gain from sales of scrap materials	187,612	21,848	15,378
Loss on disposal of property, plant and equipment	(6,452)	(68,910)	(15,641)
Foreign exchange gains/(losses)	174,569	(70,484)	28,517
Government grants (Note 17(a))	—	243,000	6,423
Commission income	28,799	44,789	59,026
Others	9,859	726	14,783
	394,387	170,969	108,486

21 Expenses by nature

	For the year ended December 31,		For the period from January 1, to November 17,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Raw materials used	20,950,336	22,025,529	20,949,181
Changes in inventories of finished goods and work-in-progress	(1,170,068)	34,854	(922,845)
Advertising and promotion	1,048,115	922,226	746,904
Employee benefit costs (Note 22)	827,589	1,333,454	1,279,982
Depreciation on property, plant and equipment (Note 4)	567,768	635,923	662,424
Amortization on			
—land use rights (Note 5)	2,051	8,218	16,138
—intangible assets (Note 6)	8,943	2,021	3,537
Impairment charges on inventories	13,183	11,947	—
Warranty expenses (Note 16)	332,302	243,840	276,794
Operating lease expenses	24,012	40,939	13,265
Auditors' remuneration	2,340	2,094	1,988
Others	2,594,418	2,020,370	2,665,898
Total cost of sales, selling and distribution expenses, and general and administrative expenses	25,200,989	27,281,415	25,693,266

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF BEIJING BENZ—continued

22 Employee benefit costs

	For the year ended December 31,		For the period from January 1, to November 17,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Wages and salaries	757,527	1,224,304	1,168,817
Pension schemes (note)	63,842	108,767	111,051
Termination benefits	6,220	383	114
	827,589	1,333,454	1,279,982

note:

The employees of Beijing Benz participate in defined contribution retirement benefit schemes managed by the local government authorities, whereby Beijing Benz is required to contribute to the schemes at 20% of the employees' basic salaries. There is no further obligation for payment of other retirement benefits beyond the above annual contributions.

23 Finance income/(costs), net

	For the year ended December 31,		For the period from January 1, to November 17,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Finance income			
Interest on bank deposits	94,996	93,882	80,091
Finance costs			
Interest expense on bank borrowings			
—Wholly repayable within 5 years	76,403	99,112	40,478
Amortization of discount on non-current provisions	—	—	82,575
	76,403	99,112	123,053
Less: amount capitalized in qualifying assets (Note 4)	—	(560)	(18,165)
	76,403	98,552	104,888
Finance income/(costs), net	18,593	(4,670)	(24,797)

24 Income tax expense

	For the year ended December 31,		For the period from January 1, to November 17,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Current income tax	1,347,192	989,073	854,503
Deferred income tax credit (Note 7)	(926,199)	(341,722)	(436,317)
	420,993	647,351	418,186

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF BEIJING BENZ—continued

24 Income tax expense—continued

The reconciliation between the actual tax charge and the amount which is calculated based on the statutory income tax rate of 25% in the PRC is as follows:

	For the year ended December 31,		For the period from January 1, to November 17,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Profit before income tax	3,900,214	2,558,254	1,676,286
Tax calculated at statutory tax rate	975,054	639,564	419,072
Preferential tax rate (note)	(87,782)	—	—
Expenses not deductible for tax purposes	3,415	5,710	—
Utilization of previously unrecognized tax losses	(469,694)	—	—
Others	—	2,077	(886)
Tax charge	420,993	647,351	418,186

note:

Pursuant to Kai Guo Shui 2009 No.159 Notice: Approval for application of transitional corporate income tax rates of Beijing Benz-Daimler Chrysler Automotive Co., Ltd., since January 1, 2008, Beijing Benz was subject to transitional corporate income tax rates as set out below: 2008: 18%, 2009: 20%, 2010: 22%, 2011: 24%, 2012 and afterwards: 25%.

25 Cash generated from operations

	For the year ended December 31,		For the period from January 1, to November 17,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Profit before income tax	3,900,214	2,558,254	1,676,286
Adjustments for:			
Loss on disposal of property, plant and equipment	6,452	68,910	15,641
Depreciation on property, plant and equipment	567,768	635,923	662,424
Amortization on			
—land use rights	2,051	8,218	16,138
—intangible assets	8,943	2,021	3,537
Impairment charge on inventories	13,183	11,947	—
Finance (income)/costs, net	(18,593)	4,670	24,797
	4,480,018	3,289,943	2,398,823
Changes in working capital:			
—increase in inventories	(1,446,201)	(905,507)	(1,234,302)
—(increase)/decrease in receivables	(6,834,021)	4,113,117	(255,337)
—increase/(decrease) in payables and accruals	5,564,881	(230,883)	3,054,522
Net cash generated from operations	1,764,677	6,266,670	3,963,706

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF BEIJING BENZ—continued

26 Commitments

(a) Capital commitments

Beijing Benz has the following capital commitments not provided for as at December 31, 2011 and 2012 and November 17, 2013, respectively:

	As at December 31,		As at November 17,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Contracted but not provided for	1,626,665	2,566,745	1,212,421
Authorized but not contracted for	20,429,771	12,157,059	17,912,854
	22,056,436	14,723,804	19,125,275

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at December 31,		As at November 17,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Up to 1 year	3,111	84,860	—
1 to 5 years	—	166,385	—
	3,111	251,245	—

27 Related party transactions

(a) Significant transactions with related parties are listed below which were carried out in the ordinary course of business and were determined based on mutually agreed terms:

	For the year ended December 31,		For the period from January 1, to November 17,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Sale of goods and materials to			
—investors and other related companies	1,481,375	989,930	665,431
Services provided to			
—investors and other related companies	13,871	51,358	60,187
Purchases of goods and materials from			
—investors and other related companies	12,937,617	14,135,898	12,301,903
Services received from			
—investors and other related companies	230,405	992,038	1,800,146
Rental expenses paid/payable to			
—a related company	—	12,163	63,184
Interest received from			
—a related company	—	1,794	16,540
Key management compensation			
—salaries and other employee benefits	15,852	18,031	18,322

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF BEIJING BENZ—continued

27 Related party transactions—continued

(b) Significant balances with related parties are listed below which were unsecured, interest free and repayment on demand:

	As at December 31,		As at November 17,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Assets			
Trade receivables			
—investors and other related companies	176,197	184,293	269,947
Notes receivable			
—a related company	125,340	—	—
Other receivables and prepayments			
—investors and other related companies	31,131	51,358	65,193
Bank deposit			
—a related company	—	602,471	2,195,897
Liabilities			
Accounts payable			
—investors and other related companies	1,683,257	2,388,841	4,901,959
Advances from customers			
—a related company	125,000	—	—
Other payables and accruals			
—investors and other related companies	280,998	682,967	1,835,292

IV. ADDITIONAL FINANCIAL INFORMATION OF GUANGZHOU COMPANY

As stated in Note 39 of Section II above, on July 24, 2014, the Company completed the acquisition from BAIC Group its entire interests in Guangzhou Company.

The following is the financial information of Guangzhou Company for each of the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2013 and 2014.

BALANCE SHEETS OF GUANGZHOU COMPANY

	Note	As at December 31,			As at June 30,
		2011	2012	2013	2014
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	16,194	307,258	1,208,019	2,131,963
Land use rights	5	263,268	254,752	328,563	323,462
Intangible assets	6	84	101	65	47
Other receivables and prepayments	7	43,671	15,775	35,485	56,958
		323,217	577,886	1,572,132	2,512,430
Current assets					
Inventories		—	—	163	2,476
Other receivables and prepayments	7	192,803	18,742	28,494	51,557
Cash and cash equivalents	8	39,903	171,413	330,845	361,318
		232,706	190,155	359,502	415,351
Total assets		555,923	768,041	1,931,634	2,927,781
EQUITY					
Capital and reserves attributable to equity holders					
Paid-in capital	9	630,000	630,000	980,000	1,360,000
Capital reserve		119	119	596	596
Accumulated losses		(78,277)	(101,697)	(164,808)	(194,244)
Total equity		551,842	528,422	815,788	1,166,352
LIABILITIES					
Non-current liabilities					
Borrowings	10	—	—	705,000	971,000
Deferred income from government grants	11	—	100,000	270,493	269,252
		—	100,000	975,493	1,240,252
Current liabilities					
Accounts Payable	12	—	—	—	42,492
Other payables and accruals	13	4,081	139,619	140,353	478,685
		4,081	139,619	140,353	521,177
Total liabilities		4,081	239,619	1,115,846	1,761,429
Total equity and liabilities		555,923	768,041	1,931,634	2,927,781
Net current assets		228,625	50,536	219,149	(105,826)
Total assets less current liabilities		551,842	628,422	1,791,281	2,406,604

STATEMENTS OF COMPREHENSIVE INCOME OF GUANGZHOU COMPANY

	Note	For the year ended December 31,			For the six months ended June 30,	
		2011	2012	2013	2013	2014
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
General and administrative expenses	15	(16,952)	(31,652)	(65,887)	(22,212)	(33,314)
Other (losses)/gains, net	14	(2)	7,461	829	203	600
Operating loss		(16,954)	(24,191)	(65,058)	(22,009)	(32,714)
Finance income	17	442	771	1,947	1,034	3,278
Finance costs	17	—	—	—	—	—
Finance income, net		442	771	1,947	1,034	3,278
Total loss and comprehensive loss for the year/ period		(16,512)	(23,420)	(63,111)	(20,975)	(29,436)

STATEMENTS OF CHANGES IN EQUITY OF GUANGZHOU COMPANY

	Paid-in capital	Capital reserve	Accumulated losses	Total
	RMB'000 (Note 9)	RMB'000 (Note 10)	RMB'000	RMB'000
Balance at January 1, 2011	330,000	—	(61,765)	268,235
Total comprehensive loss for the year	—	—	(16,512)	(16,512)
Transactions with owners—capital injection	300,000	119	—	300,119
Balance at December 31, 2011	630,000	119	(78,277)	551,842
Total comprehensive loss for the year	—	—	(23,420)	(23,420)
Balance at December 31, 2012	630,000	119	(101,697)	528,422
Total comprehensive loss for the year	—	—	(63,111)	(63,111)
Transactions with owners—capital injection	350,000	477	—	350,477
Balance at December 31, 2013	980,000	596	(164,808)	815,788
Balance at January 1, 2013	630,000	119	(101,697)	528,422
Total comprehensive loss for the period	—	—	(20,975)	(20,975)
Transactions with owners—capital injection	350,000	477	—	350,477
Balance at June 30, 2013 (unaudited)	980,000	596	(122,672)	857,924
Balance at January 1, 2014	980,000	596	(164,808)	815,788
Total comprehensive loss for the period	—	—	(29,436)	(29,436)
Transactions with owners—capital injection	380,000	—	—	380,000
Balance at June 30, 2014	1,360,000	596	(194,244)	1,166,352

STATEMENTS OF CASH FLOWS OF GUANGZHOU COMPANY

	Note	For the year ended December 31,			For the six months ended June 30,	
		2011	2012	2013	2013	2014
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cash flows from operating activities						
Cash used in operations	18	(8,234)	(44,368)	(56,155)	(22,389)	(11,165)
Interest received		442	771	1,947	1,034	3,278
Net cash used in operating activities		(7,792)	(43,597)	(54,208)	(21,355)	(7,887)
Cash flows from investing activities						
Purchase of property, plant and equipment		(59,960)	(261,026)	(740,448)	(184,352)	(607,640)
Purchase of land use rights		—	—	(84,012)	(67,512)	—
Purchase of intangible assets		(90)	(35)	(2)	(2)	—
Funds to immediate holding company		(192,255)	—	—	—	—
Repayments from immediate holding company		—	192,255	—	—	—
Receipt of government grant		—	100,000	119,551	—	—
Proceeds from disposal of property, plant and equipment		—	7,463	1	—	—
Net cash (used in)/generated from investing activities		(252,305)	38,657	(704,910)	(251,866)	(607,640)
Cash flows from financing activities						
Capital injection		300,000	—	350,000	350,000	380,000
Proceeds from borrowings		—	—	705,000	50,000	266,000
Funds from immediate holding company		—	136,450	—	—	—
Repayments to immediate holding company		—	—	(136,450)	(136,450)	—
Net cash generated from financing activities		300,000	136,450	918,550	263,550	646,000
Net increase in cash and cash equivalents		39,903	131,510	159,432	(9,671)	30,473
Cash and cash equivalents at beginning of the year		—	39,903	171,413	171,413	330,845
Cash and cash equivalents at end of the year		39,903	171,413	330,845	161,742	361,318

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF GUANGZHOU COMPANY

1 General information

Guangzhou Company was established in the PRC on December 30, 2010 as a limited liability company. The address of Guangzhou Company's registered office is No. 168, Tashandadao Road, Zengjiang Sub-District, Zengcheng, Guangzhou, Guangdong Province, the PRC.

Guangzhou Company was currently in pre-operating stage with no revenue generated for each of the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014. Guangzhou Company's principal business will be the production and sales of passenger vehicles and related auto parts. Guangzhou Company was wholly-owned by BAIC Group for each of the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014.

2 Basis of preparation

The Financial Information of Guangzhou Company has been prepared in accordance with IFRSs issued by IASB under the historical cost convention, as modified by financial assets and financial liabilities at fair value and in accordance with the accounting policies of the Group presented on the basis set out in Note 2 of Section II. These policies have been consistently applied to the years presented, unless otherwise stated.

As at June 30, 2014, the current liabilities of Guangzhou Company exceeded its current assets by approximately RMB 106 million. The Company has completed the acquisition of Guangzhou Company on July 24, 2014 and will provide financial support to Guangzhou Company to meet its financial and working capital requirements when fall due.

3 Segment information

Guangzhou Company's segment information is determined on the basis of internal reports that are regularly reviewed by the Executive Director, in order to allocate resources and assess performance. It has been determined that Guangzhou Company is an operating segment as a whole based on these management reports.

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF GUANGZHOU COMPANY—continued

4 Property, plant and equipment

	Buildings	Machinery	Vehicles	Furniture and office equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net book amount at January 1, 2011	—	—	—	—	—	—
Additions	—	60	874	1,195	14,159	16,288
Depreciation	—	(2)	(21)	(71)	—	(94)
Net book amount at December 31, 2011	—	58	853	1,124	14,159	16,194
At December 31, 2011						
Cost	—	7,523	874	1,195	14,159	23,751
Accumulated depreciation	—	(7,465)	(21)	(71)	—	(7,557)
Net book amount	—	58	853	1,124	14,159	16,194
Net book amount at January 1, 2012	—	58	853	1,124	14,159	16,194
Additions	—	5	810	483	290,161	291,459
Depreciation	—	(7)	(144)	(244)	—	(395)
Net book amount at December 31, 2012	—	56	1,519	1,363	304,320	307,258
At December 31, 2012						
Cost	—	65	1,684	1,678	304,320	307,747
Accumulated depreciation	—	(9)	(165)	(315)	—	(489)
Net book amount	—	56	1,519	1,363	304,320	307,258
Net book amount at January 1, 2013	—	56	1,519	1,363	304,320	307,258
Additions	77,700	5,567	813	1,103	816,958	902,141
Disposals	—	—	—	(4)	—	(4)
Depreciation	(628)	(138)	(196)	(414)	—	(1,376)
Net book amount at December 31, 2013	77,072	5,485	2,136	2,048	1,121,278	1,208,019
At December 31, 2013						
Cost	77,700	5,632	2,497	2,777	1,121,278	1,209,884
Accumulated depreciation	(628)	(147)	(361)	(729)	—	(1,865)
Net book amount	77,072	5,485	2,136	2,048	1,121,278	1,208,019
Net book amount at January 1, 2013	—	56	1,519	1,363	304,320	307,258
Additions	—	—	634	659	225,735	227,028
Depreciation	—	(3)	(82)	(180)	—	(265)
Net book amount at June 30, 2013 (unaudited)	—	53	2,071	1,842	530,055	534,021
At June 30, 2013 (unaudited)						
Cost	—	65	2,318	2,337	530,055	534,775
Accumulated depreciation	—	(12)	(247)	(495)	—	(754)
Net book amount	—	53	2,071	1,842	530,055	534,021

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF GUANGZHOU COMPANY—continued

4 Property, plant and equipment—continued

	Buildings	Machinery	Vehicles	Furniture and office equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net book amount at January 1, 2014	77,072	5,485	2,136	2,048	1,121,278	1,208,019
Additions	—	1,174	4,674	2,187	917,898	925,933
Depreciation	(1,256)	(278)	(141)	(314)	—	(1,989)
Net book amount at June 30, 2014	75,816	6,381	6,669	3,921	2,039,176	2,131,963
At June 30, 2014						
Cost	77,700	6,806	7,171	4,964	2,039,176	2,135,817
Accumulated depreciation	(1,884)	(425)	(502)	(1,043)	—	(3,854)
Net book amount	75,816	6,381	6,669	3,921	2,039,176	2,131,963

Depreciation of property, plant and equipment has been charged to general and administrative expenses.

Guangzhou Company has capitalized borrowing costs amounting to approximately RMB 12,365,000, RMB 712,000 and RMB 27,720,000 respectively on qualifying assets of property, plant and equipment for the year ended December 31, 2013 and six months ended June 30, 2013 and 2014. Borrowing costs were capitalized at the weighted average of its borrowing rate of 5.9% for the respective year and periods.

As at June 30, 2014, Guangzhou Company has not obtained the formal ownership certificate for certain buildings with carrying value of approximately RMB 25,504,000. In the opinion of the director, the absence of formal title to these buildings does not impair their values to the Guangzhou Company as the probability of the Guangzhou Company being evicted on the ground of absence of formal title is remote.

5 Land use rights

	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cost					
At beginning of year	268,235	268,235	268,235	268,235	352,247
Additions	—	—	84,012	84,012	—
At end of year	268,235	268,235	352,247	352,247	352,247
Accumulated amortization					
At beginning of year	—	(4,967)	(13,483)	(13,483)	(23,684)
Amortization	(4,967)	(8,516)	(10,201)	(4,539)	(5,101)
At end of year	(4,967)	(13,483)	(23,684)	(18,022)	(28,785)
Net book amount					
At end of year	263,268	254,752	328,563	334,225	323,462

Amortization of land use rights has been charged to general and administrative expenses.

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF GUANGZHOU COMPANY—continued

6 Intangible assets

The intangible assets mainly comprised of computer softwares at December 31, 2011, 2012 and 2013 and June 30, 2014.

	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cost					
At beginning of year	—	90	125	125	127
Additions	90	35	2	2	—
At end of year	90	125	127	127	127
Accumulated amortization					
At beginning of year	—	(6)	(24)	(24)	(62)
Amortization	(6)	(18)	(38)	(20)	(18)
At end of year	(6)	(24)	(62)	(44)	(80)
Net book amount					
At end of year	84	101	65	83	47

Amortization of intangible assets has been charged to general and administrative expenses.

7 Other receivables and prepayments

	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments for property, plant and equipment	43,671	15,775	35,962	56,958
Receivable from immediate holding company (Note 20(b))	192,255	—	—	—
Others	548	18,742	28,017	51,557
	236,474	34,517	63,979	108,515
Less: non-current portion	(43,671)	(15,775)	(35,485)	(56,958)
Current portion	192,803	18,742	28,494	51,557

8 Cash and cash equivalents

	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	39,903	171,413	330,845	361,318

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF GUANGZHOU COMPANY—continued

9 Paid-in capital

	RMB'000
At January 1, 2011	330,000
Additions	300,000
At December 31, 2011 and 2012	630,000
Additions	350,000
At December 31, 2013	980,000
At January 1, 2013	630,000
Additions	350,000
At June 30, 2013 (unaudited)	980,000
At January 1, 2014	980,000
Additions	380,000
At June 30, 2014	1,360,000

10 Borrowings

	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current borrowings				
Secured bank borrowings	—	—	705,000	971,000

	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Maturity of borrowings				
Between 1 and 2 years	—	—	120,100	240,100
Between 2 and 5 years	—	—	584,900	730,900
	—	—	705,000	971,000

	As at December 31,			As at June 30,
	2011	2012	2013	2014
Weighted average annual interest rates				
Bank borrowings	—	—	5.90%	5.90%

	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Undrawn facilities				
Within 1 year	—	—	—	1,072,426
Over 1 year	—	—	1,345,000	—
	—	—	1,345,000	1,072,426

All the borrowings are denominated in RMB and the carrying amounts of borrowings approximate their far values.

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF GUANGZHOU COMPANY—continued

11 Deferred income from government grants

Balances at December 31, 2012, 2013 and June 30, 2014 represent the unamortized portion of grants received from Municipal Government of Zengcheng.

12 Accounts payable

	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	—	—	—	35,918
Notes payable	—	—	—	6,574
	—	—	—	42,492

Aging analysis of trade payables is as follows:

	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Current to 1 year	—	—	—	35,918
1 year to 2 years	—	—	—	—
2 years to 3 years	—	—	—	—
over 3 years	—	—	—	—
	—	—	—	35,918

13 Other payables and accruals

	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Payable for property, plant and equipment	—	2,535	132,376	461,164
Interest payable	—	—	1,270	1,596
Wages, salaries and other employee benefits	946	95	5,366	9,418
Payable to immediate holding company (Note 20(b))	—	136,450	—	—
Other taxes	30	(139)	450	3,128
Others	3,105	678	891	3,379
	4,081	139,619	140,353	478,685

14 Other (losses)/gains, net

	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Gain/(loss) on disposal of property, plant and equipment	—	7,463	(3)	—	(714)
Others	(2)	(2)	832	203	1,314
	(2)	7,461	829	203	600

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF GUANGZHOU COMPANY—continued

15 Expense by nature

	For the year ended December 31,			For the six months ended June,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Advertising and promotion	778	2,022	1,252	527	1,588
Employee benefit costs (Note 15)	5,658	13,280	42,444	13,075	18,732
Depreciation on property, plant and equipment (Note 4)	94	395	1,376	265	1,989
Amortization on					
—land use rights (Note 5)	4,967	8,516	10,201	4,539	5,101
—intangible assets (Note 6)	6	18	38	20	18
Transportation expenses	1,058	1,992	1,380	493	670
Utilities	195	504	662	175	238
Operating lease expenses	—	—	1,051	291	459
Taxes	2,011	2,362	2,851	1,584	2,363
Consulting fees	—	—	2,309	456	1,058
Others	2,185	2,563	2,323	787	1,098
Total general and administrative expenses	16,952	31,652	65,887	22,212	33,314

16 Employee benefit costs

	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Wages and salaries	3,885	8,655	32,310	10,254	13,394
Social security costs	636	1,539	3,952	1,176	1,466
Housing benefits	317	758	2,131	623	762
Welfare, medical and other expenses	820	2,328	4,051	1,022	3,110
	5,658	13,280	42,444	13,075	18,732

17 Finance income, net

	For the year ended December 31,			For the six months ended June,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Finance income					
Interest on bank deposits	442	771	1,947	1,034	3,278
Finance costs					
Interest expense on bank borrowings					
—Wholly repayable within 5 years	—	—	12,365	712	27,720
Less: amount capitalized in qualifying assets (Note 4)	—	—	(12,365)	(712)	(27,720)
	—	—	—	—	—
Finance income, net	442	771	1,947	1,034	3,278

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF GUANGZHOU COMPANY—continued

18 Cash used in operations

	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Loss before income tax	(16,512)	(23,420)	(63,111)	(20,975)	(29,436)
Adjustments for:					
(Gain)/loss on disposal of property, plant and equipment	—	(7,463)	3	—	—
Depreciation on property, plant and equipment	94	395	1,376	265	1,989
Amortization on					
—land use rights	4,967	8,516	10,201	4,539	5,101
—intangible assets	6	18	38	20	18
Finance income, net	(442)	(771)	(1,947)	(1,034)	(3,278)
Amortization of government grant	—	—	(621)	—	(1,240)
	(11,887)	(22,725)	(54,061)	(17,185)	(26,846)
Changes in working capital:					
—increase in other receivables and prepayments	(548)	(18,195)	(9,275)	(9,069)	(23,063)
—increase in inventories	—	—	(163)	—	(2,313)
—Increase in account payable	—	—	—	—	35,916
—increase/(decrease) in other payables and accruals	4,201	(3,448)	7,344	3,865	5,141
Net cash used in operations	(8,234)	(44,368)	(56,155)	(22,389)	(11,165)

19 Commitments

Capital commitments

Guangzhou Company has the following capital commitments for property, plant and equipment not provided for as at December 31, 2011, 2012 and 2013 and June 30, 2014 respectively.

	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted but not provided for	170,283	425,030	928,607	660,552

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF GUANGZHOU COMPANY—continued

20 Related party transactions

(a) Significant transactions with related parties are listed below which were carried out in the ordinary course of business and were determined based on mutually agreed terms:

	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Purchases of property, plant and equipment					
—fellow subsidiaries	—	—	102,526	583	162,195
Purchases of goods and materials from					
—fellow subsidiaries	—	—	—	—	20,851

(b) Significant balances with related parties are listed below which were unsecured, interest free and repayment on demand:

	As at December 31,			As at June 30, 2014
	2011	2012	2013	
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Other receivables and prepayments				
—immediate holding company	192,255	—	—	—
Liabilities				
Accounts payable				
—fellow subsidiaries	—	—	—	19,048
Other payables and accruals				
—immediate holding company	—	136,450	—	—

(c) Guarantees:

	As at December 31,			As at June 30, 2014,
	2011	2012	2013	
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantees on bank loans provided by:				
—immediate holding company	—	—	705,000	971,000

V. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect to any period subsequent to June 30, 2014 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or paid by the Company or any of its subsidiaries in respect of any period subsequent to June 30, 2014.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The information set forth in this appendix does not form part of the Accountant's Report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set forth in Appendix I to this prospectus, and is included herein for illustrative purpose only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of the unaudited pro forma adjusted consolidated net tangible assets which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had taken place on June 30, 2014 and based on the consolidated net tangible assets attributable to shareholders of the Company as at June 30, 2014 as shown in the Accountant's Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

This unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at June 30, 2014 or at any future date.

	Audited consolidated net tangible assets attributable to shareholders of the Company as at June 30, 2014[(1)]	Estimated net proceeds from the Global Offering[(2)]	Unaudited pro forma adjusted consolidated net tangible assets attributable to shareholders of the Company	Unaudited pro forma adjusted consolidated net tangible assets per share	
		(RMB'000)		(RMB)[(3)]	(HK$)[(5)]
Based on the Offer Price of HK$7.60 per Share	17,973,848	6,671,005	24,644,853	3.28	4.15
Based on the Offer Price of HK$9.80 per Share	17,973,848	8,611,805	26,585,653	3.54	4.47

Notes:

(1) The audited consolidated net tangible assets attributable to shareholders of the Company as at June 30, 2014 is extracted from the Accountant's Report set forth in Appendix I to the prospectus, which is based on the audited consolidated net assets attributable to shareholders of the Company as at June 30, 2014 of RMB24,029.7 million with an adjustment for the intangible assets as at June 30, 2014 of RMB6,055.9 million.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$7.60 and HK$9.80 per Share, being the lower end to higher end of the stated offer price range, respectively, after deduction of the underwriting fees and other related expenses payable by the Company, and do not take into account of any Shares that may be issued pursuant to the Over-Allotment Option.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share are determined after the adjustments as described in note 2 above and on the basis that 7,508,018,182 Shares are in issue, assuming the Global Offering had been completed on June 30, 2014 but takes no account of any shares which may fall to be issued upon the exercise of the Over-Allotment Option.

(4) No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2014.

(5) For the purpose of this unaudited pro forma adjusted net tangible assets, the balance stated in Renminbi is converted into Hong Kong dollars at a rate of HK$1.00 to RMB0.7913. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS

TO THE DIRECTORS OF BAIC MOTOR CORPORATION LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of BAIC Motor Corporation Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at June 30, 2014, and related notes (the "Unaudited Pro Forma Financial Information") as set out on page II-1 of the Company's prospectus dated December 9, 2014, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on page II-1 of the Company's prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at June 30, 2014 as if the proposed initial public offering had taken place at June 30, 2014. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the six months ended June 30, 2014, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

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We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus," issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at June 30, 2014 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, December 9, 2014

This appendix contains a summary of laws and regulations in respect of taxation and foreign exchange in the PRC and Hong Kong.

TAXATION IN THE PRC

The following is a discussion of certain PRC tax provisions relating to the ownership and disposal of H Shares purchased in connection with the Global Offering and held by the investors. This summary does not purport to address all material tax consequences of the ownership of H Shares, and does not take into account the specific circumstances of any particular investors. This summary is based on the PRC tax laws in effect as of the Latest Practicable Date, the Arrangement between Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税安排) executed on August 21, 2006, the Second Protocol to Arrangement between Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排第二議定書) executed on January 30, 2008 and effective from June 11, 2008, and the Third Protocol to Arrangement between Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得税避免雙重徵税和防止偷漏税的安排第三議定書) (collectively, the "Arrangements") executed on May 27, 2010 and effective from December 20, 2010, all of which are subject to change (or changes in interpretation), possibly with retroactive effect.

This discussion does not address any aspects of the PRC taxation other than tax on dividends, capital taxation, stamp taxation, estate taxation, income taxation, VAT tax and business tax. Prospective investors are urged to consult their tax advisers regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

1. Taxes Applicable to the Shareholding Company with Limited Liability

EIT

The new Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法) (the "EIT Law") was approved and promulgated by the fifth meeting of the 10th National People's Congress on March 16, 2007 and implemented on January 1, 2008. Pursuant to the EIT Law, the enterprise income tax rate applicable to domestic enterprises is 25%. Pursuant to the Notice on the Transitional Preferential Policies in Respect of the Implementation of the EIT Law (關於實施企業所得税過渡優惠政策的通知) (Guo Fa [2007] No. 39) promulgated by the State Council on December 26, 2007, the enterprises which were established before the promulgation of the EIT Law and entitled to a preferential tax rate under the prevailing tax laws and administrative regulations may gradually shift to the tax rate under the EIT Law within five years since the EIT Law has come into effect. Those enterprises which were established before the promulgation of the EIT Law and entitled to the fixed-term tax reductions under the prevailing tax laws and administrative regulations may continue to enjoy the tax benefit after the implementation of the EIT Law until the expiration of the preferential term. For those who had not enjoyed tax benefits due to the failure to realize profits, their preferential term commenced from January 1, 2008.

Business Tax

According to the Provisional Regulations of the PRC on Business Tax (中華人民共和國營業税暫行條例) implemented on January 1, 1994 and recently amended on January 1, 2009 and the Implementation Rules for the Provisional Regulations of the PRC on Business Tax

(中華人民共和國營業稅暫行條例實施細則) implemented on January 1, 1994 and recently amended on October 28, 2011, enterprises and individuals that provide labor services, transfer intangible assets or sell real estate within the territory of the PRC as specified by such regulations are subject to business tax. The latest revision of the aforementioned regulations and rules are as follows:

- extension of tax filing period from 10 days to 15 days;
- the withholding agents of the business tax shall be: (i) the domestic agents of foreign entities or individuals, who provide taxable services, transferring intangible assets or selling real property within the territory of the PRC but have no business institutions in the PRC; or (ii) the assignee of the assets or the purchaser of the services in the event that there is no domestic agent;
- the column specifying the taxable range is deleted from the list of taxation items and tax rates attached to the regulations, which enable the MOF and the SAT to define the scope of taxable business and services.

Value-added Tax (VAT)

According to the Provisional Regulations of the PRC on VAT (中華人民共和國增值稅暫行條例) and the Implementation Rules for the Provisional Regulations of the PRC on VAT (中華人民共和國增值稅暫行條例實施細則) implemented on January 1, 1994 and recently amended on January 1, 2009, all institutions and individuals who sell goods or provide processing, repairing and replacement services and import goods within the PRC shall be subject to VAT. The tax rate of 13% shall be levied on general taxpayers who sell or import grain, edible vegetable oil, tap water, heating supply, air-conditioning, hot water, gas, liquefied petroleum gas, natural gas, marsh gas, coal products for civil use, books, newspapers, magazines, animal feed, chemical fertilizer, pesticide, farming machines, films for agricultural use and other goods specified by the State Council. The tax rate applicable to goods exported by taxpayers shall be zero unless otherwise prescribed by the State Council. The tax rate of 17% shall be levied on taxpayers who sell or import goods other than the aforementioned items, and those who provide processing, repair or replacement services. Small-scale taxpayers who sell goods or provide taxable services shall be subject to a tax rate of 3% (or 6% previously). A small-scale taxpayer is defined as a taxpayer who engages in the manufacturing of goods or the provision of taxable services, or primarily engages in the manufacturing of goods or supply of taxable services while concurrently engaging in the wholesale or retail of goods as secondary operations, and has annual VAT taxable sales (the “Taxable Sales”) of no more than RMB0.5 million; or a taxpayer who is excluded in the aforementioned regulations but has annual Taxable Sales of no more than RMB0.8 million. Individuals whose annual Taxable Sales exceeds the standards for small-scaled taxpayers shall be subject to the tax rate of small-scaled taxpayers. Non-enterprise organizations or enterprises without frequent occurrence of taxable activities may opt for the tax rate of small-scaled taxpayers.

In addition, the new regulations and rules also set out the following provisions:

- the tax paid for purchasing fixed assets shall be deducted from the payable tax;
- extension of tax filing period from 10 days to 15 days;
- the withholding agents of the VAT shall be: (i) the domestic agents of foreign entities or individuals, who provide taxable services in the PRC but have no business institutions in the PRC; or (ii) the assignee of the assets or the purchaser of the services in the event that there is no domestic agent.

Stamp Duty

According to the Provisional Regulations of the PRC on Stamp Duty (中華人民共和國印花稅暫行條例) implemented on October 1, 1988 and recently amended on January 8, 2011 and the Implementation Rules of the Provisional Regulations of the PRC on Stamp Duty (中華人民共和國印花稅暫行條例施行細則) implemented on October 1, 1988, institutions and individuals executing or receiving taxable documents within the PRC shall be subject to stamp duty. The list of taxable documents includes purchase and sale contracts, processing contracts, construction contracts, property lease contracts, cargo freight contracts, warehousing and storage contracts, loan contracts, property insurance contracts, technical contracts, other documents that resemble contracts in nature, title transfer deeds, business account books, certificates of rights, licenses and other taxable documents specified by the MOF.

2. Taxes Applicable to Shareholders of Companies

(1) Taxes on Dividends

Individual investor

According to the Provisional Regulations of the PRC Concerning Taxation Issues on Enterprise Experimenting with the Share System (中華人民共和國股份制試點企業有關稅收問題的暫行規定) and the Individual Tax Law of the PRC (中華人民共和國個人所得稅法) (the "New Individual Income Tax Law") revised on June 30, 2011 and effective on September 1, 2011, dividends paid by PRC companies are subject to a PRC withholding tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from a company in the PRC is subject to a withholding tax of 20% unless otherwise reduced by any applicable tax treaty or specifically exempted by the tax authority of the State Council.

The SAT, the tax authority of the PRC central government which succeeded the State Tax Bureau, promulgated, on July 21, 1993, a Notice of the State Administration of Taxation of the PRC Concerning the Taxation of Gains on Transfer and Dividends from Shares (Equities) Received by Foreign Investment Enterprises, Foreign Enterprises and Foreign Individuals (the "Original Tax Notice"') (國家稅務總局關於外商投資企業、外國企業和外籍個人取得股票（股權）轉讓收益和股息所得稅收問題的通知) (Guo Shui Fa [1993] No. 45) which states that dividends paid by a PRC company to foreign individuals with respect to shares listed on an overseas stock exchange (the "Overseas Shares"'), such as H Shares, are temporarily not subject to the PRC withholding tax.

In a letter dated July 26, 1994 to the former State Commission for Restructuring the Economic System, the former State Council Securities Commission and the CSRC, the SAT reiterated the temporary tax exemption stated in the Tax Notice for dividends received from a PRC company listed overseas. Under such exemption, a 20% tax may be withheld on dividends in accordance with the provisional regulations and the Individual Income Tax Law.

On January 4, 2011, the SAT promulgated the Notice on the Issues on Levy of Individual Income Tax after the Abolishment of Guo Shui Fa [1993] No. 045 Document (國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知) (the "New Tax Notice") to abolish the Original Tax Notice. Pursuant to the New Tax Notice, after the abolishment of the Original Tax Notice, the dividend to be distributed by the PRC non-foreign invested enterprises whose shares have been issued in Hong Kong to the overseas resident individual shareholders shall be withheld according to the New Individual Income Tax Law and the implementation regulations and such withholding amount may enjoy tax reduction or exemption according to the agreement on avoidance of double taxation. In order to simplify the taxation procedures, the overseas resident individual in general will be subject to a withholding tax rate of 10% for the dividend received from the PRC non-foreign invested enterprises whose shares have been issued in Hong Kong without submitting any application. Where the dividend tax rate is not 10%, the withholding agents shall: (1) rebate according to the procedure set in the regulations if the applicable tax rate is below 10%; (2) withhold the individual income tax at the applicable tax rate if the actual tax rate is higher than 10% but less than 20%; (3) withhold the individual income tax at the tax rate of 20% if the agreement for avoidance of double taxation is not applicable.

Enterprise

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Tax on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) executed on August 21, 2006, the PRC government may impose tax on dividends paid to a Hong Kong individual and legal person from a PRC company, but such tax shall not exceed 10% of the total sum of the dividends payable. If a Hong Kong resident holds 25% or more of equity interest in a PRC company, such tax shall not exceed 5% of the total sum of dividends payable by that PRC company.

Pursuant to the EIT Law effective from January 1, 2008 and the Implementation Rules for the EIT Law of the PRC (中華人民共和國企業所得稅法實施條例), a non-resident enterprise, which has not established representative office or premises in the PRC, or if established, the dividends and bonus derived are not actually associated with such representative office or premises, shall be subject to tax at a rate of 10% on its operating income from the PRC. Such withholding tax may be reduced or exempted pursuant to any applicable double taxation agreement.

Pursuant to the Notice of the State Administration of Taxation on the Issues Concerning Withholding the EIT on the Dividends Paid by the PRC Resident Enterprises to H-share Holders who are Overseas Non-resident Enterprises (關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知) (Guo Shui Han [2008] No. 897) which was promulgated by the State Administration of Taxation and became effective on November 6, 2008, a PRC resident enterprise, when distributing dividends to H-share Holders who are Overseas Non-resident Enterprises since 2008, shall be subject to the enterprise income tax withheld at a uniform rate of 10%. Such withholding tax may be reduced or exempted pursuant to any applicable double taxation agreement.

Tax treaties

Investors who are not PRC residents but either reside in countries which have entered into treaties for avoidance of double taxation with the PRC or reside in the Hong Kong Special Administrative Region or the Macau Special Administrative Region, may be entitled to a reduction of the withholding tax on the dividends paid by a PRC company. The PRC has executed the arrangements for the avoidance of double taxation with the Hong Kong Special Administrative Region and the Macau Special Administrative Region, and has entered into treaties for avoidance of double taxation with a number of countries, which include but not limited to Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom, the United States. Under each of the treaties or arrangements for the avoidance of double taxation, the rate of withholding tax imposed by the PRC taxation authorities may be reduced, provided that the application for approval and filing has been completed according to the requirements stipulated in the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (國家稅務總局關於印發非居民享受稅收協定待遇管理辦法（試行）的通知) (Guo Shui Fa [2009] No. 124).

(2) Taxes Relating to Transfer of Shares

Individual investors

According to the New Individual Tax Law and the Implementation Rules for the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法實施條例) as amended on July 19, 2011, gains realized on the sale of equity interests shall be subject to an individual income tax rate of 20%.

Pursuant to the Notice on Continuing the Temporary Income Tax Exemption Policy on the Share Transfer of Individual Holders (關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知) jointly issued by the MOF and the SAT on March 30, 1998, gains on sales of shares by individuals are temporarily exempted from the individual income tax. In addition, the notice requires that revenue realized from the disposal of overseas shares (in case of H Shares) by foreign individuals shall be temporarily exempted from the income tax of China. If the temporary exemption is no longer valid, individual holders of H Shares shall be subject to an income tax rate of 20% on capital gains, subject to the reduction or exemption by any applicable double taxation treaty.

Enterprise

Pursuant to the EIT Law and the Implementation Rules for the EIT Law of the PRC (中華人民共和國企業所得稅法實施條例), a non-resident enterprise, which have not established representative office or premises in the PRC, or if established, the income derived is not actually associated with such representative office or premises, are subject to tax at a rate of 10% on its operating income from the PRC. Such withholding tax may be reduced or exempted pursuant to any applicable double taxation agreement.

(3) Estate Duty or Inheritance Tax

No estate duty or inheritance tax is imposed in the PRC.

(4) Stamp Duty

Pursuant to the Provisional Regulations of China Concerning Stamp Duty (中華人民共和國印花稅暫行條例), the PRC stamp duty imposed on the transfer of shares of the listed companies of the PRC shall not apply to the acquisition and disposal by non-PRC investors of H Shares outside of the PRC. As stipulated in the regulations, PRC stamp duty shall only be imposed on documents which are executed or received within the PRC and legally binding in the PRC and protected under the PRC law.

TAXATION IN HONG KONG

1. Taxation on Dividends

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by the Company.

2. Taxation on Capital Gains and Profits

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as H Shares. However, trading gains from the sale of H Shares by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax. Currently, a profits tax is imposed on corporation at the rate of 16.5% and on individuals at a maximum rate of 15.0%. Certain categories of taxpayers are likely to be regarded as deriving trading gains rather than capital gains (for examples, financial institutions, insurance companies and securities dealers) unless these taxpayers can prove that the investment securities are held for long-term investment. Trading gains from sales of the H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liabilities for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

3. *Stamp Duty*

Hong Kong stamp duty will be payable by the purchaser on every purchase, and the seller on every sale, of H Shares. The duty is charged at the ad valorem rate of 0.1% of the consideration for, or (if greater) the market value of, the H Shares transferred on each of the seller and purchaser. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of H Shares. In addition, a fixed duty of HK$5 is charged on each instrument of transfer (if required). Where a sale or purchase of H Shares is effected by a person who is not a resident of Hong Kong and any stamp duty payable on the instrument of transfer is not paid, the relevant instrument of transfer (if any) shall be chargeable with such duty, together with the duty otherwise chargeable thereon, and the transferee shall be liable to pay such duty.

4. *Estate Duty*

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

PRC LAWS AND REGULATIONS CONCERNING FOREIGN EXCHANGE CONTROL

Several reforms have been carried out for the foreign exchange control system of China. The existing system has mainly featured two major regulatory laws and regulations since 1993. The State Council promulgated the Regulations of the People's Republic of China for the Control of Foreign Exchange (中華人民共和國外匯管理條例) (the "Foreign Exchange Control Regulations") which was implemented on April 1, 1996, and amended for the first time on January 14, 1997 and for the second time on August 1, 2008 with effect from August 5, 2008. The Foreign Exchange Control Regulations apply to the receipts, payments or business activities in China transacted in foreign currencies of domestic institutions, individuals, foreign establishments in China and foreign individuals visiting China. On June 20, 1996, the PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定) (PBOC Order [1996] No. 1) which became effective on July 1, 1996, governing the foreign exchange settlements, purchases, foreign exchange account openings and payments to foreign countries that are incurred in China by domestic institutions, individual residents, foreign establishments in China and foreign individuals visiting China. The PBOC announces the exchange rates between RMB and other major foreign currencies on each business day. The exchange rates are determined with reference to the trading prices of RMB on the preceding day against major foreign currencies in the inter-bank foreign exchange market.

Prior to the second amendment to the Foreign Exchange Control Regulations in August 2008, subject to special exemptions, all institutions and individuals in China shall sell their foreign exchange income to designated banks, while foreign-invested enterprises are allowed to retain and deposit a certain percentage of their foreign exchange income in the foreign exchange accounts opened in designated banks. However, the newly amended Foreign Exchange Control Regulations substantially changed the regulatory system by abolishing the principle of compulsory sale of foreign exchange income under current items, which means enterprises and individuals have the option either to sell to banks or retain the exchange income.

The PRC government has been loosening its control of foreign exchange purchase. Any PRC enterprises in need of foreign currencies for ordinary course of business, trading or non-trading business, import business and foreign debt payment may purchase foreign currencies from designated banks upon the submission of necessary applicable supporting documents. In addition, if foreign-invested enterprises need foreign currencies for distributing dividends, bonuses or profits to foreign investors, they may draw the amount needed from the foreign exchange account of designated banks upon the payment of applicable dividend tax. If the foreign currencies in relevant accounts are insufficient, foreign-invested enterprises may apply to the competent authorities for the purchase of foreign currencies in the required amount from designated banks to make up the insufficient amount. Despite the loosened foreign exchange control of current account transaction, the acceptance of foreign exchange loans, provision of foreign currency guarantee, foreign investment or other capital account transactions involving the purchase of foreign currencies by enterprises shall be subject to the approval of the State Administration of Foreign Exchange.

In foreign exchange transactions, designated banks may determine applicable exchange rates based on the exchange rates announced by the PBOC under certain government restrictions.

The CSRC and the SAFE jointly promulgated the Notice on Relevant Issues Concerning the Foreign Exchange Administration of Overseas Listing (關於境外上市外匯管理有關問題的通知) ((Zheng Jian Fa Zi [1994] No. 8), effective from January 13, 1994, pursuant to which:

- Funds raised by domestic enterprises through issuing shares overseas shall be categorized as income from capital projects, and may be deposited in cash in foreign exchange accounts opened in China as approved by the SAFE.
- A domestic enterprise issuing shares overseas shall, within ten days after the foreign funds raised through the issuance of the shares have become available, transfer the full amount of the funds into China and deposit the amount in a foreign exchange account as approved.

Since then, the CSRC and SAFE promulgated a series of relevant rules to gradually loosen the applicable requirements on the repatriation of proceeds of overseas listed companies to China. In August 2008, the Foreign Exchange Control Regulations were amended for the second time and further loosened the rules on the repatriation of foreign exchange income to China, stating that foreign exchange income can be repatriated to China, or deposited in an overseas account in accordance with specific conditions and/or within a specific period of time.

On January 28, 2013, the SAFE issued the Notice on Relevant Issues Concerning the Foreign Exchange Administration of Overseas Listing (關於境外上市外匯管理有關問題的通知) (Hui Fa [2013] No. 5), pursuant to which the proceeds from overseas listing of domestic issuers may be repatriated to a designated domestic account or deposited in a designated overseas account, while the use of the proceeds shall be consistent with the disclosure documents including the prospectuses, circulars and resolutions of general meetings; domestic shareholders of a overseas listed company are allowed to open a special domestic account for the increase or reduction of their shareholdings. Specific guidelines are provided for the settlement and transfer of capital obtained from the increase or reduction of shareholdings. The capital account income of domestic shareholders generated from the reduction and transfer of the overseas shares of the issuers shall be repatriated to their domestic accounts designated for such reduction within two years from the day when the income is received.

This appendix sets out summaries of certain aspects of the PRC legal and judicial system, its arbitration system and its regulations regarding companies and securities. This appendix also contains a summary of certain Hong Kong legal and regulatory provisions, including summaries of certain material differences between the PRC Company Law and Hong Kong Company Law, certain requirements of the Hong Kong Listing Rules and the Mandatory Provisions.

1. PRC Laws and Regulations

(a) The PRC legal system

The PRC legal system is based on the Constitution of the PRC (the "Constitution") and is made up of written laws, administrative regulations, local regulations, autonomy regulations and separate rules, departmental rules of the State Council, rules of local governments and international treaties of which the PRC government is a signatory. Court judgments may be used for judicial reference and guidance but do not constitute legally binding precedents.

According to the Constitution and the Legislation Law of the PRC ("the Legislation Law"), the National People's Congress ("NPC") and the standing committee of the NPC ("the Standing Committee") are empowered to exercise the legislative power of the State. The NPC enacts and amends basic laws governing criminal offences, civil affairs, the State organs and other matters. The Standing Committee enacts and amends laws other than those that shall be formulated by the NPC, and during the period of adjournment of the NPC, the Standing Committee may partially supplement and amend the laws enacted by the NPC, but not in contradiction to the basic principles of such laws. The State Council is the highest organ of state administration and enacts administrative regulations based on the Constitution and laws. The people's congresses at the provincial level and their standing committees may, in light of the specific circumstances and actual needs of their respective administrative areas, enact local regulations, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The ministries and commissions of the State Council, the PBOC, the National Audit Office of the PRC as well as other state organs endowed with administrative functions directly under the State Council may, according to laws, administrative regulations, decisions and orders of the State Council, formulate ministerial rules within their authorities. The people's governments of the provinces, autonomous regions, and municipalities directly under the central government and the comparatively larger cities may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities. The people's congresses of the national autonomous regions have the power to enact autonomous regulations and separate regulations on the basis of the political, economic and cultural characteristics of the local nationalities that reside in the area.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The significance of laws is greater than that of administrative regulations, local regulations, and rules. The significance of administrative regulations is greater than that of local regulations and rules. The significance of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The significance of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the comparatively larger cities within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The Standing Committee has the power to annul any administrative regulation that contravenes the Constitution and laws, to annul any local regulation that contravenes the Constitution, laws or administrative regulations, and to annul any autonomous regulation or separate regulation which has been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the Central Government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the Central Government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at the lower level.

The power to interpret laws is vested in the Standing Committee by the Constitution. According to Resolutions of the Standing Committee on Improving Interpretation of Laws passed on June 10, 1981, in cases where the scope of provisions of laws or decrees needs to be further defined or additional stipulations need to be made, the Standing Committee shall provide interpretations or make stipulations by means of decrees. Interpretation of questions involving the specific application of laws and decrees in court trials shall be provided by the Supreme People's Court. Interpretation of questions involving the specific application of laws and decrees in the procuratorial work of the procuratorates shall be provided by the Supreme People's Procuratorate. If the interpretations provided by the Supreme People's Court and the Supreme People's Procuratorate are at variance with each other in principle, they shall be submitted to the Standing Committee for interpretation or decision. Interpretation of questions involving the specific application of laws and decrees in areas unrelated to judicial and procuratorial work shall be provided by the State Council and competent authorities. In case where the scope of local regulations needs to be further defined or additional stipulations need to be made, the standing committees of the people's congresses of provinces, autonomous regions and municipalities directly under the Central Government which have enacted these regulations shall provide the interpretations or make the stipulations. Interpretation of questions involving the specific application of local regulations shall be provided by the competent authorities under the people's governments of provinces, autonomous regions and municipalities directly under the Central Government.

(b) The PRC judicial system

According to the Constitution and the Law of Organization of the People's Courts of the PRC (the "Law of Organization of the People's Courts"), the People's Courts consist of the Supreme People's Court, the local people's courts, the military courts and other special people's courts.

The local people's courts are comprised of the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts are further divided into civil, criminal and administrative divisions. The intermediate people's courts have divisions similar to those of the basic people's courts, and other special divisions, such as the intellectual property division, where necessary.

The people's courts at lower levels are subject to supervision of the people's courts at higher levels. The people's procuratorates also have the power to exercise legal supervision over the litigation proceedings of people's courts at the same level or below. The Supreme People's Court is the highest judicial organ of the PRC and it has the power to supervise the administration of justice by the people's courts at all levels.

The people's courts have adopted a "second instance as final" appellate system. A party may appeal against a judgment or ruling by the people's court of first instance to the people's court at the next higher level prior to the judgment or the ruling of the first instance is legally effective. The judgment or the ruling of the second instance by the people's court at the next higher level is final and legally binding. First judgments or rulings by the Supreme People's Court are final as well. However, in the case that the Supreme People's Court or the people's court at a higher level finds definite error(s) in the legally effective judgment or ruling by the people's court at a lower level, or the presiding judge of the people's court finds definite error(s) in the legally effective judgment by the court over which he/she presides, the case may then be retried in accordance with the judicial supervisory procedures.

The Civil Procedure Law of the PRC (the "Civil Procedure Law") sets forth provisions for the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. A civil case is generally heard by a local court in the defendant's place of domicile. The parties to a contract may, by express agreement, select a court of jurisdiction where civil actions may be brought, provided that the court of jurisdiction is located in either the plaintiff's or the defendant's place of domicile, or the place of execution or implementation, or the place of the object of the action, and provided that the provisions of the Civil Procedure Law regarding jurisdiction by level and exclusive jurisdiction shall not be violated.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. Should the judicial system of a foreign country limits the litigation rights of the PRC citizens or enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country. If any party to a civil action refuses to comply with a legally effective judgment or ruling by a people's court or an effective award by an arbitration tribunal in the PRC, the other party may apply to the people's court for the compulsory enforcement of the judgment, ruling or award. However, specific time limits are imposed on the right to apply for such compulsory enforcement. The time limit for the submission of an application for enforcement shall be two years. The suspension or termination of the time limit for the submission of an application for enforcement shall be governed by the provisions on the suspension or termination of the statute of limitation.

When a party applies to a people's court for enforcing an effective judgment or ruling by a people's court against a party who is not located within the territory of the PRC or whose property is not within the PRC, the party may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country on the mutual recognition and enforcement of judgments and rulings, or if the judgment or ruling satisfies the court's examination based on the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in the violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons related to the public interests.

(c) The PRC Company Law, Special Regulations and Mandatory Provisions

On December 29, 1993, the Company Law of the PRC was adopted by the standing committee of the Eighth NPC, which came into effect on July 1, 1994 and was amended for the first time on December 25, 1999, the second time on August 28, 2004, the third time on October 27, 2005 and the fourth time on December 28, 2013. The newly amended Company Law of the PRC (the new "Company Law" or the "PRC Company Law") came into effect on March 1, 2014.

The Special Provisions of the State Council Concerning the Floatation and Listing Abroad of Shares by Joint Stock Limited Companies (the "Special Provisions") were adopted at the 22nd Standing Committee Meeting of the State Council on August 4, 1994. The Special Provisions was formulated according to Article 85 and Article 155 of the former Company Law and applies to the overseas share subscription and listing of joint stock limited companies.

The Mandatory Provisions in Articles of Association of Companies to be Listed Overseas (the "Mandatory Provisions") were promulgated by the former Securities Commission of the State Council and the State Economic System Restructuring Commission on August 27, 1994, prescribing provisions which must be incorporated into the articles of association of joint stock limited companies to be listed overseas. Therefore, the Mandatory Provisions have been incorporated into the Articles of Association (which are summarized in Appendix V).

(i) General provisions

A "joint stock limited company" (the "company") is a corporate legal person incorporated under the Company Law, whose registered capital is divided into shares of equal par value. The liability of its shareholders is limited to the extent of the shares they hold, and the liability of the company is limited to the full amount of all the assets it owns.

A State-owned enterprise that is restructured into a company must comply with the conditions and requirements specified by laws and administrative regulations for the modification of its operation mechanisms, the handling and evaluation of the company's assets and liabilities and the establishment of its internal management organs.

A company must conduct its business in accordance with law and professional ethics. A company may invest in other limited liability companies and joint stock limited companies. The liabilities of the company to such invested companies are limited to the amount invested. Unless otherwise provided by laws, a company cannot be the capital contributor who has the joint and several liability associated with the debts of the invested enterprises.

(ii) Incorporation

A company may be incorporated by promotion or public subscription.

A company may be incorporated by two to 200 promoters, but at least half of the promoters must reside in the PRC. According to the Special Regulations, state-owned enterprises or enterprises with the majority of their assets owned by the PRC government can be restructured in accordance with the relevant regulations to become joint stock limited companies which may issue shares to overseas investors. These companies, if incorporated by promotion, may have fewer than five promoters and can issue new shares once incorporated.

A company incorporated by promotion is one with registered capital entirely subscribed for by the promoters. Where a company is incorporated by public subscription, the promoters are required to subscribe for not less than 35% of the total shares of the company, and the remaining shares can be offered to the public or specific persons.

The Company Law provides that for companies incorporated by way of promotion, the registered capital shall be the total capital subscribed for by all promoters as registered with the relevant administrative bureau for industry and commerce; for companies incorporated by way of public subscription, the registered capital is the amount of total paid-up capital as registered with the relevant administrative bureau for industry and commerce.

The promoters shall convene an inaugural meeting within 30 days after the issued shares have been completely paid up, and shall give notice to all subscribers or make a public announcement of the date of the inaugural meeting 15 days prior to the meeting. The inaugural meeting may be convened only with the presence of shareholders holding shares representing more than 50% of the total issued shares of the company. Matters to be dealt with at the inaugural meeting include adopting the draft articles of association proposed by the promoters and electing the board of directors and the board of supervisors of the company. Any resolution of the meeting shall be approved by subscribers with more than half of the voting rights of those present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall apply to the registration authority for registration of the incorporation of the company. A company is formally established and has the qualification of a legal person once the registration has been approved by the relevant administrative bureau for industry and commerce and a business license has been issued.

The promoters of a company shall individually and jointly be liable for: (i) the payment of all expenses and liabilities incurred in the incorporation process if the company cannot by incorporated; (ii) the repayment of subscription monies to the subscribers together with interest at bank rates for a deposit of the same term if the company cannot be incorporated; and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company.

(iii) Share capital

The promoters of a company may make capital contributions in currency, or in non-currency property that can be valued in currency and transferable according to laws such as contributions in kind, intellectual property rights or land-use rights based on their appraised value.

There is no limit under the Company Law as to the percentage of shares held by an individual shareholder in a company.

If capital contribution is made other than in currency by the promoters of the company, valuation and verification of the properties contributed must be carried out.

A company may issue registered or bearer shares. However, shares issued to promoter(s) or legal person(s) shall be in the form of registered shares and shall be registered under the name(s) of such promoter(s) and shall not be registered under a different name or the name of a representative.

The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas shall be issued in registered form and shall be denominated in RMB and subscribed for in foreign currency.

Pursuant to the Special Regulations and the Mandatory Provisions, shares issued to foreign investors and investors from Hong Kong, Macau and Taiwan and listed overseas are defined as overseas-listed-foreign-invested shares, and those issued to investors within the PRC other than the aforementioned areas are defined as domestic shares. Qualified Foreign Institutional Investors ("QFII") approved by the China Securities Regulatory Commission (the "CSRC") may hold domestic listed shares.

A company may offer its shares to the public overseas with approval by the securities administration department of the State Council. Detailed measures shall be specified by the State Council based on the Special Regulations. According to the Special Regulations, upon approval of the CSRC, a company may agree, in the underwriting agreement on issuing overseas-listed-foreign-invested shares, to retain not more than 15% of the aggregate amount of overseas-listed-foreign-invested shares proposed to be issued less the amount of underwritten shares.

The share offering price may be equal to or in excess of par value, but shall not be less than par value.

(iv) Increase in registered capital

Pursuant to the Company Law, an increase in the capital of a company by means of an issue of new shares must be approved by shareholders in general meeting. Except for abovementioned conditions of obtaining approval at the general meeting required by the Company Law, the Securities Law requires the following conditions for a company to offer new shares to the public: (i) a complete and well-operated organization; (ii) capability of making profits continuously and a healthy financial status; (iii) no false records or significant irregularities in its financial statements over the last three years; (iv) fulfill any other requirements as prescribed by the securities administration authority of the State Council as approved by the State Council.

The public offer requires the approval of the securities administration authority of the State Council. After payment in full for the new shares issued, a company must modify its registration with the relevant administrative bureau for industry and commerce and issue a public notice accordingly.

(v) Reduction of registered capital

A company may reduce its registered capital in accordance with the following procedures stipulated by the Company Law:

- the company shall prepare a balance sheet and an inventory of assets;
- the reduction of registered capital must be approved by shareholders in the general meeting;
- the company shall inform its creditors of the reduction in registered capital within ten days and publish an announcement of the reduction in newspapers within 30 days once the resolution of the reduction in registered capital is approved;
- creditors of the company may require the company to clear its debts or provide guarantees covering the debts within the statutory time limit; and

- the company must apply to the relevant administrative bureau for industry and commerce for registration of the reduction in registered capital.

(vi) Repurchase of shares

A company shall not purchase its own shares other than for the following purposes:

- to reduce the registered capital by cancelling its shares or to merge with another company holding its shares;
- to grant shares as a reward to the staff of the company;
- to purchase the company's own shares upon request of its shareholders who vote against the resolution regarding the merger or division of the company in a general meeting; or
- other purposes permitted by laws and administrative regulations.

The shares repurchased by the company as a reward to its staff shall not exceed 5% of the total number of its issued shares. Any fund for the repurchase shall be paid out of after-tax profits of the company, and the shares repurchased shall be transferred to the staff of the company within one year. The Mandatory Provisions stipulate that upon obtaining approvals from relevant supervisory authorities in accordance with the articles of association of the company, a company may, for the aforementioned purposes, repurchase its issued shares by way of a general offer to its shareholders or purchase on a stock exchange or through outside-market contract.

(vii) Transfer of shares

Shares may be transferred in accordance with the relevant laws and regulations. A shareholder shall transfer his/her shares in stock changes established pursuant to laws or by other means as stipulated by the State Council. Registered shares may be transferred by endorsement or in any other manner specified in applicable laws and regulations.

Shares held by the promoter(s) of a company shall not be transferred within one year from the date of incorporation of the company. Shares issued by a company prior to the public offer of its shares shall not be transferred within one year from the date of its shares being listed on a stock exchange. Directors, supervisors and senior management personnel of the company shall not transfer over 25% of the total shares they hold in the company each year during their term of office, and shall not transfer any share of the company held by each of them within one year from the listing date.

(viii) Shareholders

The articles of association of a company set forth the shareholders' rights and obligations and are binding on all the shareholders. Pursuant to the Company Law and the Mandatory Provisions, a shareholder's rights include:

- the right to attend in person or appoint a representative to attend the general meeting and to vote in respect of the amount of shares held;
- the right to transfer his/her shares in accordance with applicable laws and regulations as well as the articles of association;

- the right to inspect the company's articles of association, shareholders' registers, corporate bond certificates, minutes of general meeting, board resolutions, supervisor resolutions and financial accounting reports, and to put forward proposals or raise questions on the business operations of the company;
- if a resolution approved by the general meeting or by the board of directors violates any law or regulation, or infringes on the shareholders' lawful rights and interests, the right to institute an action in a people's court demanding that the illegal infringing action be stopped;
- the right to receive dividends based on the number of shares held;
- the right to obtain surplus assets of the company upon its termination or liquidation in proportion to shares he/she holds; to claim against other shareholders who abuse their rights of shareholders for the damages; and
- any other shareholders' rights specified in the articles of association.

The obligations of shareholders include: abide by the articles of association of the company; pay the subscription monies in respect of shares subscribed for; be liable for debts and liabilities of the company to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up; no abuse of shareholders' rights to damage the interests of the company or other shareholders of the company; no abuse of the independent status of the company as a legal person and its limited liability companies as to evade debts and damage the interests of the creditors of the company; and any other obligation specified in the articles of association of the company.

(ix) General meeting

The general meeting is the organ of authority of a company, which exercises its functions and powers in accordance with the Company Law.

The general meeting exercises the following functions and powers:

- to decide on operational policies and investment plans of the company;
- to elect or remove the directors and supervisors who are not representatives of the employees, and to decide on matters relevant to remuneration of directors and supervisors;
- to consider and approve reports of the board of directors;
- to consider and approve reports of the board of supervisors or the supervisors;
- to consider and approve annual financial budgets and financial accounts of the company;
- to consider and approve proposals for profit distribution and for recovery of losses of the company;
- to decide on increase and reduction of the registered capital of the company;
- to decide on bond issuances of the company;
- to decide on merger, division, dissolution and liquidation of the company and other issues;
- to amend the articles of association; and
- other functions and powers specified in the articles of association.

The annual general meeting must be convened once a year. An extraordinary general meeting shall be held within two months after the occurrence of any of the following circumstances:

- the number of directors is less than the number provided for in the Company Law or less than two-thirds of the number specified in the articles of association of the company;
- the losses of the company which are not made up reach one-third of the total paid-up share capital of the company;
- as requested by a shareholder holding, or shareholders holding in aggregate, 10% or more of the shares of the company;
- when deemed necessary by the board of directors;
- as suggested by the board of supervisors; or
- other matters required by the articles of association.

The general meeting shall be convened by the board of directors and shall be presided over by the chairman of the board of directors.

The notice to convene the general meeting shall be dispatched to all the shareholders 20 days before the general meeting pursuant to the Company Law, and 45 days pursuant to the Special Regulations and the Mandatory Provisions, stating the matters to be considered at the general meeting. Under the Special Regulations and the Mandatory Provisions, shareholders intending to attend are required to send written confirmations of their attendance to the company 20 days before the general meeting. According to the Special Regulations, at the annual general meeting of the company, shareholders with 5% or more of the voting rights in the company are entitled to propose to the company in writing new resolutions to be reviewed at the general meeting, which if within the functions and powers of the general meeting, are required to be added to the agenda of the general meeting.

Shareholders present at the general meeting possess one vote for each share they hold. However, the company shall have no vote for any of its own shares the company holds. Resolutions proposed at the general meeting shall be approved by more than half of the voting rights cast by shareholders present in person (including those represented by proxies) at the general meeting, except that such resolutions as merger, division or reduction of registered capital, the issue of bonds or short-term debentures, the change in the form of the company or the amendment to the articles of association, shall be approved by shareholders with more than two-thirds of the voting rights cast by shareholders present (including those represented by proxies) at the general meeting.

A shareholder may entrust a proxy to attend a general meeting. The proxy shall present a power of attorney issued by the shareholder to the company and shall exercise his voting rights within the authorization scope. There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a general meeting, although the Special Regulations and the Mandatory Provisions provide that a company's annual general meeting may be convened when replies to the notice of that meeting from shareholders holding shares representing 50% of the voting rights in the company have been received 20 days before the proposed date, or if that 50% level is not achieved, the company shall within five days of the last day for receipt of the replies notify shareholders again by public announcement of the matters to be considered at the meeting and the date and place of the meeting, and the annual general meeting may be held thereafter. The Mandatory Provisions require class meetings to be held in the event of a variation or revocation of the class rights of a class. Holders of domestic invested shares and holders of overseas listed foreign invested shares are deemed to be different classes of shareholders for this purpose.

(x) Directors

A company shall have a board of directors, which shall consist of five to nineteen members, and there can be staff representatives of the company. The term of office of the directors shall be provided for by the articles of association, but each term of office shall not exceed three years. The directors may hold consecutive terms upon re-election.

Meetings of the board of directors shall be convened at least twice a year. A notice of meeting shall be given to all directors at least 10 days before the meeting. The board of directors may provide for a different method of giving notice and notice period for convening an extraordinary meeting of the board of directors.

Under the Company Law, the board of directors exercises the following functions and powers:

- to convene the general meeting and report on its work to the general meeting;
- to implement the resolution of the general meeting;
- to formulate the company's operation plans and investment plans;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's proposals for profit distribution and for recovery of losses;
- to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;
- to formulate proposals for the merger, division or dissolution of the company;
- to decide on the establishment of the company's internal management institutions;
- to appoint or dismiss the company's general manager, and based on the general manager's recommendation, to appoint or dismiss deputy general managers and financial officers of the company and to decide on their remuneration;
- to formulate the company's basic management system; and
- other functions and powers as specified in the articles of association.

In addition, the Mandatory Provisions provide that the board of directors is also responsible for formulating the proposals for amendment of the articles of association of a company.

Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board of directors require the approval of more than half of all directors.

If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization for another director to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the company's articles of association as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proven that a director expressly objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such director may be relieved of that liability.

Under the Company Law, the following persons may not act as a director of a company:

- persons without capacity or restricted capacity to undertake civil liabilities;
- persons who have committed the offense of corruption, bribery, taking of property, misappropriation of property or destruction of the social economic order, and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offense, where less than five years have elapsed since the date of the completion of implementation of this deprivation;
- persons who are former directors, factory managers or managers of a company or enterprise that has been bankrupt and has been liquidated, and those persons are personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- persons who were legal representatives of a company or enterprise which had its business license revoked or was ordered to close due to violation of the law and who are personally liable, and less than three years have elapsed since the date of the revocation of the business license; or
- persons who have a relatively large amount of debt due and outstanding; or other circumstances under which a person is disqualified from acting as a director of a company are set out in the Mandatory Provisions (which have been incorporated in the Articles of Association, a summary of which is set out in Appendix V).

The board of directors shall appoint a chairman, who is elected with approval of more than half of all the directors. The functions and powers exercised by the chairman of the board of directors include (but not limited to):

- to preside over general meetings and convene and preside over meetings of the board of directors;
- to check on the implementation of the resolutions of the board of directors;

The legal representative of a company, in accordance with the company's articles of association, may be the chairman, executive director or the manager. The Special Regulations provide that a company's directors, supervisors, managers and other senior management bear fiduciary duties and the duty to act diligently. They are required to faithfully perform their duties, protect the interests of the company and not to use their positions for their own benefit. The Mandatory Provisions (which have been incorporated into the Articles of Association, a summary of which is set out in Appendix V) contains further elaborations of such duties.

(xi) Supervisors

A company shall have a board of supervisors composed of not less than three members. Each term of office of a supervisor is three years, and the supervisors may hold consecutive terms upon re-election. The board of supervisors is made up of shareholders representatives and an appropriate proportion of the company's staff representatives; and the percentage of the number of the company's staff representatives shall not be less than one-third. Directors and senior management shall not act as supervisors.

The board of supervisors exercises the following functions and powers:

- to check the financial affairs of the company;
- to supervise the directors and senior management in the performance of their duties, and to put forward proposals on the removal of any director or senior manager who violates laws, administrative regulations, the articles of association or any resolution of the general meeting;
- to require the director or senior manager to make corrections if his act is detrimental to the interests of the company;
- to propose the convening of extraordinary general meetings, and to convene and preside over general meetings when the board of directors fails to exercise the function of convening and presiding over general meetings;
- to put forward proposals at general meetings;
- to initiate actions against directors or senior management; and
- other functions and powers as provided for by the articles of association.

The circumstances under which a person is disqualified from being a director of a company described above apply mutatis mutandis to supervisors of a company.

(xii) Managers and senior management

A company shall have a manager who shall be appointed or removed by the board of directors. The manager is accountable to the board of directors and may exercise the following powers:

- to manage the production, operation and management of the company and arrange for the implementation of resolutions of the board of directors;
- to arrange for the implementation of the company's annual business and investment plans;
- to formulate plans for the establishment of the company's internal management structure;
- to formulate the basic administration system of the company;
- to formulate the company's basic rules;
- to recommend the appointment and dismissal of deputy managers and any financial officer and appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors);
- to attend board meetings as a non-voting attendant; and
- other powers conferred by the board of directors or the company's articles of association.

The Special Regulations and the Mandatory Provisions provide that the other senior management personnel of a company include the financial officers, secretary of the board of directors and other officers as specified in the articles of association of the company.

The circumstances under which a person is disqualified from being a director of a company described above apply mutatis mutandis to managers and officers of the company. The articles of association of a company shall have binding effect on the shareholders, directors, supervisors, managers and other senior management of the company. Such persons shall be entitled to exercise their rights, apply for arbitration and issue legal proceedings according to the articles of association of the company. The provisions of the Mandatory Provisions regarding the senior management personnel of a company have been incorporated in the Articles of Association (a summary of which is set out in Appendix V).

(xiii) Duties of directors, supervisors, managers and senior management

A director, supervisor, manager and other senior management of a company are required under the PRC Company Law to comply with the relevant laws, administrative regulations and the articles of association of the company, and have the fiduciary and diligent duties to the company. A director, supervisor, manager and other senior management of the company is also under a duty of confidentiality to the company and is prohibited from divulging secret information of the company save as permitted by the relevant laws and regulations or by the shareholders.

A director, supervisor, manager and other senior management who contravenes any law, regulation or the articles of association of a company in the performance of his/her duties which results in any loss to the company shall personally liable to the company.

The Special Regulations and the Mandatory Provisions provide that a director, supervisor, manager and other senior manager of a company owe fiduciary duties to the company and are required to perform their duties faithfully and to protect the interests of the company and not to make use of their positions in the company for their own benefit.

(xiv) Finance and Accounting

A company shall establish its financial and accounting systems according to the PRC laws, administrative regulations and the provisions of the responsible financial department of the State Council and at the end of each financial year, prepare a financial report which shall be audited and verified as provided by law.

A company shall make its financial statements available at the company for inspection by the shareholders at least 20 days before the convening of the annual general meeting of shareholders. A company incorporated by public offering must publish its financial statements.

When distributing the after-tax profits each year, the company shall set aside 10% of its after-tax profits for its statutory surplus reserve (except where the reserve has reached 50% of its registered capital). After a company has made an allocation to its statutory common reserve, subject to a resolution of the shareholders' meeting or the general meeting, the company may make an allocation to a discretionary common reserve from its after-tax profits.

When the statutory surplus reserve of the company is not sufficient to make up for the losses of the company of the previous year, current year profits shall be used to make up for the losses before allocations are set aside for the statutory surplus reserve.

Subject to the articles of association, if a joint stock company has made up for its losses and has made allocations to its statutory surplus reserve, the remaining profits may be available for distribution to shareholder in proportion to the number of shares held by the shareholders except as otherwise provided in the articles of association of such company.

The capital common reserve of a joint stock company is made up of the premium of the shares of the company in issue and other revenue required by the relevant financial department of the State Council to be treated as the capital common reserve.

The reserve fund of a company shall be applied to make up its losses, expand its business operations or be converted to increase its registered capital. However, the capital reserve fund may not be applied to make up losses of the company. Upon the conversion of statutory reserve fund into capital, the balance of the statutory reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

(xv) Appointment and Retirement of Auditors

The Special Regulations require a company to appoint an independent PRC qualified accounting firm to audit the annual report of the company and to review other financial reports.

The auditors are to be appointed for a term commencing from the close of an annual general meeting and ending at the close of the next following annual general meeting.

If a company removes or ceases to continue to appoint the auditors, it is required by the Special Regulations to give prior notice to the auditors and the auditors are entitled to make representations before the shareholders in general meeting. The appointment, removal or non re-appointment of auditors shall be decided by the shareholders at general meetings and shall be filed with the CSRC for record.

(xvi) Profit Distribution

The Special Regulations provide that the dividends and other distributions to be paid to holders of overseas listed foreign invested shares shall be declared and calculated in Renminbi and paid in foreign currency. Under the Mandatory Provisions, the payment of foreign currency to shareholders shall be made through a receiving agent.

(xvii) Amendments to Articles of Association

Any amendments to the articles of association of a company must be made in accordance with the procedures set forth in its articles of association. Any amendment of provisions incorporated in the articles of association in connection with the Mandatory Provisions will only be effective after approval by the companies approval department authorized by the State Council and the CSRC according to the Mandatory Provisions. In relation to matters involving its registration, the company shall apply for change of registration with the authority.

(xviii) Dissolution and Liquidation

A company may apply for the declaration of insolvency by reason of its inability to pay debts as they fall due. After the people's court has made a declaration of the insolvency of the company, the shareholders, the relevant authorities and the relevant professionals shall form a liquidation committee to conduct the liquidation of the company.

Under the Company Law, a company shall be dissolved in any of the following events:

(1) the term of its operations set out in its articles of association has expired or events of dissolution specified in its articles of association have occurred;

(2) the shareholders' meeting or the general meeting has resolved to dissolve the company;

(3) the company is dissolved by reason of its merger or demerger;

(4) the company is subject to the revocation of business license, a closure order or elimination in accordance with laws; or

(5) in the event that the company encounters substantial difficulties in its operation and management and its continuance shall cause a significant loss, in the interest of shareholders, and where this cannot be resolved through other means, shareholders who hold more than 10% of the total shareholders' voting rights of the company may present a petition to the people's court for the dissolution of the company.

Where the company is dissolved in the circumstances described in (1), (2), (4) and (5) above, a liquidation committee must be formed within 15 day after the dissolution. Members of the liquidation committee shall be determined by directors and the general meeting.

If a liquidation committee is not established within the stipulated period, the creditors of the company can apply to the people's court for its establishment. The liquidation committee shall notify the creditors of the company within ten days after its establishment, and issue a public notice in the newspapers within 60 days. A creditor shall lodge his claim with the liquidation committee within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification.

The liquidation committee shall exercise the following powers during the liquidation period:

- to handle the assets of the company and to prepare a balance sheet and an inventory of the assets;
- to notify creditors or issue public notices;
- to deal with and settle any outstanding business of the company;
- to pay any tax overdue and any tax arising therefrom;
- to settle the financial claims and liabilities of the company;
- to handle the surplus assets of the company after its debts have been paid off; and
- to represent the company in civil lawsuits.

If the assets of the company are sufficient to meet its liabilities, they shall be applied towards the payment of the liquidation expenses, wages owed to the employees and labor insurance expenses, tax overdue and debts of the company. Any surplus assets shall be distributed to the shareholders of the company in proportion to the number of shares held by them.

The company shall not engage in operating activities unrelated to the liquidation. If the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must immediately apply to the people's court for a declaration for bankruptcy. Following such declaration, the liquidation committee shall hand over all affairs of the liquidation to the people's court.

Upon the completion of the liquidation, the liquidation committee shall submit a liquidation report to the general meeting or the people's court for confirmation. Thereafter, the report shall be submitted to the companies registration authority in order to cancel the registration of the company, and a public notice of its termination shall be issued.

Members of the liquidation committee are required to discharge their duties honestly and in compliance with relevant laws. A member of the liquidation committee is liable to indemnify the company and its creditors in respect of any loss arising from his willful or material default.

(xix) Overseas Listing

The shares of a company shall only be listed overseas after obtaining approval from the securities regulatory authority of the State Council and the listing must be arranged in accordance with procedures specified by the State Council.

According to the Special Regulations, the plan of the company to issue overseas listed foreign invested shares and domestic invested shares which has been approved by the securities regulatory authority of the State Council may be implemented by the board of directors of the company by way of separate issues, within 15 months after approval is obtained from the CSRC.

(xx) Loss of H Share Certificates

A shareholder may apply, in accordance with the relevant provisions set out in the PRC Civil Procedure Law, to a people's court in the event that H share certificates in registered form are either stolen or lost, for a declaration that such certificates will no longer be valid. After such a declaration has been obtained, the shareholder may apply to the company for the issue of replacement certificates.

The Mandatory Provisions provide for a separate procedure regarding loss of H share certificates (which has been incorporated in the Articles of Association, a summary of which is set out in Appendix V).

(xxi) Suspension and Termination of Listing

The new and amended Company Law has deleted provisions governing suspension and termination of listing. The new Securities Law has been amended as follows: The trading of shares of a company on a stock exchange may be suspended if so decided by the stock exchange under one of the following circumstances:

(1) the registered capital or shareholding distribution no longer comply with the necessary requirements for a listed company;

(2) the company failed to make public its financial position in accordance with the requirements or there is false information in the financial report of the company with the possibility of misleading investors;

(3) the company has committed a major breach of the law;

(4) the company has incurred losses for three consecutive years; or

(5) other circumstances as required by the listing rules of the relevant stock exchange(s).

Under the Securities Law, in the event that the conditions for listing are not satisfied within the period stipulated by the relevant stock exchange in the case described in (1) above, or the company has refused to rectify the situation in the case described in (2) above, or the company fails to become profitable in the next subsequent year in the case described in (4) above, the relevant stock exchange shall have the right to terminate the listing of the shares of the company.

The Company Law provides that the securities administration department of the State Council may also terminate the listing of shares of a company in the event that the company resolves to cease operation or is so instructed by its government supervisory body, or the company is declared bankrupt. In such event, the Securities Law would regard this as "other circumstances as required by the listing rules of the relevant stock exchanges".

(xxii) Merger and Demerger

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

(d) Securities law and regulations

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis.

On April 22, 1993, the State Council promulgated the Provisional Regulations on the Administration of Share Issuance and Trading (股票發行與交易管理暫行條例). These regulations deal with the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, settlement, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation and penalties and dispute settlement. According to these regulations, a company must obtain the approval of the Securities Committee to offer its shares outside the PRC. In addition, if a company proposes to issue Renminbi denominated ordinary shares as well as special Renminbi-denominated shares, it must comply with the Provisional Regulations on the Administration of Share Issuance and Trading (股票發行與交易管理暫行條例). Provisions of these regulations in relation to acquisitions of listed companies and disclosure of information expressly apply to listed companies in general without being confined to listed companies on any particular stock exchange.

On December 25, 1995, the State Council promulgated and implemented the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (國務院關於股份有限公司境內上市外資股的規定). These regulations deal mainly with the issue, subscription, trading and declaration of dividends and other distributions of domestic listed and foreign invested shares and disclosure of information of joint stock limited companies having domestic listed and foreign invested shares.

The Securities Law took effect on July 1, 1999 and was revised on August 28, 2004 and October 27, 2005, respectively. This is the first national securities law in the PRC, and it is divided into 12 chapters and 240 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The Securities Law comprehensively regulates activities in the PRC securities market. Article 238 of the Securities Law provides that domestic enterprises shall obtain prior approval from the State Council's regulatory authorities to list its shares outside the PRC. Article 239 of the Securities Law provides that specific measures in respect of shares of companies in the PRC which are to be subscribed and traded in foreign currencies shall be separately formulated by the State Council. Currently, the issue and trading of foreign issued shares (including H shares) are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

(e) Arbitration and enforcement of arbitral awards

The Arbitration Law of the People's Republic of China (the "Arbitration Law") was passed by the Standing Committee on August 31, 1994 and became effective on September 1, 1995. It is applicable to contract disputes and other property disputes between natural person, legal person and other organizations where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration rules, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case.

The Hong Kong Listing Rules and the Mandatory Provisions require an arbitration clause to be included in a company's Articles of Association and, in the case of the Hong Kong Listing Rules, also in contracts with each of the directors and supervisors, to the effect that whenever any disputes or claims arise between holders of H Shares and the company; holders of H Shares and the directors, supervisors, manager or other senior management; or holders of H Shares and holders of domestic shares, with respect to any disputes or claims in relation to the companies affairs or as a result of any rights or obligations arising under its articles of association, the PRC Company Law or other relevant laws and administrative regulations, such disputes or claims shall be referred to arbitration. Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, as the company or its shareholders, directors, supervisors, managers or other senior management, shall comply with the arbitration. Disputes with respect to the definition of shareholders and disputes related to a company's register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission (the "CIETAC") in accordance with its Rules or the Hong Kong International Arbitration Center (the "HKIAC") in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the HKIAC, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the HKIAC.

Under the Arbitration Law and PRC Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural or membership irregularity specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award by a PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement.

Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the request for enforcement is made.

It was declared by the Standing Committee simultaneously with the accession of the PRC to the New York Convention that (1) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (2) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations. On June 18, 1999, an arrangement was made between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. This new arrangement was approved by the Supreme People's Court of the PRC and the Hong Kong Legislative Council, and became effective on February 1, 2000. The arrangement is made in accordance with the spirit of the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958. Under the arrangement, awards made by PRC arbitral authorities recognized under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong. Hong Kong arbitration awards are also enforceable in China.

2. SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND PRC COMPANY LAW

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and is supplemented by common law and the rules of equity that are applicable to Hong Kong. As a joint stock limited company established in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of certain material differences between Hong Kong company law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated and existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company with share capital, is incorporated by the Registrar of Companies in Hong Kong which issues a certificate of incorporation to the Company upon its incorporation and the company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public subscription. A joint stock limited company has no minimum registered capital requirement, or otherwise be required by laws, administrative regulations or the State Council. Hong Kong law does not prescribe any minimum capital requirement for a Hong Kong company.

Share Capital

Under Hong Kong law, the directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the company. The PRC Company Law does not provide for authorized share capital. Our registered capital is the amount of our issued share capital. Any increase in our registered capital must be approved by our general meeting and the relevant PRC governmental and regulatory authorities.

Under the Securities Law, a company which is authorized by the relevant securities regulatory authority to list its shares on a stock exchange must have a total share capital of not less than RMB30 million. Hong Kong law does not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws or administrative regulations). For non-monetary assets to be used as capital contributions, appraisals must be carried out to ensure no over-valuation or under-valuation of the assets. There is no such restriction on a Hong Kong company under Hong Kong law.

Restrictions on Shareholding and Transfer of Shares

Under PRC law, our Domestic Shares, which are denominated and subscribed for in Renminbi, may only be subscribed for or traded by the State, PRC legal persons, natural persons, qualified foreign institutional investors, or eligible foreign strategic investors. Overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors.

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to our public offering cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and managers and transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and senior management. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from the six-month lockup on the company's issue of shares and the 12-month lockup on Controlling Shareholders' disposal of shares.

Financial Assistance for Acquisition of Shares

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries on providing such financial assistance similar to those under the Hong Kong company law.

Variation of Class Rights

The PRC Company Law has no special provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarized in the appendix entitled "Appendix V—Summary of Articles of Association" to this Prospectus.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting, (ii) with the consent in writing of the holders of three-fourths in nominal value of the issued shares of the class in question, (iii) by agreement of all the members of the company or (iv) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

Directors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and guarantees in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain restrictions on major disposals and specify the circumstances under which a director may receive compensation for loss of office.

Board of Supervisors

Under the PRC Company Law, a joint stock limited company's directors and managers are subject to the supervision of a board of supervisors. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the Company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Derivative Action by Minority Shareholders

Hong Kong law permits minority shareholders to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name. The PRC Company Law provides shareholders of a joint stock limited company with the right so that in the event where the directors and senior management violate their fiduciary obligations to a company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. In the event that the board of supervisors violates their fiduciary obligations to a company, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court.

Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

The Mandatory Provisions provide further remedies against the directors, supervisors and senior management who breach their duties to the company. In addition, as a condition to the listing of shares on the Hong Kong Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking in favor of the company acting as agent for the shareholders. This allows minority shareholders to take action against directors and supervisors in default.

Protection of Minorities

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC law does not contain similar safeguards. The Mandatory Provisions, however, contain provisions that a Controlling Shareholder may not exercise its voting rights in a manner prejudicial to the interests of the shareholders generally or of a proportion of the shareholders of a company to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other shareholders.

Notice of General Meetings

Under the PRC Company Law, notice of a shareholder's annual general meeting must be given not less than 20 days before the meeting. Under the Special Regulations and the Mandatory Provisions, at least 45 days' written notice must be given to all shareholders, and shareholders who wish to attend the meeting must reply in writing at least 20 days before the date of the meeting. For a company incorporated in Hong Kong, the minimum period of notice of a general meeting, where convened for the purpose of considering ordinary resolutions, is 14 days and, where convened for the purpose of considering special resolutions, is 21 days. The notice period for an annual general meeting is 21 days.

Quorum for General Meetings

Under Hong Kong law, the quorum for a general meeting must be at least two members unless the articles of association of the company otherwise provide. For companies with only one member, the quorum must be one member. The PRC Company Law does not specify any quorum requirement for a general meeting, but the Special Regulations and the Mandatory Provisions provide that general meetings may only be convened when replies to the notice of that meeting have been received from shareholders whose shares represent at least 50% of the voting rights at least 20 days before the proposed date of the meeting, or if that 50% level is not achieved, the company shall within five days notify its shareholders again by way of a public announcement and the general meeting may be held thereafter.

Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting. Under the PRC Company Law, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the general meeting except in cases of proposed amendments to a company's articles of association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights represented by the shareholders who attend the general meeting.

Financial Disclosure

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its balance sheet, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting. A joint stock limited liability company is required under the PRC law to prepare its financial statements in accordance with the PRC GAAP. The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the PRC GAAP, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC GAAP.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on Directors and Shareholders

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the general meetings and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the shareholders' rights of Hong Kong companies under Hong Kong law.

Receiving Agent

Under the PRC Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is two years. The Mandatory Provisions require the relevant company to appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of shares dividends declared and all other monies owed by the company in respect of its shares.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673, Division 2 of Part 13 of the Companies Ordinance, which requires the sanction of the court. Under PRC law, merger, division, dissolution or change to the status of a joint stock limited liability company has to be approved by shareholders in general meeting.

Dispute Arbitration

In Hong Kong, disputes between shareholders on the one hand, and a company incorporated in Hong Kong or its directors on the other, may be resolved through legal proceedings in the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the HKIAC or the CIETAC, at the claimant's choice.

Mandatory Deductions

Under the PRC Company Law, a joint stock limited liability company is required to make transfers equivalent to certain prescribed percentages of its after tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

Remedies of the Company

Under the PRC Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, the Listing Rules require listed companies' articles to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

Dividends

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Fiduciary Duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the Special Regulations, directors, supervisors are not permitted to engage in any activities which compete with or damage the interests of their company.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas, as required by the PRC Company Law and the Mandatory Provisions, share transfers shall not be registered within 30 days before the date of a general meeting or within five days before the base date set for the purpose of distribution of dividends.

Hong Kong Listing Rules

The Listing Rules provide additional requirements which apply to us as an issuer incorporated in the PRC as a joint stock limited company and seeking a primary listing or whose primary listing is on the Hong Kong Stock Exchange. Set out below is a summary of the principal provisions containing the additional requirements which apply to us.

The compliance adviser must keep the company informed on a timely basis of changes in the Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to the company. It must act as the company's principal channel of communication with the Hong Kong Stock Exchange if the authorized representatives of the company are expected to be frequently outside Hong Kong.

Accountant's Report

The accountant's report must normally be drawn up in conformity with: (a) HKFRS; or (b) IFRSs; or (c) China Accounting Standards for Business Enterprises ("CASBE") in the case of a PRC issuer that has adopted CASBE for the preparation of its annual financial statements.

Independent Non-Executive Directors and Supervisors

Independent non-executive directors of a PRC issuer are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of the listed company's general body of shareholders will be adequately represented. Supervisors must have the character, expertise and integrity and be able to demonstrate the standard of competence commensurate with their position as supervisors.

Redeemable Shares

A listed company must not issue any redeemable shares unless the Hong Kong Stock Exchange is satisfied that the relative rights of its shareholders are adequately protected.

Pre-emptive Rights

Except in the circumstances mentioned below, directors are required to obtain approval by way of a special resolution of shareholders at general meeting, and the approvals by way of special resolutions of the holders of class shares (each being otherwise entitled to vote at general meetings) at separate class meetings conducted in accordance with and as required by the articles of association, prior to authorizing, allotting, issuing or granting shares or securities convertible into shares, options, warrants or similar rights to subscribe for any shares or such convertible securities.

No such approval will be required under the Listing Rules to the extent that (i) the existing shareholders have by special resolution in general meeting given a mandate to the board of directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorize, allot or issue, either separately or concurrently once every 12 months, not more than 20% of each of the existing issued domestic shares and H shares as at the date of the passing of the relevant special resolution, or (ii) such shares are issued as part of the company's plan at the time of its establishment to issue domestic shares and H shares and which plan is implemented within 15 months from the date of approval by the securities regulatory authority of the State Council.

Supervisors

A company listed or seeking a listing on the Hong Kong Stock Exchange is required to adopt rules governing dealings by the Supervisors in securities of our Company in terms no less exacting than those of the model code (set out in Appendix 10 to the Listing Rules) issued by the Hong Kong Stock Exchange. A PRC issuer is required to obtain the approval of its shareholders at a general meeting (at which the relevant supervisor and his associates must abstain from voting on the matter) prior to the company or any of its subsidiaries entering into a service contract of the following nature with a supervisor or proposed supervisor of the listed company or any of its subsidiaries: (1) the term of the contract exceeds three years; or (2) the contract expressly requires the company (or its subsidiaries) to give more than one year's notice or to pay compensation or make other payments equivalent to the remuneration more than one year in order for it to terminate the contract.

The nomination and remuneration committee of the listed company or an independent board committee must form a view in respect of service contracts that require shareholders' approval and advise shareholders (other than shareholders with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of the listed company and its shareholders as a whole and advise shareholders on how to vote.

Amendment to Articles of Association

A PRC issuer may not permit or cause any amendment to be made to its articles of association which would contravene the PRC Company Law, the Mandatory Provisions or the Listing Rules.

Documents for Inspection

A PRC issuer is required to make available at a place in Hong Kong for inspection by the public and shareholders free of charge, and for copying by its shareholders at reasonable charges of the following:

- a complete duplicate register of shareholders;
- a report showing the state of its issued share capital;
- its latest audited financial statements and the reports of the directors, auditors and supervisors, if any, thereon;
- special resolutions;
- reports showing the number and nominal value of securities repurchased by it since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between class shares);
- copy of the latest annual return filed with the SAIC or other competent PRC authority; and
- for shareholders only, copies of minutes of general meetings.

Receiving Agents

Under Hong Kong law, a PRC issuer is required to appoint one or more receiving agents in Hong Kong and pay to such agent(s) dividends declared and other monies owed in respect of the H shares to be held, pending payment, in trust for the holders of such H shares.

Statements in Share Certificates

A PRC issuer is required to ensure that all of its listing documents and share certificates include the statements stipulated below and to instruct and cause each of its share registrars not to register the subscription, purchase or transfer of any of its shares in the name of any particular holder unless and until such holder delivers to the share registrar a signed form in respect of such shares bearing statements to the following effect, that the acquirer of shares:

- agrees with the company and each shareholder, and it agrees with each shareholder, to observe and comply with the PRC Company Law, the Special Regulations and its articles of association;
- agrees with the company, each shareholder, director, supervisor, manager and other senior management and it (acting both for the company and for each director, supervisor, manager and other senior management), agree with each shareholder to refer all

differences and claims arising from the articles of association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning its affairs to arbitration. Any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;

- agrees with the company and each shareholder that shares are freely transferable by the holder thereof; and
- authorizes the company to enter into a contract on his behalf with each director and senior management whereby such directors and senior management undertake to observe and comply with their obligations to shareholders as stipulated in the articles of association.

English Translation

All notices or other documents required under the Listing Rules to be sent by a PRC issuer to the Hong Kong Stock Exchange or to holders of the H Shares are required to be in English, or accompanied by a certified English translation.

General

If any change in the PRC law or market practices materially alters the validity or accuracy of any basis upon which the additional requirements have been prepared, the Hong Kong Stock Exchange may impose additional requirements or make listing of H shares by a PRC issuer subject to special conditions as the Hong Kong Stock Exchange may consider appropriate. Whether or not any such changes in the PRC law or market practices occur, the Hong Kong Stock Exchange retains its general power under the Listing Rules to impose additional requirements and make special conditions in respect of any company's listing.

3. OTHER LEGAL AND REGULATORY PROVISIONS

Upon the listing on the Hong Kong Stock Exchange, the provisions of the SFO, the Hong Kong Takeovers Code and such other relevant ordinances and regulations will apply to a PRC issuer.

4. SECURITIES ARBITRATION RULES

The Securities Arbitration Rules of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and the arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party, or any of its witnesses or any arbitrator is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and Taiwan.

Any person wishing to have detailed advice on PRC law or the laws of any jurisdiction is recommended to seek independent legal advice.

Summary of the Articles

Set out below is a summary of certain provisions of the Articles of the Company.

Summary of the Articles

The Company was incorporated in the PRC as a joint stock company with limited liability on September 20, 2010 under the Company Law of the PRC (the "Company Law").

This appendix contains a summary of the principal provisions of the applicable articles upon the offering and listing of H Shares, which was adopted on April 24, 2014 and will become effective on the date that H Shares are listed on the Stock Exchange and approvals obtained from relevant national authorities. This appendix aims to provide potential investors with an overview of the Articles. The information contained below is only a summary which may not contain all the information that is important to potential investors. A copy of full Chinese text of the Articles is available for inspection as mentioned in the paragraphs headed "Documents Delivered to the Registrar of Companies" and "Documents Available for Inspection" in Appendix VII.

1. DIRECTORS AND BOARD OF DIRECTORS

(a) Power to Allot and Issue Shares

There is no provision in the Articles empowering the Board to allot or issue Shares. In order to allot or issue Shares, the Board shall prepare a proposal for approval by Shareholders in a general meeting by way of special resolution. Any such allotment or issue shall be conducted in accordance with the procedures stipulated by relevant laws and administrative regulations.

(b) Power to Dispose of the Assets of the Company or any of its Subsidiaries

The Board may determine the external investments, acquisition and disposal of assets, pledge of assets, external guarantee, trust and wealth management and connected transaction according to the scope of authority delegated by the general meeting.

(c) Compensation or Payments for Loss of Office

Contract concerning remuneration between the Company and a Director or Supervisor, shall provide that in the event of a takeover of the Company, the Director or Supervisor shall, subject to the prior consent of the Shareholders in a general meeting, have the right to receive compensation for loss of office or payment for his retirement from office.

A takeover of the Company means either:

(i) an offer made to all Shareholders of the Company; or

(ii) an offer made by such person with a goal of becoming the Controlling Shareholder of the Company within the meaning of the Articles.

If the relevant Director or Supervisor does not comply with the above provisions, any sum so received by the Director or Supervisor shall belong to those persons who have sold their Shares as a result of the offer. The expenses incurred by the Director and Supervisor in distributing such sum on a pro rata basis among those persons shall be borne by the relevant Director or Supervisor and shall not be paid out of the sum to be received by him/her.

(d) Loans to Directors, Supervisors and Other Officers

The Company may not provide any loan or guarantee directly or indirectly to a Director, Supervisor, president, or other senior management of the Company or its parent company or the director, supervisor, president or other senior management of its holding company.

A loan made by the Company in breach of the above provisions shall be repayable forthwith by the recipient of the loan regardless of the terms of the loan. A guarantee for a loan provided by the Company in breach of the above provisions shall not be enforceable by the Company unless:

(i) the lender was not aware that the loan was granted to a person related to a Director, Supervisor, president, or other senior management of the Company or its holding company when the loan was advanced; or

(ii) the collateral provided by the Company has been lawfully disposed of by the lender to a bona fide purchaser.

The following transactions shall not be subject to the above provisions:

(i) the Company provides loans or loan guarantees to its subsidiary;

(ii) the Company provides loans, loan guarantees or other payment to a Director, Supervisor, president, or other senior management to settle expenditure incurred or to be incurred by him/her for the purposes of the Company or enabling him/her to perform his/her duties, in accordance with the terms of a contract of service approved by the general meeting; and

(iii) the Company may provide a loan to, or provide a guarantee in connection with a loan by another person to, any of its Directors, Supervisors, president, the senior management or other related persons if the ordinary course of its business includes the provision of loans or guarantees, provided that the provision of such loans or the giving of such guarantees is on normal commercial terms.

For these purposes, guarantee includes an undertaking or property provided to secure the performance of obligations by the obligor.

(e) Financial Assistance for the Acquisition of Shares in the Company or any of its Subsidiaries

Subject to the Articles:

(i) neither the Company nor any of its subsidiaries shall at any time or by any means provide financial assistance to a person who acquires or is proposing to acquire Shares in the Company. The said person includes any person who has directly or indirectly incurred a liability as a result of the acquisition of Shares in the Company; and

(ii) neither the Company nor any of its subsidiaries shall at any time or by any means provide financial assistance to the person mentioned in the above paragraph for the purposes of reducing or discharging his liabilities.

The following transactions shall not be deemed to be prohibited:

(i) the provision of financial assistance by the Company where the financial assistance is given in good faith in the interest of the Company, and the principal purpose in giving financial assistance is not for the acquisition of Shares, or the giving of financial assistance is an incidental part of a major plan of the Company;

(ii) the distribution of the assets of the Company through dividends;

(iii) the allotment of bonus shares as dividends;

(iv) a reduction of registered capital, a repurchase of Shares or a reorganization of the share capital structure of the Company effected in compliance with the Articles;

(v) the provision of loans by the Company in the ordinary course of its business, provided that the net assets of the Company are not thereby reduced or that, to the extent that the net assets are thereby reduced, the financial assistance is provided out of distributable profit; and

(vi) the contribution of the Company to employee's shareholding plan, provided that the net assets of the Company are not thereby reduced or that, to the extent that the net assets are thereby reduced, the financial assistance is provided out of distributable profit.

For these purposes,

(i) "financial assistance" includes, but without limitation, the following:

(aa) a gift;

(bb) a guarantee (including any liability by the guarantor or the provision of assets by the guarantor to secure the performance of obligations by the obligator) or compensation, (other than compensation due to the default of the Company) or release or waiver of any rights;

(cc) provision of a loan, or entering into an agreement under which the obligations of the Company are to be fulfilled before the obligations of another party, or entering into an agreement for a change in the parties to, or the assignment of rights arising under, such a loan or agreement; or

(dd) any other form of financial assistance given by the Company when the Company is insolvent or has no net asset, or when its net assets would thereby be reduced by a material extent; and

(ii) "incurring an obligation" includes the incurring of obligations by entering into an agreement, the making of arrangement (whether enforceable or not, and whether made on its own account or with any other persons) or any other means that result in the change of the financial position of the obligor.

(f) Disclosure of Interests in Contracts with the Company or any of its Subsidiaries and Voting on such Contracts

Where a Director, Supervisor, president or other senior management is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company (other than his/her contract of service with the Company), he/she shall declare the nature and extent of his/her interests to the Board at the earliest opportunity, regardless of whether such contract, transaction or arrangement or proposal is otherwise subject to the approval of the Board.

Unless the interested Director, Supervisor, president or other senior management has disclosed his/her interests in accordance with the preceding paragraph of the Articles and the contract, transaction or arrangement has been approved by the Board at the meeting in which the interested Director, Supervisor, president or other senior management is not counted in the quorum and refrains from voting, the contract, transaction or arrangement is voidable at the request of the Company except as against a bona fide party thereto acting without notice of the breach of duty by the interested Director, Supervisor, president or other senior management. A Director, Supervisor, president and other senior management of the Company is deemed to be interest in a contract, transaction or arrangement in which one of his/her related persons or associates is interested.

If a Director, Supervisor, president, or other senior management of the Company, before the date on which the question of entering into the relevant contract, transaction or arrangement is first taken into consideration by the Company, gives to the Board a general notice in writing stating that, by reason of the facts stated in the notice, he/she is interested in the contracts, transactions or arrangements which may subsequently be entered into by the Company, he/she shall be seemed to have made a proper disclosure for the purposes of the relevant provisions in the Articles so far as the content stated in such notice is concerned.

(g) Remuneration

The Company shall, with the prior approval of Shareholders in the general meeting, enter into a contract in writing with each Director or Supervisor for remuneration in respect of their services. The remuneration shall include:

(i) remuneration in respect of their services as Director, Supervisor or senior management of the Company;

(ii) remuneration in respect of their services as Director, Supervisor or senior management of any subsidiary of the Company;

(iii) remuneration otherwise in connection with services provided for the management of the Company and any of its subsidiaries; and

(iv) compensation for loss of office, or in connection with their retirement from office.

Except under a contract entered into in relation to the above, no proceedings shall be brought by a Director or Supervisor against the Company in respect of the payable remuneration due to the matters specified above.

(h) Retirement, Appointment and Removal

The following persons may not serve as a Director, Supervisor, president, or other senior management of the Company:

(i) an individual who has no civil capacity or has restricted civil capacity;

(ii) persons who have committed the offences of corruption, bribery, expropriation of property, misappropriation of property or damaging the social economic order, and have been penalized due to the above offences, where less than five years have elapsed since the date of the completion of implementation of the penalty or persons who have committed crimes and have been deprived of their political rights due to such crimes, where less than five years have elapsed since the date of the completion of the implementation of such deprivation;

(iii) persons who were former directors, factory chiefs or managers of a company or enterprise which has become insolvent and has been liquidated and were personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the insolvency and liquidation of such company or enterprise;

(iv) persons who were legal representatives of a company or enterprise which had its business license revoked due to a violation of the law and were ordered to close down and were personally liable for such matters of such company or enterprise, where less than three years have elapsed since the date of the completion of the revoking of business license of such company or enterprise;

(v) persons who have failed to pay a relatively large debt when due and outstanding;

(vi) persons who have committed criminal offences and are still under investigation by the judiciary;

(vii) persons who were not allowed to be heads of enterprises as stipulated by laws or administrative regulations;

(viii) persons who are not natural persons;

(ix) persons who have been convicted of offences of violating provisions of the relevant securities laws and regulations or offences of fraud or acting in bad faith by the relevant authority, where less than five years have lapsed since the date of conviction; and

(x) other persons stipulated by the laws and regulations of the places where the Shares of the Company are listed.

The validity of the conduct of Directors, president, or other senior management who have acted on behalf of the Company with respect to third parties who have acted in good faith shall not be affected due to any irregularity in the employment, election or qualification of such Directors, president, or other senior management.

The Company has a board of directors which shall consist of fifteen Directors. The non-employee Directors shall be elected at general meetings. A Director is not required to hold any Shares in the Company.

The chairman of the Board shall be elected or removed by not less than half of all of the Directors. A Director may be removed by ordinary resolution at a general meeting.

The term of office of the chairman and other Directors shall be three years and is renewable upon re-election.

The list of candidates of Directors and Supervisors shall be proposed in form of a motion to the general meeting for approval.

(i) Borrowing Powers

Subject to the laws and administrative regulations of China, the Company shall be entitled to raise capital and borrow money through various means, including (without limitation) the issue of bonds, mortgage or pledge of part or whole of its property and other rights as permitted by the laws and administrative regulations of China, provided that such action does not damage or abrogate rights of any Shareholder.

The Articles do not contain any special provision in respect of the manner in which borrowing powers may be exercised by the Directors nor do they contain any special provision in respect of the manner in which such power may be raised, other than; (a) provisions which give the Directors the power to formulate proposals for the issuance of debentures by the Company; and (b) provisions which stipulate that the issuance of debentures must be approved by the Shareholders of the Company in a general meeting by way of a special resolution.

(j) Liabilities

The Directors, Supervisors, president, and other senior management of the Company owe fiduciary duties and duties of diligence to the Company. In addition to any rights and remedies provided for in relevant laws and administrative regulations, the Company shall be entitled to adopt the following measures where a Director, Supervisor, president, or other senior management is in breach of his/her duties owed to the Company:

(i) to claim against such a Director, Supervisor, president or other senior management for losses incurred by the Company as a result of his/her misconduct;

(ii) to rescind any contracts or transactions entered into between the Company and the Director, Supervisor, president or other senior management and a third party where such third party has knowledge or should have knowledge of the misconduct;

(iii) to recover profits made by the Director, Supervisor, president or other senior management as a result of his/her misconduct;

(iv) to recover any monies received by the Director, Supervisor, the chief executive or other senior management which should have been received by the Company, including, without limitation, commissions;

(v) to demand the return of the interest earned or which may have been earned on monies referred to in (iv) above by the Director, Supervisor, president or other senior management which would have been received by the Company; and

(vi) to initiate legal proceedings to determine whether the assets of a Director, Supervisor, president or other senior management earned through his/her misconduct should belong to the Company.

The Board shall carry out its duties in compliance with the laws and administrative regulations, the Articles and resolutions of the general meetings. Each Director, Supervisor, president, and other senior management of the Company shall abide by his/her fiduciary principles in the discharge of his/her duties, and shall not place himself/herself in a position where his/her duty and his/her own interests may conflict. Such principles include (without limitation) the performance of the following:

(i) to act honestly in what he/she considers to be in the best interest of the Company;

(ii) to exercise his/her powers within the scope specified and not to act ultra vires;

(iii) to exercise the discretion vested in him/her personally and not allow himself/herself to act under the influence of others; unless and to the extent permitted by law and administrative regulations or by the general meeting which has been informed of the relevant facts, not to delegate the exercise of his/her discretion;

(iv) to treat Shareholders of the same class equally and to treat Shareholders of different classes fairly;

(v) except in accordance with the Articles or with the informed consent of the general meeting, not to enter into any contract, transaction or arrangement with the Company;

(vi) not to use the assets of the Company for his/her personal benefit in any manner without the informed consent of the general meeting;

(vii) not to use his/her position to accept bribes or other illegal income and not to misappropriate the fund of the Company or expropriate the assets of the Company in any manner, including (without limitation) opportunities beneficial to the Company;

(viii) not to accept commissions in connection with the transactions of the Company without the informed consent of the general meeting;

(ix) to abide by the Articles, faithfully perform his/her duties and protect the interests of the Company, and not to use his/her position and powers in the Company to seek personal gain;

(x) not to compete with the Company in any way except with the informed consent of the general meeting, and not to harm the interests of the Company by way of connected transaction;

(xi) not to misappropriate the funds of the Company or lend the funds of the Company to others, not to open any bank account in his/her own name or other's name for the deposit of the assets of the Company, and not to provide security for debt of Shareholders of the Company or any other individuals; and

(xii) not to disclose confidential information of the Company obtained during his/her term of office and not to use such information other than in the interest of the Company, without the informed consent of the general meeting, except where the disclosure of information to a court or a relevant governmental authority is made (aa) as stipulated by the law; (bb) under the request of public; or (cc) as required for the personal interests of the Director, Supervisor, president or other senior management.

A Director, Supervisor, president, or other senior management of the Company shall not direct persons connected to him to do what he is not permitted to do. A person is connected to a Director, Supervisor, president, or other senior management if he/she is:

(i) the spouse or minor child of such a Director, Supervisor, president, or other senior management;

(ii) a trustee of such a Director, Supervisor, president, or other senior management or any person referred to in (i) above;

(iii) a partner of such a Director, Supervisor, president, or other senior management or of any person referred to in (i) and (ii);

(iv) a company controlled by a Director, Supervisor, president, or other senior management, or with one or more persons referred to in above (i), (ii) and (iii) or with any of other Directors, Supervisors, president, or other senior management of the Company; or

(v) a Director, Supervisor, president, or other senior management of a company referred to in (iv) above.

The fiduciary duties of a Director, Supervisor, president, and other senior management of the Company do not necessarily cease with the termination of his/her tenure. The duty of confidentiality in relation to trade secrets of the Company survives the termination of his/her term of office. Other duties may continue for such period as fairness may require depending on the time lapse between the termination of his/her term of office and the occurrence of the matter in question and the circumstances and the terms under which the relationships between him/her and the Company are terminated.

Except in circumstances referred to in the Articles, liabilities of a Director, Supervisor, president, or other senior management arising from the violation of a specified duty may be released by informed Shareholders in a general meeting.

In addition to obligations imposed by relevant laws, administrative regulations or the listing rules of the securities exchange on which the Shares of the Company are listed, Directors, Supervisors, president, and other senior management in the exercise of their powers and the discharge of their duties shall owe the following obligations to the Shareholders:

(i) not to cause the Company to go beyond the business scope specified by its business license;

(ii) to act honestly in what they consider to be the best interest of the Company;

(iii) not to deprive in any way the Company of its assets, including (without limitation) opportunities beneficial to the Company; and

(iv) not to deprive Shareholders of their personal rights and interests, including (without limitation) rights to distribute and to vote, except in a Company reorganization submitted in accordance with the provisions of the Articles and adopted at general meetings.

Each of the Directors, Supervisors, president, and other senior management of the Company owes a duty, in the exercise of his/her powers and discharge of his/her duties, to exercise the caution, diligence and skill that a reasonably prudent person would exercise under similar circumstances.

Where the Company incurs losses as a result of a Director or senior management having violated any provision of law, administrative regulation or the Articles in the course of performing their duties with the Company, Shareholders alone or in aggregate holding 1% or more of the Shares of the Company for one hundred and eighty (180) consecutive days or more shall be entitled to request in writing the Board of Supervisors to initiate proceedings in a court; where the Company incurs losses as a result of the Board of Supervisors having violated any provisions of laws, administrative regulations or the Articles in the course of performing its duties for the Company, Shareholders may request the Board in writing to initiate proceedings in a court.

If the Board of Supervisors or the Board refuses to initiate proceedings upon receipt of the written request of Shareholders as mentioned in the preceding paragraph, or fails to initiate such proceedings within thirty (30) days from the date on which such request is received, or in case of emergency where failure to initiate such proceedings will immediately result in irreparable damage to the interests of the Company, the Shareholders described in the preceding paragraph shall have the right to initiate proceedings in a court directly in their own names in the interests of the Company.

Pursuant to the first paragraph of the Articles, Shareholders may also initiate proceedings in a court in accordance with the preceding two paragraphs in the event that the lawful interests of the Company is infringed upon by a third party and that the Company suffers from losses accordingly.

Shareholders may initiate proceedings in a court if a Director or senior management has breached the laws, administrative regulations or the Articles resulting in impairing the interests of Shareholders.

2. AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

The Company may, in accordance with provisions contained in relevant laws, administrative regulations and the Articles, amend its Articles.

The amendments to the Articles involving the contents of the Mandatory Provisions shall become effective upon approvals by the company approval authorities of the State Council and the securities regulatory authority of the State Council. If there is any changes relating to the registered particulars of the Company, application shall be made for registration of the changes in accordance with law.

3. VARIATION OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES

The Company may not vary or abrogate rights attached to any class of Shares ("Class Rights") unless approved by a special resolution of Shareholders in a general meeting and by holders of Shares of that class at a separate meeting conducted in accordance with the provisions of the Articles. The following circumstances shall be deemed to be a variation or abrogation of the Class Rights of a class:

(i) an increase or decrease in the number of Shares of such class, or an increase or decrease in the number of Shares of a class having voting or distribution rights or other privileges equal or superior to the Shares of such class;

(ii) an exchange of all or part of the Shares of such class into those of another class or a grant of a right to exchange all or part of the Shares of another class into the Shares of such class;

(iii) the removal or reduction of rights to accrued dividends or rights to cumulative dividends attached to Shares of such class;

(iv) the reduction or removal of a dividend preference or a liquidation preference attached to Shares of such class;

(v) the addition, removal or reduction of conversion privileges, options, voting rights or transfer or pre-emptive rights attached to Shares of such class, or rights to obtain securities of the Company;

(vi) the removal or reduction of rights attached to Shares of such class to receive payments payable by the Company in particular currencies;

(vii) the creation of a new class of Shares having voting or distribution rights or privileges equal or superior to those of the Shares of such class;

(viii) the restriction of the transfer or ownership of the Shares of such class or any addition to such restriction;

(ix) the issuance of rights to subscribe for, or convert into, Shares of the Company of such class or another class;

(x) the increase of the rights or privileges of Shares of another class;

(xi) the restructuring of the Company where the proposed restructuring will result in different classes of Shareholders bearing different degrees of responsibility in respect of liability; and

(xii) the variation or abrogation of the provisions in these Articles.

Shareholders of the affected class, whether or not having the right to vote at general meetings, shall nevertheless have the right to vote at class meetings in respect of matters concerning paragraphs (ii) to (viii), (xi) and (xii) above, but Interested Shareholder(s) (as defined below) shall not be entitled to vote at class meetings.

Resolutions of a class of Shareholders shall require the approval of Shareholders present representing more than two thirds of the voting rights of that class voting in favor of such resolutions.

Written notice of a class meeting shall be given by the Company 45 days prior to the date of the meeting to notify all the registered Shareholders holding Shares of that class of the matters to be considered at the meeting and the date and place of the meeting. A Shareholder who intends to attend the meeting shall deliver a written reply confirming his/her attendance at the class meeting to the Company 20 days prior to the date of the meeting.

The Company can convene a class meeting if the number of Shares of the class carrying voting rights represented by Shareholders who intend to attend represents more than half of the total number of such Shares of the Company. If not, the Company shall make an announcement, within five days, once again notifying the Shareholders of the matters proposed to be considered and the date and place of the meeting. Once an announcement has been made, the Company may convene the class meeting.

Notice of class meetings needs only be served on Shareholders entitled to vote thereat.

Meetings of any class of Shareholders shall be conducted in a similar way as closely as possible to the provisions for general meetings of Shareholders set out in the Articles. The provisions of the Articles relating to the holding of any meeting of Shareholders shall apply to any class meeting.

In addition to holders of other class shares, holders of Domestic Shares and foreign shares are deemed to be Shareholders of different classes. Voting by holders of different classes of Shares is not required in the following situations:

(i) where the Company issues, upon the approval by special resolution of its Shareholders in general meeting, either separately or concurrently once every twelve months, not more than 20% of each of its existing Domestic Shares or foreign shares in issue;

(ii) where the Company completes, within 15 months from the date on which approval is given by the securities regulatory authorities of the State Council, its plan (made at the time of its establishment) to issue Domestic Shares and foreign shares; and

(iii) where Shares of our Company registered on our domestic share register may be transferred to overseas investors, and such transferred Shares may be listed or traded on an overseas stock exchange, subject to the approval of the securities authority of the State Council.

For the purposes of the class rights provisions of the Articles, an "Interested Shareholder" is:

(i) in the case of an offer to repurchase Shares from all Shareholders or a repurchase of Shares through public dealing on a stock exchange, a Controlling Shareholder within the meaning of the Articles;

(ii) in the case of a repurchase of Shares by an off-market contract under the Articles, a Shareholder to whom the contract is related;

(iii) in the case of a restructuring of the Company, Shareholders within a class who bears less liability as compared with other Shareholders of such class on a pro rata basis or who has an interest different from that of other Shareholders of such class.

4. SPECIAL RESOLUTIONS—MAJORITY REQUIRED

Resolutions of general meetings are divided into ordinary resolutions and special resolutions.

To adopt an ordinary resolution, more than half of the votes represented by Shareholders (including proxies) present at the meeting must be exercised in favor of the resolution.

To adopt a special resolution more than two thirds of votes represented by the Shareholders (including proxies) present at the general meeting must be exercised in favor of the resolution.

5. VOTING RIGHTS (GENERALLY ON A POLL AND RIGHT TO DEMAND A POLL)

The ordinary Shareholders of the Company have the right to attend or appoint a proxy to attend general meetings and to vote thereat. Shareholders (including proxies) when voting at a general meeting may exercise voting rights in accordance with the number of Shares carrying voting rights and each share shall have one vote.

At any general meeting, voting shall be on a poll. On a poll taken at a meeting, a Shareholder (including his/her proxy) entitled to two or more votes need not cast all his/her votes in the same way.

In the case of an equality of votes, the chairman of the meeting shall be entitled to an additional vote.

Where any shareholder is required to abstain from voting on any particular resolution or restricted to vote only for or only against any particular resolution according the applicable laws and regulations and the listing rules of the stock exchange(s) on which the shares of the Company are listed, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

6. REQUIREMENTS FOR ANNUAL GENERAL MEETINGS

A general meeting shall either be an annual general meeting or an extraordinary general meeting. General meetings shall be convened by the Board. Annual general meetings are held once every year within six months after the end of a financial year.

7. ACCOUNTS AND AUDIT

(a) Financial and accounting system

The Company shall establish its financial and accounting systems and internal audit system in accordance with the laws, administrative regulations and the China Accounting Standards formulated by the finance regulatory authority of the State Council.

The Board of the Company shall place before the Shareholders at every annual general meeting such financial reports as are required by the laws, administrative regulations or directives promulgated by competent local governments and supervisory authorities to be prepared by the Company.

The financial statements of the Company shall, in addition to being prepared in accordance with the China Accounting Standards and regulations, be prepared in accordance with either the International Accounting Standards or that of the place outside China where the Shares of the Company are listed. If there is any material difference between the financial statements prepared respectively in accordance with the aforesaid accounting standards, such difference shall be stated and explained in the financial statements. For the purposes of distribution of the after-tax profits of the Company in a financial year, the lower of the after-tax profits as shown in the different set of financial statements shall be adopted.

The financial reports of the Company shall be made available at the Company for inspection by Shareholders 20 days before the annual general meeting. Every Shareholder of the Company is entitled to a copy of the financial reports.

A copy of the above financial report shall, at least 21 days before the date of the annual general meeting, be delivered or sent by pre-paid post to the registered address of every holder of foreign shares.

The interim results or financial information that the Company announces or discloses shall be prepared according to the China Accounting Standards, rules and regulations, and the International Accounting Standards or accounting standards of the place at which Shares of the Company are listed.

The Company shall disclose its financial reports two times in each accounting year, that is, its interim financial reports within 60 days of the end of the first six months of an accounting year and its annual financial reports within 120 days of its accounting year end.

The Company shall not keep any other books of accounts other than those provided by law.

(b) Appointment and removal of accountants

The Company shall appoint an independent firm of accountants which is qualified under the relevant regulations of China to audit the annual reports and review other financial reports of the Company.

The first accounting firm of the Company may be appointed by the inaugural meeting prior to the first annual general meeting and the accounting firm so appointed shall hold office until the conclusion of the first annual general meeting.

Where the right remains unexercised in the inaugural meeting, it shall be vested with the Board.

The accounting firm appointed by the Company shall hold office from the conclusion of the annual general meeting until the conclusion of the next annual general meeting.

The Shareholders in general meeting may by ordinary resolution remove an accounting firm before the expiry of its term of office, notwithstanding the stipulations in the contract between the Company and the firm, but without prejudice to the firm's right to claim, if any, for damages in respect of such removal.

The remuneration of an accounting firm or the manner in which such remuneration is determined shall be decided in the general meeting. The Board shall determine the remuneration of an accounting firm it appointed.

The appointment of, removal of and non-reappointment of an accounting firm of the Company shall be resolved upon by the Shareholders in the general meeting, and filed to the competent securities authority under the State Council.

Prior to the removal or the non-renewal of the appointment of the accounting firm, an advance notice of such removal or non-renewal shall be given to the accounting firm and such firm shall have the right to attend and to make representation to the general meeting.

Where the accounting firm resigns its post, it shall make clear to the general meeting whether there is any impropriety on the part of the Company.

The accounting firm may resign its office by depositing at the legal address of the Company a resignation notice which shall become effective on the date of such deposit or on such later date as may be stipulated in such notice. Such notice shall include the following:

(i) a statement to the effect that there are no circumstances connected with its resignation which it considers should be brought to the notice of the Shareholders or creditors of the Company; or

(ii) a statement of any such circumstances.

Where a notice is deposited under the preceding paragraph, the Company shall within fourteen (14) days send a copy of the notice to the relevant governing authority. If the notice contains a statement under circumstance (2) of the preceding paragraph, a copy of such statement shall be placed at the Company for Shareholders' inspection. The Company shall also send a copy of such statement by prepaid mail to every holder of overseas listed foreign shares at the address registered in the register of shareholders.

Where the notice of resignation of the accounting firm contains a statement of any circumstance which should be brought to the notice of the Shareholders or creditors of the Company, it may require the Board to convene an extraordinary general meeting for the purpose of receiving an explanation of the circumstances connected with its resignation.

8. NOTICE OF MEETING AND BUSINESS TO BE CONDUCTED THEREAT

The general meeting is the organ of authority of the Company and shall exercise its functions and powers in accordance with law.

The Company shall not enter into any contract with any person other than a Director, Supervisor, president, or other senior management whereby such person is entrusted with the management of the whole or a material part of any business of the Company without the prior approval of Shareholders in general meeting.

General meetings are divided into annual general meetings and extraordinary general meetings. Under any of the following circumstances, the Board shall convene an extraordinary general meeting within two months of the occurrence of any one of the following events:

(i) when the number of Directors is less than the number of Directors required by the Company Law or two-thirds of the number of Directors specified in the Articles;

(ii) when the unaccounted losses of the Company amount to one-third of its share capital;

(iii) when Shareholders individually or collectively holding 10% or more of the Shares of the Company carrying voting rights requests in writing the convening of an extraordinary general meeting;

(iv) when the Board considers necessary or upon the request of the Board of Supervisors;

(v) other circumstances as stipulated in laws, regulations or the Articles.

To convene a general meeting, the Company shall give written notices 45 days before the date of the meeting, informing all registered Shareholders of the matters proposed to be considered at the meeting and the date and place of the meeting. Shareholders who will attend the meeting shall return the written replies of attendance to the Company to be received by the Company 20 days before the date of the meeting.

When the Company is to convene a general meeting, the Board, the Board of Supervisors, more than half of all independent Directors and Shareholders individually or collectively holding 3% or more of Shares of the Company carrying voting rights shall have the right to put forward proposals in writing to the Company. Shareholders individually or collectively holding 3% or more of the shares of the Company may submit any extraordinary proposals in writing to the convener of the meeting 10 days prior to the date of the general meeting.

The Company shall calculate, according to the written replies received 20 days before the date of the meeting, the number of Shares carrying voting rights that the Shareholders attending the meeting represent. The Company can convene a general meeting if the number of Shares carrying voting rights represented by Shareholders intending to attend accounts for more than half of total number of Shares carrying voting rights. If not, the Company shall make an announcement, within five days, once again notifying the Shareholders of the matters proposed to be considered and the date and place of the meeting. Once an announcement has been so made, the Company may convene the general meeting. An extraordinary general meeting may not decide on matters not specified in the notice.

A notice of general meeting shall be in writing and include the following:

(i) specify the time, place and the date of the meeting;

(ii) state the matters and proposals to be discussed at the meeting;

(iii) provide such information and explanation as are necessary for the Shareholders to exercise an informed judgment on the proposals before them. Without limiting the generality of the foregoing, where a proposal is made to amalgamate the Company with another company, to repurchase Shares of the Company, to reorganize the share capital or to restructure the Company in any other way, the terms of the proposed transaction must be provided in detail together with copies of the proposed agreement, if any, and the reasons for and consequences of such proposal must be properly explained;

(iv) contain a disclosure of the nature and extent, if any, of material interests of any Director, Supervisor, president, or other senior management in the transaction proposed and the effect of the proposed transaction on them in their capacity as Shareholders in so far as it is different from the effect on the interests of other Shareholders of the same class;

(v) contain the text of any special resolution proposed to be passed at the meeting;

(vi) contain conspicuously a statement that a Shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him/her and that a proxy need not be a Shareholder; and

(vii) specify the time and place for lodging proxy forms for the relevant meeting;

Notices of general meetings shall be served on the Shareholders (whether or not they are entitled to vote at the meeting) by personal delivery or prepaid mail to their addresses registered in the register of shareholders. Notice of general meetings for holders of Domestic Shares may be made by way of public announcement.

Public announcement of notices of general meetings shall be published in one or more newspapers designated by the securities regulatory authority of the State Council during 45 days to 50 days prior to the date of the meeting. Upon the publication of announcement, all holders of Domestic Shares shall be deemed to have received notice of the relevant general meeting. For holders of H shares, subject to the compliance with the laws, regulations, the listing rules of the place where the shares of the Company are listed and these Articles, the notice of a general meeting, circular of shareholders and relevant documents may be published on the website of the Company and the Hong Kong Stock Exchange. The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

Shareholders or the Board of Supervisors requisitioning to convene an extraordinary general meeting or class meeting shall abide by the following procedures:

(i) Two or more shareholders or the Board of Supervisors individually or collectively holding more than 10% (including the 10%) of the Shares carrying voting rights at the meeting to be convened may, by signing one or more counterpart written requisitions stating the object of the meeting, require the Board to convene an extraordinary general meeting or a class meeting. The Board shall convene the extraordinary general meeting or class meeting after receipt of such written requisition(s). The shareholdings referred to above shall be calculated as at the date of the delivery of the written requisition(s).

(ii) Where the Board fails to issue notice of convening meeting within thirty days upon receipt of the above written request, Shareholder(s) individually or collectively holding more than 10% (including the 10%) of the Shares carrying voting rights at the meeting to be convened may request by written requisition(s) the Board of Supervisors to convene the extraordinary general meeting or class meeting. The Board of Supervisors may convene the meeting on its own accord within four months upon the receipt of such request by the Board. Where the Board of Supervisors fails to convene and hold the meeting, Shareholder(s) individually or collectively holding 10% or more Shares carrying voting rights on such proposed meeting for ninety consecutive days or above may convene meeting on their own accord. The convening procedures shall be the same as those of meeting convened by the Board.

Where the Shareholders or the Board of Supervisors convenes the meeting on their own accord as a result of the failure of the Board to hold the meeting in accordance with the requirements above, the reasonable cost so incurred shall be borne by the Company and deducted from the amount due to the incompetent directors.

The matters which require the approval of an ordinary resolution at a general meeting shall include:

(i) work reports of the Board and the Board of Supervisors;

(ii) plans for the distribution of profits and for making up losses proposed by the Board;

(iii) the election and removal of the members of the Board and Supervisors representing Shareholders, their remuneration and method of payment;

(iv) annual budget and final account report, balance sheet, statement of profit and loss and other financial statements of the Company;

(v) business and investment plans of the Company; and

(vi) save as required by laws, administrative regulations, requirements of the listing rules of stock exchange in where the Shares of the Company are listed or by the Articles, all other matters except those required to be adopted by special resolution.

The matters which require the approval of a special resolution at a general meeting include:

(i) the increase in or reduction of share capital, repurchase of Shares of the Company and issue of any class of Shares, warrants and other similar securities of the Company;

(ii) the issue of debentures;

(iii) the division, merger, dissolution, liquidation or change of the form of the Company;

(iv) amendments to the Articles;

(v) the acquisition and disposal of major assets by the Company within one year or the guarantee with an amount of more than 30% of the latest audited total assets of the Company;

(vi) the share incentive scheme; and

(vii) other important matters which have been considered to have material effect on the Company and adopted by passing ordinary resolutions at general meeting that are required to be adopted by special resolutions.

In the event that any resolution of the general meeting or the Board violates any of the laws and administrative regulations, the Shareholders have the right to request the court to hold the relevant resolution as invalid.

In the event that convening procedures or voting methods of the general meeting or meetings of the Board violate any of the laws, administrative regulations or the Articles, or if the contents of the resolution violate the Articles, the Shareholders may request the court to cancel the resolution within sixty (60) days from the date on which the resolution is adopted.

9. TRANSFER OF SHARES

Subject to the approval of the securities supervision authority of the State Council, holders of our Domestic Shares may transfer their Shares to overseas investors, and such transferred Shares may be listed or traded on an overseas stock exchange. The listing or trading of the transferred Shares on an overseas stock exchange shall also comply with the regulatory procedures, regulations and requirements of the overseas stock market.

Shares of the Company held by the promoter are not transferable within one (1) year commencing from the date of establishment of the Company. Shares of the Company that are already in issue prior to its public offering are not transferable within one (1) year commencing from the date on which the Shares of the Company were listed and traded on a stock exchange.

The Directors, Supervisors and senior management of the Company shall report to the Company the number of Shares held by them in the Company and the subsequent changes in their shareholdings. The number of Shares which a Director, Supervisor or senior management may transfer every year during his term of office shall not exceed 25% of the total number of the Shares of the Company in his/her possession; and Shares of the Company in his/her possession are not transferable within one (1) year commencing from the date on which the Shares of the Company were listed and traded on a stock exchange. Such personnel shall not transfer the Shares of the Company in their possession within six (6) months after they have terminated their employment with the Company.

Any gains from the sale of Shares of the Company by any Director, Supervisor, senior management or Shareholders of the Company holding 5% or more of the Shares in the Company within six (6) months after purchasing such Shares, or thereafter any gains from repurchasing such Shares in the Company within six (6) months after the sale thereof, shall be vested in by the Company. The Board of the Company shall forfeit such gains from the abovementioned parties. If the Board of the Company fails to comply with the provision set forth in this paragraph, the responsible Director(s) shall be jointly and severally liable therefor in accordance with the law.

If the Board of the Company fails to comply with the provision set forth in the preceding paragraph, a Shareholder shall have the right to require the Board to effect the same within thirty (30) days. If the Board fails to do so within the said time limit, a Shareholder shall have the right to initiate proceedings in a court directly in his/her own name in the interest of the Company.

All the fully paid-up H Shares can be freely transferred in accordance with the Articles. However, the Board may refuse to recognize any instrument of transfer without giving any reasons, unless:

(i) a fee (for each instrument of transfer) of HK$2.50 or any maximum fee as stipulated from time to time by the Hong Kong Stock Exchange has been paid to the Company for registration of any instrument of transfer or any other document which is related to or will affect ownership of the Shares;

(ii) the instrument of transfer only involves overseas listed foreign shares listed in Hong Kong;

(iii) the stamp duty chargeable on the instrument of transfer has been paid;

(iv) the relevant share certificate and any evidence in relation to the right of the transferor to transfer the Shares reasonably requested by the Board has been submitted;

(v) if it is intended to transfer the Shares to joint owners, then the maximum number of joint owners shall not exceed four;

(vi) the Company does not have any lien on the relevant Shares; and

(vii) no transfer shall be made to minors or persons of unsound mind or under other legal disability.

The alteration and rectification of each part of the share register shall be carried out in accordance with the laws of the place where the register is maintained.

No changes in the Shareholders' register due to the transfer of Shares may be made within thirty (30) days before the date of a general meeting or within five (5) days before the record date for the distribution of dividends of the Company.

10. POWER OF THE COMPANY TO PURCHASE ITS OWN SHARES

The Company may, with the approval in accordance with the procedures provided in the Articles and subject to the approval of the relevant governing authorities of China, repurchase its issued Shares in the following circumstances:

(i) cancellation of its Shares for the purpose of reducing its share capital;

(ii) merging with another company which holds the Shares of the Company;

(iii) granting Shares as incentive compensation to the staff of the Company;

(iv) acquiring the Shares of Shareholders who vote against any resolution adopted at the general meeting on the merger or division of the Company; or

(v) other circumstances as permitted by the laws and administrative regulations.

After purchasing Shares as stipulated in item (i), (ii) and (iv) of Article 30, the Company shall cancel such Shares within the period prescribed by laws and administrative regulations, and shall make an application to its original registration authority to modify the registration on its registered capital and have a relevant announcement published. If the Company repurchases its own Shares in accordance with item (iii) of Article 30, the shares so repurchased shall not exceed the maximum proportion prescribed by laws and administrative regulations, and shall be transferred to the employees within the time frame prescribed by laws and administrative regulations.

The Company may, upon the approval of the relevant governing authorities of China, repurchase its Shares in one of the following ways:

(i) making a pro rata general offer of repurchase to all its Shareholders;

(ii) repurchasing Shares through public dealing on a stock exchange;

(iii) repurchasing by an off-market agreement outside a stock exchange; and

(iv) other ways as approved by the relevant regulatory authority.

The Company may, with the prior approval of Shareholders at a general meeting in accordance with the Articles, repurchase its Shares by an off-market contract, but the Company may rescind or vary such contract or waive any or part of its rights under a contract so entered into by the Company with the prior approval of Shareholders at a general meeting in the same manner. A contract to repurchase Shares as mentioned above includes but is not limited to an agreement to become obliged to repurchase or acquire rights to repurchase Shares.

The Company shall not assign a contract to repurchase its Shares or any of its rights thereunder. Unless the Company is in the course of liquidation, it shall comply with the following provisions in relation to repurchase of its issued Shares:

(i) where the Company repurchases its Shares at par value, payment shall be made out of the book surplus distributable profits of the Company and out of the proceeds from any issue of new shares made for the purpose of the repurchase;

(ii) where the Company repurchases its Shares at a premium to the par value, payment up to their par value may be made out of the book surplus distributable profits of the Company and the proceeds from any issue of new shares made for the purpose of the repurchase. Payment of the portion in excess of the par value shall be effected as follows:

(a) if the Shares being repurchased were issued at par value, payment shall be made out of the book surplus distributable profits of the Company;

(b) if the Shares being repurchased were issued at a premium to the par value, payment shall be made out of the book surplus distributable profits of the Company and the proceeds from any issue of new shares made for the purpose of the repurchase, provided that the amount paid out of such proceeds shall neither exceed the aggregate of the premiums received by the Company on the issue of the Shares repurchased nor the current amount of the share premium account or the capital reserve fund account of the Company (including the premiums on the new issues) at the time of the repurchase;

(iii) payment by the Company for the following purposes shall be made out of the distributable profits of the Company:

(a) acquisition of rights to repurchase Shares;

(b) variation of any contract to repurchase Shares;

(c) release of any of the obligations of the Company under a contract to repurchase Shares; and

(iv) after the registered capital of the Company has been reduced by the aggregate par value of the cancelled Shares in accordance with the relevant regulations, the amount deducted from the distributable profits for paying up the par value portion of the repurchased Shares shall be transferred to the share premium account or capital reserve fund account of the Company.

Where the Company has the power to purchase for redemption a redeemable share:

(i) purchase not made through the market or by tender shall be limited to a maximum price; and

(ii) if purchases are by tender, tenders shall be available to all Shareholders alike.

11. THE ARTICLES CONTAINS NO RESTRICTIONS PREVENTING ANY SUBSIDIARY OF THE COMPANY FROM HOLDING SHARES.

12. DIVIDENDS AND OTHER METHODS OF DISTRIBUTION

The Company may distribute dividends by way of cash or bonus shares.

Any amount paid up in advance of calls on any Share may carry interest but shall not entitle the holder of the Share to participate in respect thereof in a dividend subsequently declared.

The Company shall appoint on behalf of holders of foreign shares receiving agents to receive on behalf of such Shareholders dividends and other monies payable by the Company in respect of their Shares.

The receiving agent appointed on behalf of holders of foreign shares listed in Hong Kong shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

Dividends and other payments payable by the Company to holders of Domestic Shares shall be denominated and declared in Renminbi, and payable in Renminbi within three months following the announcement of profit distribution. Dividends and other payments payable to holders of foreign shares shall be denominated and declared in Renminbi and payable in foreign currency within three months following the announcement of profit distribution. The exchange rate shall be the average closing price of relevant foreign currency against Renminbi announced by the PBOC in five working days prior to the declaration of dividends or other distributions. The Company shall arrange the foreign currency for payment to holders of foreign shares in accordance with foreign exchange management regulations of the PRC. The general meeting shall, by ordinary resolution, authorize the Board to implement the distribution of dividends of the Company.

13. PROXIES ENTRUSTED BY THE SHAREHOLDERS

Any Shareholder entitled to attend and vote at a general meeting shall be entitled to appoint one or more persons (whether or not a Shareholder) as his/her proxy to attend and vote on his/her behalf. A proxy so appointed shall be entitled to exercise the following rights in accordance with the authorization from that Shareholder:

(i) the right of the Shareholder to speak at the meeting;

(ii) the right to demand, whether on his/her own or together with others, a poll;

(iii) the right to vote on a poll according to the number of Shares, the voting rights of which he/she is authorized to exercise; however, if the proxy represents more than one Shareholder, the proxy must vote on a poll.

The instrument appointing a proxy shall be in writing by the Shareholder under the hand of the appointor or his/her attorney duly authorized in writing, or if the appointor is a legal person either under seal or under the hand of a Director or attorney duly authorized. The instrument appointing a voting proxy shall be deposited at the domicile of the Company or at such other place as is specified in the notice of convening the meeting not less than 24 hours prior to the time for holding the meeting at which the proxy propose to vote or the time specified for the passing of the resolution. If such instrument is signed by another person under a power of attorney or other authorization documents given by the appointor, such power of attorney or other authorization documents shall be notarized. The notarized power of attorney or other authorization documents shall, together with the instrument appointing the voting proxy, be deposited at the domicile of the Company or at such other place as is specified in the notice of convening the meeting.

If the appointor is a legal person, its legal representative or any person authorized by resolutions of its Board or other governing body shall attend the general meeting on behalf of the appointor.

Any form issued to a Shareholder by the Board for the purpose of appointing a proxy shall be such as to enable the Shareholder, according to his/her free will, to instruct his/her proxy to vote in favor of or against the motions proposed and in respect of each individual matters to be voted on at the meeting. Such a form shall contain a statement that in the absence of instructions from the appointor, the proxy may vote as he/she thinks fit.

A vote given in accordance with an instrument of proxy shall be valid notwithstanding the previous death or loss of capacity of the appointor or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the Share in respect of which the proxy is given, provided that no notice in writing of such death, loss of capacity, revocation or transfer as aforesaid shall have been received by the Company before the commencement of the meeting at which the proxy is used.

14. CALLS ON SHARES AND FORFEITURE OF SHARES

Any amount paid up in advance of calls on any Share may carry interest but shall not entitle the relevant Shareholder to participate in respect thereof in a dividend subsequently declared.

Subject to the compliance with relevant laws and regulations of the PRC as well as other requirements of the Hong Kong Stock Exchange, the Company may exercise its right to confiscate the dividends which are not claimed by anyone, but such right can only be exercised after the expiry of the relevant time frame.

15. INSPECTION OF REGISTER OF SHAREHOLDERS AND OTHER RIGHTS OF SHAREHOLDERS

The Company shall keep a register of Shareholders.

The Company may, in accordance with the memorandum of understanding or agreements between the securities regulatory authority of the State Council and the overseas securities regulatory organizations, maintain the register of Shareholders of foreign shares overseas and appoint overseas agent(s) to manage such share register.

Duplicates of the share register for holders of foreign shares shall be maintained at the domicile of the Company. The appointed overseas agent(s) shall ensure the consistency between the original and the duplicate of the share register. The original copy of register of Shareholders of overseas listed foreign shares which are listed in Hong Kong shall be maintained at Hong Kong.

If there is any inconsistency between the original and the duplicate of share register for holders of foreign shares, the original shall prevail.

The Company shall keep a complete register of Shareholders.

The register of Shareholders shall comprise of the following parts:

(i) register of Shareholders kept at the domicile of the Company unless otherwise specified in items (ii) and (iii) below;

(ii) register of holders of the overseas listed foreign shares kept in the place of the stock exchange where those foreign shares are traded; and

(iii) register of Shareholders kept at other places as the Board thinks necessary for the purpose of listing.

Different parts of the register of Shareholders shall not overlap. No transfer of Shares registered in any part of the register shall, during the continuance of that registration, be registered in any other part of the register. The alteration or rectification of any part of the register of Shareholders shall be carried out in accordance with the laws of the place where such part of the register is maintained.

No changes which are required by reason of a transfer of Shares may be made to the register of Shareholders within 30 days prior to the date of a general meeting or 5 days prior to the record date for the distribution of dividends of the Company.

When the Company decides to convene a general meeting, distribute dividends, liquidate or carry out other activities which require the determination of shareholdings, the Board shall fix a record date for the purpose of determining the shareholding. A person whose name appears in the register of Shareholders of the Company at the end of the record date shall be a Shareholder of the Company.

Any person who objects to what is contained in the register of Shareholders and wishes to add his/her name on, or delete his/her name from, the register may apply to the court of the jurisdiction to amend the register.

The right of the Shareholders to information includes, but without limitation, the following:

(i) the right to a copy of the Articles after payment of costs;

(ii) the right to inspect and copy, subject to payment of a reasonable fee:

   a. all parts of the register of members;

   b. personal particulars of each of the Directors, Supervisors, the Chief Executive, and other senior management of the Company;

(iii) status of the share capital of the Company;

(iv) the latest audited financial statements, and report of Directors, report of auditors and report of Board of Supervisors;

(v) special resolutions of general meetings of the Company;

(vi) reports showing the aggregate par value, quantity, highest and lowest price paid in respect of each class of Shares repurchased by the Company since the end of the last accounting year and the aggregate amount paid by the Company for this purpose;

(vii) copies of the latest annual inspection report which have been filed with the State Administration for Industry & Commerce of the PRC and other competent authority in the PRC; and

(viii) Minutes of general meetings.

Shareholders demanding inspection of the relevant information or copies of the materials mentioned in the preceding paragraph shall provide to the Company written documents indicating the class and number of Shares they hold in the Company. After confirmation of the Shareholder's identity, the Company shall provide such information based on the request of the Shareholder.

16. QUORUM FOR GENERAL MEETINGS

The Company can convene a general meeting if the number of Shares carrying voting rights represented by Shareholders intending to attend accounts for at least half of the total number of Shares carrying voting rights.

The Company can convene a class meeting, if the number of Shares of the class carrying voting rights represented by Shareholders intending to attend accounts for at least half of the total number of such Shares of the class.

17. RIGHTS OF NON-CONTROLLING SHAREHOLDERS IN RELATION TO FRAUD OR OPPRESSION

In addition to the obligations imposed by laws and administrative regulations or the listing rules on which Shares are listed, a Controlling Shareholder, when exercising his rights as a Shareholder, shall not exercise his voting rights to make a decision which is prejudicial to the interests of all Shareholders or some of the Shareholders of the Company in respect of the following matters:

(i) to relieve a Director or Supervisor of his/her duty to act honestly in the best interests of the Company;

(ii) to approve the expropriation by a Director or Supervisor (for his own benefit or for the benefit of another person), in any guise, of the assets of the Company, including (without limitation) opportunities beneficial to the Company; or

(iii) to approve the expropriation by a Director or Supervisor (for his own benefit or for the benefit of another person) of the individual rights of other Shareholders, including (without limitation) rights to distributions and voting rights, but not including a restructuring plan of the Company submitted to the general meeting for approval in accordance with the Articles.

18. PROCEDURE ON DISSOLUTION AND LIQUIDATION

The Company shall be dissolved and liquidated in accordance with law upon occurrence of any of the following events:

(i) a resolution for dissolution is passed by a general meeting;

(ii) dissolution is necessary due to a merger or division of the Company;

(iii) the Company is legally declared insolvent due to its failure to repay debts due;

(iv) business license of the Company is suspended or rescinded or the Company is ordered to close down in accordance with law;

(v) where the operation of the Company encounters serious difficulty, continuing operation will cause substantial loss to Shareholders and such difficulty cannot be solved through other way, Shareholders holding more than ten percent of the voting rights of all Shareholders may request the People's Court to liquidate the Company;

(vi) other circumstances in which the Company is required to dissolve according to laws and regulations.

Where the Company is dissolved by virtue of the reasons set out in items (i) in the preceding Article, the Company shall establish a liquidation committee within 15 days, and the members of the liquidation committee shall be selected at general meeting in the form of ordinary resolution. Where the Company is dissolved by virtue of the reasons set out in items (iii) and (v) in the preceding Article, the People's Court shall, in accordance with the requirements under the relevant laws, organize the Shareholders, the relevant authorities and the professional bodies to establish a liquidation committee for the purpose of dissolution of the Company. Where the Company is dissolved by virtue of the reasons set out in items (iv) in the preceding Article, the relevant authorities shall organize the Shareholders, the relevant authorities and the professional bodies to establish a liquidation committee for the purpose of dissolution of the Company.

Where the Board proposes to liquidate the Company due to causes other than where the Company has declared that it is insolvent, the Board shall include a statement in its notice of convening a general meeting to consider the proposal to the effect that, after making full inquiry into the affairs of the Company, the Board is of the opinion that the Company will be able to pay all its debts in full within 12 months from the commencement of the liquidation.

Upon the passing of the resolution by the Shareholders in general meeting for the liquidation of the Company, all functions and powers of the Board shall cease.

The liquidation group shall act in accordance with the instructions of the general meeting to make a report at least once every year to the general meeting on the group's receipts and payments, the business of the Company and the progress of the liquidation, and to present a final report to the general meeting on completion of the liquidation.

The liquidation group shall within ten days of its establishment send a notice to creditors, and within 60 days of its establishment make a public announcement in a newspaper.

The liquidation group shall carry out registration of creditors' rights so reported.

During the liquidation period, the liquidation group shall exercise the following functions and powers:

(i) to sort out the assets of the Company and prepare a balance sheet and an inventory of assets respectively;

(ii) to notify all creditors by notice or public announcements;

(iii) to dispose of and liquidate any relevant outstanding business issues of the Company;

(iv) to pay all outstanding taxes;

(v) to settle claims and debts;

(vi) to deal with assets remaining after the debts of the Company having been paid in full; and

(vii) to represent the Company in any civil proceedings.

The liquidation committee shall thoroughly examine the assets of the Company, and prepare a balance sheet and an inventory of assets. Upon completion, the liquidation committee shall draw up a proposal for liquidation and submit the same to the general meeting or the relevant competent authority for confirmation.

If the liquidation committee, having thoroughly examined the assets of the Company and having prepared a balance sheet and an inventory of assets, discovers that the assets of the Company are insufficient to pay its debts in full, it shall immediately apply to the People's Court for a declaration of insolvency. After the People's Court has declared the Company insolvent, the liquidation committee of the Company shall turn over any matters regarding the liquidation to the People's Court.

Following the completion of liquidation, the liquidation committee shall prepare a report on liquidation and a statement of the receipts and payments and financial books and records during the period of liquidation, which shall be audited by the PRC certified public accountants and submitted to the general meeting or the relevant governing authority for confirmation. The liquidation committee shall also within 30 days after such confirmation, submit the documents referred to in the preceding paragraph to the company registration authority and apply for cancellation of registration of the Company, and publish an announcement relating to the termination of the Company.

19. OTHER PROVISIONS MATERIAL TO THE COMPANY OR ITS SHAREHOLDERS

(a) General provisions

The Company is a joint stock limited company of perpetual existence.

The Company may invest in other companies, but shall not be liable for any obligations of such companies as an investor unless otherwise specified by laws.

The Articles constitute a legal document regulating the organization and actions of the Company and the relationship between the Company and each of its Shareholders and among the Shareholders interest, actionable by a Shareholder against the Company and vice versa and by Shareholders against each other in respect of rights and obligations concerning the affairs of the Company arising out of the Articles. The Shareholders may also bring actions against the Directors, Supervisors, president, and other senior management of the Company. For the purposes of the Articles, actions include court proceedings and arbitration proceedings.

(b) Shares and transfers

Foreign investors referred to in the Articles mean those investors of foreign countries and regions of Hong Kong, Macau and Taiwan who subscribe for the Shares issued by the Company; domestic investors referred to in the preceding paragraph mean those investors within the territory of the PRC (excluding investors of the regions referred to in the preceding sentence) who subscribe for the Shares issued by the Company.

The Company may increase its capital in the following ways:

(i) offering new shares to non-specially-designated investors for subscription;

(ii) placing new shares to the specific investors and/or existing Shareholders;

(iii) allotting bonus shares to its existing Shareholders;

(iv) conversion of capital reserve; and

(v) any other ways permitted by laws and administrative regulations or approved by the competent securities authority of the State Council.

The increase of capital by the Company through issuing new shares shall, after being approved in accordance with the provisions of the Articles, be conducted in accordance with the procedures stipulated by the relevant laws and administrative regulations of China.

The Company may reduce its registered capital in accordance with the Company Law and other relevant requirements as well as provisions of the Articles.

When the Company reduces its registered capital, it shall prepare a balance sheet and an inventory of assets. The registered capital after reduction shall not be less than the statutory minimum amount.

Subject to the approval of the securities authority of the State Council, holders of our Domestic Shares may transfer to overseas investors their Domestic Shares which may be listed or traded on an overseas stock exchange. Any listing or trading of the transferred Shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of such overseas stock exchange.

(c) Shareholders

A Shareholder of the Company is a person who lawfully holds Shares and has his name recorded on the register of Shareholders.

A Shareholder enjoys rights, and is subject to obligations, according to the class and number of Shares he/she holds. Holders of the same class of Shares enjoy the same rights and subject to the same obligations.

Unless otherwise specified in the Articles, the holders of Domestic Shares and foreign shares are holders of ordinary shares and are entitled to the same rights and shall comply with the same obligations. The ordinary Shareholders of the Company shall enjoy the following rights:

(i) the right to dividends and other distributions in proportion to the number of Shares held by him/her;

(ii) the right to attend or appoint a proxy to attend general meetings and to vote thereat;

(iii) the right to supervise and inspect the business operations of the Company, and the right to present proposals and inquiries;

(iv) the right to transfer, give or pledge Shares in accordance with the laws, administrative regulations and the Articles;

(v) the right to obtain relevant information in accordance with the provisions of the Articles;

(vi) in the event of the termination or liquidation of the Company, to participate in the distribution of surplus assets of the Company according to the number of Shares held by him/her;

(vii) in the event of a merger or division of the Company, the right to request the Company to purchase his/her Shares if he/she objects to the merger or division; and

(viii) other rights conferred by laws, administrative regulations and the Articles.

The Company shall not freeze or otherwise impair any of the rights attaching to any share by reason only that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A Shareholder is not liable to make any further contribution to the share capital other than the terms agreed.

Share certificates of the Company shall be in registered form.

Share certificates of the Company shall be signed by the legal representative of the Company. Where the stock exchanges on which Shares are listed require the share certificates to be signed by senior management of the Company, the share certificates shall also be signed by such senior management. The share certificates shall take effect after being affixed with the seal or a machine-imprinted seal of the Company provided that such seal shall only be affixed with the authority of the Board. The signatures of the legal representative or other senior management of the Company on the share certificates may be printed in mechanical form.

Any person who is registered Shareholder or who requests to have his/her name (title) entered into the register of Shareholders may, if his/her share certificate (the "original certificate") in respect of the Shares in the Company is lost, apply to the Company for a replacement new share certificate in respect of such Shares (the "Relevant Shares").

If a holder of Domestic Shares loses his share certificate and applies for a replacement new share certificate, it shall be dealt with in accordance with the relevant provisions of the Company Law. If a shareholder of foreign shares listed in Hong Kong loses his/her share certificate and applies for a replacement new share certificate, the issue of such certificate shall comply with the following requirements:

(i) the applicant shall submit an application to the Company in the form prescribed by the Company accompanied by a notarial certificate or a statutory declaration stating the grounds upon which the application is made and the circumstances and evidence of the loss of the original certificate and declaring that no other person is entitled to be registered as a Shareholder in respect of the Relevant Shares.

(ii) before the Company decides to issue the replacement new share certificate, no statement made by any person other than the applicant declaring that he/she shall be registered as a Shareholder in respect of the Relevant Shares has been received.

(iii) the Company shall, if it decides to issue a replacement new share certificate to the applicant, make an announcement of its decision at least once every 30 days for a period of 90 days in such newspapers as may be designated by the Board.

(iv) the Company shall have, prior to publication of its decision to issue a replacement new share certificate, delivered to the stock exchange on which its Shares are listed a copy of the announcement to be published. The Company may publish the announcement upon receiving a confirmation from such stock exchange that the announcement has been exhibited in the premises of the stock exchange. The announcement shall be exhibited in the premises of the stock exchange for a period of 90 days. In the case of an application to issue a replacement new certificate being made without the consent of the registered holder of the Relevant Shares, the Company shall deliver by mail to such registered Shareholder a copy of the announcement to be published.

(v) if, by the expiration of the 90-day period referred to in above (iii) and (iv), the Company has not received from any person notice of any disagreement to such application, the Company may issue a replacement new share certificate to the applicant accordingly.

(vi) where the Company issues a replacement new share certificate under the Articles, it shall forthwith cancel the original share certificate and enter the cancellation and replacement issue in the register of Shareholders accordingly.

(vii) all expenses relating to the cancellation of an original share certificate and the issue of a replacement new share certificate by the Company shall be borne by the applicant. The Company may refuse to take any action until reasonable security is provided by the applicant for such expenses.

(d) Untraceable members

The Company may cease sending dividend warrants by post to a holder of foreign shares listed overseas when such warrants have not been cashed twice in a row. However, such power may be exercised after the first occasion on which such a warrant is returned undelivered.

The Company shall not sell the Shares of a Shareholder who is untraceable unless:

(i) during a period of 12 years at least three dividends in respect of the Shares in question have become payable and no dividend during that period has been claimed; and

(ii) subject to the approval of the securities regulatory authority of the State Council, upon expiry of the 12 years the Company publishes an announcement in newspapers specifying its intention to sell the Shares and notifies the Stock Exchange of such intention.

(e) Board of Directors

The Board of Directors shall be accountable to the general meetings, and exercise the following functions and powers:

(i) to convene and report its work to the general meetings;

(ii) to implement resolutions of the general meeting;

(iii) to decide on the business plans and investment plans of the Company;

(iv) to formulate the plans for annual financial budgets and final accounts of the Company;

(v) to formulate the plans for profit distribution and making up losses of the Company;

(vi) to formulate proposals for the increase or reduction of registered capital and the issue of shares, debentures or other securities and the listing project of the Company;

(vii) to formulate plans for major acquisition, repurchase of the Shares of the Company or the merger, division, dissolution or change of the nature of incorporation of the Company;

(viii) to decide on matters such as external investment, acquisition and disposal of assets, pledge of assets, external guarantee, bank facilities, entrusted wealth management and connected transactions, except those which shall be approved by the general meeting of the Company as prescribed by laws, administrative regulations, ministerial rules or the Articles;

(ix) to decide on the establishment of the internal management organization of the Company;

(x) to appoint or remove the president and secretary of the Board of the Company; to appoint or remove the senior management, such as the vice president and financial officer, of the Company pursuant to the nominations of the president and decide on their remuneration as well as reward and punishment;

(xi) to formulate the basic management system of the Company;

(xii) to prepare plans for amending the Articles;

(xiii) to manage information disclosure matters of the Company;

(xiv) to propose to the general meetings as to the appointment or change of the accounting firm for the auditing of annual financial statements of the Company and decide on its auditing fee;

(xv) to receive the work reports of the president of the Company and to review the work of the president;

(xvi) to decide the establishment of special committees and their compositions;

(xvii) to exercise other functions and powers conferred by the laws, regulations and the listing rules of the stock exchange on which the Shares of the Company are listed, at general meetings and the Articles.

Resolutions relating to the above, with the exception of items (vi), (vii) and (xii) above which shall be approved by more than two thirds of the Directors, shall be approved by more than half of the Directors. The Board shall perform its duties in accordance with laws and administrative regulations of the PRC, the Articles and resolutions of Shareholders.

Meetings of the Board shall be held regularly at least four times in each year and shall be convened by the chairman of the Board.

If a Director is unable to attend a board meeting, he/she may appoint another Director by a written power of attorney to attend on his behalf. Such a power of attorney shall specify the scope of authorization.

Directors attending board meetings shall exercise their powers as directors within their scope of authorization. If a Director fails to attend a board meeting and does not appoint an attorney to attend, the Director is deemed to have relinquished his rights to vote at that meeting.

Each director shall have one vote. Unless otherwise stated in the Articles, resolutions adopted at the board meeting shall be approved by more than half of all Directors. Where there are an equal number of votes for and against a particular resolution, the chairman shall be entitled to have a casting vote.

When a Director and the enterprises involved in the resolutions of the board meeting have connected relations, such Director shall not exercise his/her voting rights on such proposal nor can he/she exercise any voting rights on behalf of others directors. The meeting may be held if it is quorated by more than half of the unconnected Directors. The resolutions of the board meeting shall be passed by more than half of unconnected Directors. If the number of unconnected Directors attending the board meeting is less than three, such matter shall be put forward to the general meeting for consideration.

(f) Independent Directors

The Board of the Company shall be composed of fifteen members, including five independent Directors.

(g) Secretary to the Board

The secretary to the Board shall be a natural person who has the requisite professional knowledge and experience, and shall be appointed by the Board.

(h) Board of Supervisors

The Company shall have a Board of Supervisors.

The Board of Supervisors shall be composed of seven members, including four non-staff representative supervisors and three staff representative supervisors.

The election or removal of the chairman of the Board of Supervisors shall be decided by not less than two-thirds of the Supervisors. Decisions of the Board of Supervisors shall be made by the affirmative vote of not less than two-thirds of the Supervisors.

The terms of office of Supervisors shall be three years, renewable upon re-election.

The Directors, president and senior management of the Company shall not act concurrently as Supervisors. The Board of Supervisors shall be accountable to the general meeting and exercise the following functions and powers in accordance with law:

(i) to review the regular reports of the Company formulated by the Board and provide written review opinion;

(ii) to supervise the finance of the Company;

(iii) to supervise the Directors and senior management in their performance of duties and to propose the removal of Directors and senior management who have contravened any law, administrative regulations, the Articles or Shareholders' resolutions;

(iv) to demand any Director and senior management of the Company who acts in a manner which is harmful to the interests of the Company to rectify such behavior;

(v) to propose to convene an extraordinary general meeting of the Board of Directors and to convene and preside over general meetings when the Board fails to perform such duty;

(vi) to make proposals at a general meeting;

(vii) to institute a lawsuit against the Directors or senior management in accordance with the Company Law;

(viii) to conduct investigations whenever unusual operation conditions of the Company arise and if necessary, to engage professional institutions such as firms of accountants and lawyers to assist in the investigations at the cost of the Company;

(ix) other functions and powers conferred by the general meeting.

Supervisors shall be present at meetings of the Board.

(i) The president

The Company shall have one president, who shall be appointed and dismissed by the Board. The president shall be accountable to the Board and exercise the following functions and powers:

(i) to be in charge of the production, operation and management of the Company and report to the Board;

(ii) to organize the implementation of the resolutions of the Board and annual business plans and investment plans of the Company;

(iii) to draft the plan for establishment of the internal management organization of the Company;

(iv) to draft the general management system of the Company;

(v) to formulate the detailed rules and regulations of the Company;

(vi) to propose to the Board the appointment or dismissal of the vice presidents and financial officer of the Company;

(vii) to employ or dismiss the management personnel other than those to be employed or dismissed by the Board;

(viii) to decide on matters according to the authorization of the Board;

(ix) other functions and powers granted by the Articles or the Board.

(j) Common Reserve Fund

When distributing the after-tax profits of the current year, the Company shall allocate 10% of its profits into its statutory common reserve fund. When the cumulated amount of the statutory common reserve fund of the Company has reached 50% or more of its registered capital, no further allocation is required.

Where the statutory common reserve fund of the Company is insufficient to make up for the losses of the Company incurred during the previous years, before making allocation to the statutory common reserve fund in accordance with the preceding paragraph, the profits generated during the current year shall be used to make up for such losses.

After making allocation to the statutory common reserve fund of the Company from its after-tax profits, the Company may, subject to resolutions adopted at a general meeting, also allocate funds from the after-tax profits to the discretionary common reserve fund.

After making up for the losses and making contributions to the common reserve fund, any remaining after-tax profits shall be distributed to the Shareholders in proportion to their respective shareholdings, except otherwise stipulated in the Articles.

If the general meeting has, in violation of the provisions of the preceding paragraphs, distributed profits to the Shareholders before the Company has made up for its losses and made allocations to the statutory common reserve fund, the Shareholders shall return the profits distributed in violation of the provision to the Company.

No profits shall be distributed in respect of the Shares held by the Company.

(k) Settlement of Disputes

The Company shall follow the following principles for settlement of disputes:

(i) Any disputes or claims related to matters of the Company (i) between the Company and its Directors or senior management and (ii) between shareholders of overseas listed foreign shares and the Company; between shareholders of overseas listed foreign shares and the Directors, Supervisors, the president or other senior management of the Company; between shareholders of overseas listed foreign shares and shareholders of Domestic

Shares, that arise based on the rights and obligations stipulated in the Articles, the Company Law and the relevant laws and administrative regulations, shall be referred by the relevant parties to arbitration.

Where a dispute or claim involves the above parties, the entire claim or dispute shall be referred to arbitration and all persons (being the Company or Shareholders, Directors, Supervisors, the president or other senior management of the Company), who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall abide by arbitration.

Disputes regarding definition of shareholders and registration of members may be resolved other than by way of arbitration.

(ii) The claimant may refer the arbitration to either the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules, and may also refer the arbitration to the Hong Kong International Arbitration Centre in accordance with its securities arbitration rules. Once a claimant refers a dispute or claim to arbitration, the other party shall submit to the arbitral body elected by the claimant.

If the claimant refers the arbitration to the Hong Kong International Arbitration Centre, either party may request the arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre.

(iii) Unless otherwise provided in the laws and administrative regulations, any disputes or claims arising out of item (i) above shall be resolved in accordance with the laws of the PRC.

(iv) The decision made by the arbitral body shall be final and conclusive, and shall be binding on all parties.

1. FURTHER INFORMATION ABOUT OUR COMPANY

A. Incorporation

The Company was established as a joint stock company under the Company Law with limited liability on September 20, 2010 by our promoters, namely BAIC Group (previously known as BAIC Holding), Shougang Limited, BSAM, Modern Innovation, BSAMAC and Beijing Energy Investment, through a promoters agreement dated August 25, 2010 with an initial registered capital of RMB5 billion. After the completion of the Pre-IPO Strategic Investment, our Company became a sino-foreign investment joint stock limited company and it is subject to the PRC sino-foreign joint venture law. Our Company has established a place of business at 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong and has been registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on March 26, 2014. Ms. Yung Mei Yee has been appointed as our agent for the acceptance of service of process in Hong Kong. As we are incorporated in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles of Association is set out in Appendix V to this Prospectus. A summary of certain relevant aspects of the laws and regulations of the PRC and Hong Kong is set out in Appendix IV to this Prospectus.

B. Changes in Share Capital

At the date of the Company's establishment as a joint stock limited company, our registered capital was RMB5,000,000,000 divided into 5,000,000,000 Domestic Shares of nominal value of RMB1.00 each. The following sets out the changes to the Company's registered capital since its establishment.

(a) In the year 2012, the Company increased its registered capital through issuing 616 million new Shares with the price of RMB6.5 per Share to its then Shareholders. Upon completion of such capital increase, the Company's registered capital increased from RMB5 billion to RMB 5.616 billion.

(b) In the year 2013, the Company further increased its registered capital through issuing 765,818,182 Unlisted Foreign Shares with the price of RMB6.7 per Share to Daimler AG to facilitate the Pre-IPO Strategic Investment. Upon completion of such further capital increase, the Company's registered capital increased from RMB5.616 billion to approximately RMB 6.382 billion.

Upon completion of the Globing Offering, but without taking into account any H Shares which may be issued pursuant to the Over-allotment Option, our registered capital will be increased to approximately RMB7,508 billion, comprising approximately 5,503,380,000 Domestic Shares and approximately 2,004,638,182 H Shares fully paid up or credited as fully paid up, representing approximated 73.3% and 26.7% of our registered capital, respectively.

Save as aforesaid, there has been no alteration in our Company's share capital since our Company's establishment.

C. The Company's Extraordinary General Meetings held on December 19, 2013 and April 24, 2014

At the extraordinary general meetings of the Company held on December 19, 2013 and April 24, 2014, among other things, the following resolutions were passed by the Shareholders of the Company, respectively:

(a) the issue by the Company of the H Shares of nominal value of RMB1.00 each up to 20% of the Company's enlarged share capital after the issuance (without taking into account the H Shares which may be issued upon the exercise of the Over-allotment Option) and such H Shares be listed on the Stock Exchange; and

(b) subject to the completion of the Global Offering, the Articles of Association has been approved and adopted, and the Articles of Association shall become effective after the Listing and being granted relevant approvals from competent PRC authorities and the Board has been authorized to amend the Articles of Association in accordance with any comments from the Stock Exchange and relevant PRC regulatory authorities.

D. Our Reorganization

We have undergone our Reorganization, details of which are set out in the section headed "History, Reorganization and Corporate Structure" in this Prospectus. As confirmed by our PRC legal advisers, Jia Yuan Law Offices, all necessary consents, approvals, authorizations and permissions required to be obtained for the Reorganization have been obtained and all the Reorganization steps have been duly completed pursuant to the applicable PRC laws, regulations and rules.

E. Changes in Share Capital of Our Subsidiaries

Our principal subsidiaries (for the purpose of the Listing Rules) as of the date of this Prospectus are set out under the financial information in the Accountant's Report as included in Appendix I to this Prospectus. The following alterations in the registered capital of our principal subsidiaries have taken place within the two years preceding the date of this Prospectus:

(a) Powertrain

In September 2011, the registered capital of Powertrain was increased from RMB50 million to RMB850 million, which was further increased to RMB1.15 billion in May 2013.

(b) Beijing Benz

On August 26, 2012, the registered capital of Beijing Benz was increased from US$585.71 million to US$781.04 million, which was further increased to US$1.20 billion in January 2013.

On February 1, 2013, following a new round of capital increase subscribed by our Company, the registered capital of Beijing Benz was increased from US$1.20 billion to US$1.22 billion.

(c) Beijing Beinei Engine Parts and Components Co., Ltd.

In July 2011, the registered capital of Beijing Beinei Engine Parts and Components Co., Ltd. was increased from RMB5 million to RMB223.8 million, which was further increased to RMB303.8 million in May 2013 and RMB361.9 million in October 2014.

Save as disclosed in this Prospectus, there has been no other alteration in the share capital of any of our principal subsidiaries within the two years immediately preceding the date of this Prospectus.

F. Sino-foreign joint ventures

Information regarding the sino-foreign equity joint ventures, cooperative or contractual joint ventures in which we are interested is set out below:

I. Beijing Benz

Capital contribution and interest percentage of parties:	The Company:	US$622,458,232.70 51%
	Daimler AG:	US$471,907,799.42 38.665%
	Daimler Greater China:	US$126,140,306.28 10.335%
Term of joint venture:	50 years	
Place of establishment:	Beijing	
Date of establishment:	July 1, 1983	
Scope of business	Design, developing, manufacturing and sales of passenger vehicles (including sedans) and related parts and components as well as after-sales services	
Nature:	Sino-foreign joint venture	
Registered capital:	US$1,220,506,338.40	

The board of directors of Beijing Benz shall determine the net profit after tax within four months from the end of each financial year of Beijing Benz. In addition, prior to the distribution of profits to each party to the joint venture, Beijing Benz is required to cover the loss accruing from the previous financial year. For the profit distribution, Daimler AG is entitled to obtain its share in profit distribution from the foreign exchange of Beijing Benz on a preferential basis. As for the transfer of equity interest of Beijing Benz, consents from other parties to the joint venture shall be obtained and no equity interest of Beijing Benz shall be, either in full or in part, transferred to the competitors of any of the parties to the joint venture contract. Furthermore, Daimler AG and Daimler Greater China are entitled to the pre-emptive rights to the transfer of equity interest by any other parties to the joint venture upon five years from the date of establishment of Beijing Benz. The board of directors of Beijing Benz comprises 12 directors, of which six are appointed by the Company and six are appointed by Daimler AG. The daily operation of Beijing Benz is managed by its executive management committee. The executive management committee consists of a president and a management panel comprising five executive vice presidents. The president and the executive vice presidents, who are responsible for the product department of Mercedes-Benz and Chrysler Jeep (克萊斯勒吉普) /Mitsubishi (三菱公司) and the financial and control department are nominated by Daimler AG, while the remaining three executive vice presidents are nominated by the Company. The dissolution of Beijing Benz, other than through specific acquisition approach as set out in the joint venture contract, shall be unanimously resolved and approved by the board of directors of Beijing Benz.

II. Beijing Hyundai

Capital contribution and interest percentage of parties:	BAIC Investment: US$609,534,000 50% Hyundai Motor: US$609,534,000 50%
Term of joint venture:	30 years
Place of establishment:	Beijing
Date of establishment:	October 16, 2002
Scope of business:	Design, developing, manufacturing and sales of sedans, RV (Recreation Vehicle), finished vehicle of trucks, engines and vehicle parts and components
Nature:	Sino-foreign joint venture
Registered capital:	US$1,219,068,000

All transfer of equity interests of Beijing Hyundai are subject to pre-emptive rights of the joint venture parties as set out in the joint venture contract, the consents of the joint venture parties, and approval from the institution which originally granted the approval of the joint venture. Beijing Hyundai distributes profits within 90 days after last financial year ends subject to review and approval of board of directors. The profits after tax shall be first used to recover the losses accruing from last financial year, and then to extract for funds of reserves, enterprise developing and employee bonus and welfare, after which the remaining profits will be distributed to parties to the joint venture according to their respective percentage in the registered capital subscribed. The management of Beijing Hyundai shall be carried out through an operation and management committee consisting of four members, of which two members (including the chairman) shall be appointed by Hyundai Motor and two members (including the vice chairman) shall be appointed by BAIC Investment. As part of its obligations under the joint venture contract, Hyundai Motor shall enter into a separate technology licensing agreement with Beijing Hyundai, pursuant to which Hyundai Motor would import newly developed vehicles into Beijing Hyundai as well as provide relevant products on favorable terms. Except in circumstances stipulated otherwise in the joint venture contract, the dissolution of the joint venture is conditioned upon an unanimous resolution passed by its broad of directors.

2. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of Our Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within two years preceding the date of this Prospectus which are or may be material, a copy of each has been delivered to the Registrar for registration:

(a) the Share Subscription Agreement;

(b) a capital increase and change of equity holding agreement dated February 1, 2013 entered into among our Company, Daimler AG, Daimler Northeast Asia Ltd. and Beijing Benz, pursuant to which the registered share capital of Beijing Benz was increased from US$1,196,096,211.40 to US$1,220,506,338.40 through capital subscription by our

Company amounted to RMB216 million. Upon completion of the above agreement, the shareholding of our Company in Beijing Benz was increased from 50% to 51%;

(c) an asset acquisition agreement dated October 12, 2013 entered into between BAIC Group and our Company, pursuant to which our Company sold its productive assets and intellectual property assets related to off-road vehicles at a consideration of RMB94,636,700 to BAIC Group;

(d) an asset acquisition agreement dated October 15, 2013 entered into between Beijing Automotive Technology Center and our Company, pursuant to which our Company sold its assets related to the research and development business of off-road vehicles-related product at a consideration of RMB290,452,600 to Beijing Automotive Technology Center;

(e) an equity transfer agreement dated May 23, 2014 entered into between BAIC Group and our Company, pursuant to which 100% equity interests in Guangzhou Company was transferred from BAIC Group to our Company with a consideration of RMB2,369,758,900;

(f) the Undertaking of Indemnity (as defined below);

(g) the Non-Competition Undertaking;

(h) a cornerstone investment agreement dated December 5, 2014, entered into among Beijing Enterprises Group (BVI) Company Limited, Morgan Stanley Asia Limited, Deutsche Bank AG, Hong Kong Branch, The Hongkong and Shanghai Banking Corporation Limited and us, pursuant to which Beijing Enterprises Group (BVI) Company Limited agreed to subscribe for our H Shares in the amount of Hong Kong dollars equivalent of US$50,000,000, as detailed in "Cornerstone Placing" in this prospectus;

(i) a cornerstone investment agreement dated December 5, 2014, entered into among Capital Transportation (HK) Investment Limited, Beijing Automobile City Investment & Management Co., Ltd., Morgan Stanley Asia Limited, Deutsche Bank AG, Hong Kong Branch, The Hongkong and Shanghai Banking Corporation Limited and us, pursuant to which Capital Transportation (HK) Investment Limited agreed to subscribe for our H Shares in the amount of Hong Kong dollars equivalent of US$100,000,000, as detailed in "Cornerstone Placing" in this prospectus;

(j) a cornerstone investment agreement dated December 5, 2014, entered into among CMB International Capital Corporation Limited, Morgan Stanley Asia Limited, Deutsche Bank AG, Hong Kong Branch, The Hongkong and Shanghai Banking Corporation Limited and us, pursuant to which CMB International Capital Corporation Limited agreed to subscribe for our H Shares in the amount of Hong Kong dollars equivalent of US$50,000,000, as detailed in "Cornerstone Placing" in this prospectus;

(k) a cornerstone investment agreement dated December 5, 2014, entered into among Converge Bright Assets Limited (匯明資產有限公司), Morgan Stanley Asia Limited, Deutsche Bank AG, Hong Kong Branch, The Hongkong and Shanghai Banking Corporation Limited and us, pursuant to which Converge Bright Assets Limited (匯明資產有限公司) agreed to subscribe for our H Shares in the amount of Hong Kong dollars equivalent of US$26,000,000, as detailed in "Cornerstone Placing" in this prospectus;

(l) a cornerstone investment agreement dated December 5, 2014, entered into among Dazhong Transportation (Hong Kong) Limited (大眾交通 (香港) 有限公司), Morgan Stanley Asia Limited, Deutsche Bank AG, Hong Kong Branch, The Hongkong and Shanghai Banking Corporation Limited and us, pursuant to which Dazhong Transportation (Hong Kong) Limited (大眾交通 (香港) 有限公司) agreed to subscribe for our H Shares in the amount of Hong Kong dollars equivalent of US$30,000,000, as detailed in "Cornerstone Placing" in this prospectus;

(m) a cornerstone investment agreement dated December 5, 2014, entered into among E-Town International Holding (Hong Kong) Co., Limited, Morgan Stanley Asia Limited, Deutsche Bank AG, Hong Kong Branch, The Hongkong and Shanghai Banking Corporation Limited and us, pursuant to which E-Town International Holding (Hong Kong) Co., Limited agreed to subscribe for our H Shares in the amount of Hong Kong dollars equivalent of US$100,000,000, as detailed in "Cornerstone Placing" in this prospectus;

(n) a cornerstone investment agreement dated December 5, 2014, entered into among Easy Smart Limited, Morgan Stanley Asia Limited, Deutsche Bank AG, Hong Kong Branch, The Hongkong and Shanghai Banking Corporation Limited and us, pursuant to which Easy Smart Limited agreed to subscribe for our H Shares in the amount of HK$2,480,000,000, as detailed in "Cornerstone Placing" in this prospectus;

(o) a cornerstone investment agreement dated December 5, 2014, entered into among Fortune Class Investments Limited (瑞群投資有限公司), Morgan Stanley Asia Limited, Deutsche Bank AG, Hong Kong Branch, The Hongkong and Shanghai Banking Corporation Limited and us, pursuant to which Fortune Class Investments Limited (瑞群投資有限公司) agreed to subscribe for our H Shares in the amount of Hong Kong dollars equivalent of US$50,000,000, as detailed in "Cornerstone Placing" in this prospectus;

(p) a cornerstone investment agreement dated December 5, 2014, entered into among PICC Property and Casualty Company Limited, Morgan Stanley Asia Limited, Deutsche Bank AG, Hong Kong Branch, The Hongkong and Shanghai Banking Corporation Limited and us, pursuant to which PICC Property and Casualty Company Limited agreed to subscribe for our H Shares in the amount of Hong Kong dollars equivalent of US$50,000,000, as detailed in "Cornerstone Placing" in this prospectus;

(q) a cornerstone investment agreement dated December 5, 2014, entered into among North Industries Group Investment Management Company Ltd. (中兵投資管理有限責任公司), Morgan Stanley Asia Limited, Deutsche Bank AG, Hong Kong Branch, The Hongkong and Shanghai Banking Corporation Limited and us, pursuant to which North Industries Group Investment Management Company Ltd. (中兵投資管理有限責任公司) agreed to subscribe for our H Shares in the amount of Hong Kong dollars equivalent of US$10,000,000, as detailed in "Cornerstone Placing" in this prospectus; and

(r) the Hong Kong Underwriting Agreement.

B. Our Intellectual Property Rights

(a) Trademarks

Our Registered Trademarks

As of June 30, 2014, the Group owns the following trademarks which we consider to be or may be material to our business :

No.	Registered Trademark	Registration Number	Applicant	Period of Validity
1		10644628	Company	May 14, 2013 – May 13, 2023
2	悦彰	10644637	Company	June 7, 2013 – June 6, 2023
3	世骥	10644636	Company	June 7, 2013 – June 6, 2023
4	图骏	10644635	Company	June 7, 2013 – June 6, 2023
5	华宾	10644634	Company	June 7, 2013 – June 6, 2023
6	融世	10644633	Company	June 7, 2013 – June 6, 2023
7	弘图	10644632	Company	June 7, 2013 – June 6, 2023
8	纵衡	10644631	Company	June 7, 2013 – June 6, 2023
9	致臻	10644630	Company	June 7, 2013 – June 6, 2023
10	蔚蓝	10644629	Company	June 28, 2013 – June 27, 2023
11	CAPSULE	10786925	Company	July 7, 2013 – July 6, 2023
12		234766	Beijing Benz	October 15, 1985 – October 14, 2015
13		699665	Beijing Benz	July 28, 1994 – July 27, 2014
14		695197	Beijing Benz	June 28, 1994 – June 27, 2014
15		705550	Beijing Benz	September 14, 1994 – September 13, 2014

Trademarks under the Trademark Licensing Agreements

The registered trademarks licensed to the Company with the non-exclusive use right and which we consider to be or may be material to our business as of June 30, 2014 are as follows:

No.	Registered Trademark	Registration Number	Agreed Scope of Trademark	Registrant	Period of Validity of Licensing Agreement
1	北 京	3472974	The Company is permitted to use the licensed trademark on its finished vehicle and Type II and III chassis	BAIC Group	November 1, 2010— February 27, 2016
2	北京汽车	8490117	The Company is permitted to use the licensed trademark on its finished vehicle and Type II and III chassis	BAIC Group	March 1, 2011— February 27, 2016
3		8129253	The Company is permitted to use the licensed trademark on its finished vehicle and Type II and III chassis	BAIC Group	March 1, 2011— February 27, 2016
4		8563498	The Company is permitted to use the licensed trademark on its finished vehicle and its derivative products	BAIC Group	March 1, 2011— February 27, 2016

No.	Registered Trademark	Registration Number	Agreed Scope of Trademark	Registrant	Period of Validity of Licensing Agreement
5	MERCEDES-BENZ (literal identification) 梅塞德斯-奔驰	526 122 669 657	Beijing Benz is permitted to use the non-exclusive licensed trademark on authorized products which are assembled or manufactured by it or purchased from authorized subcontractors within contracted regions and which meet the quality standards of Daimler AG	Daimler AG	February 7, 2012—the duration period of the joint venture contract of Beijing Benz
6	BENZ (literal identification) 奔驰	669 659 669 658	Beijing Benz is permitted to use the non-exclusive licensed trademark on authorized products which are assembled or manufactured by it or purchased from authorized subcontractors within contracted regions and which meet the quality standards of Daimler AG; and Beijing Benz is authorized by Daimler AG to use this trademark (in Chinese and English) in its company name	Daimler AG	February 7, 2012—the duration period of the joint venture contract of Beijing Benz
7	A three-pointed star inside a circle (2-D presentation)	IR 997 904	Beijing Benz is permitted to use the non-exclusive licensed trademark on authorized products which are assembled or manufactured by it or purchased from authorized subcontractors within contracted regions and which meet the quality standards of Daimler AG	Daimler AG	February 7, 2012—the duration period of the joint venture contract of Beijing Benz
8	A three-pointed star inside a circle (3-D presentation)	526 124	Beijing Benz is permitted to use the non-exclusive licensed trademark on authorized products which are assembled or manufactured by it or purchased from authorized subcontractors within contracted regions and which meet the quality standards of Daimler AG	Daimler AG	February 7, 2012—the duration period of the joint venture contract of Beijing Benz

No.	Registered Trademark	Registration Number	Agreed Scope of Trademark	Registrant	Period of Validity of Licensing Agreement
9	"E-Class"	No. 3764023	Beijing Benz is permitted to use the non-exclusive licensed trademark on authorized products which are assembled or manufactured by it or purchased from authorized subcontractors within contracted regions and which meet the quality standards of Daimler AG	Daimler AG	February 7, 2012— the duration period of the joint venture contract of Beijing Benz
10	"C-Class"	No. 3764024	Beijing Benz is permitted to use the non-exclusive licensed trademark on authorized products which are assembled or manufactured by it or purchased from authorized subcontractors within contracted regions and which meet the quality standards of Daimler AG	Daimler AG	February 7, 2012— the duration period of the joint venture contract of Beijing Benz
11	GLK 300	German Registration No.: 302008068560	Beijing Benz is permitted to use the non-exclusive licensed trademark on authorized products which are assembled or manufactured by it or purchased from authorized subcontractors within contracted regions and which meet the quality standards of Daimler AG	Daimler AG	February 7, 2012— the duration period of the joint venture contract of Beijing Benz
12	KOMPRESSOR	No. 4158314	Beijing Benz is permitted to use the non-exclusive licensed trademark on authorized products which are assembled or manufactured by it or purchased from authorized subcontractors within contracted regions and which meet the quality standards of Daimler AG	Daimler AG	February 7, 2012— the duration period of the joint venture contract of Beijing Benz

(b) Patents

As of June 30, 2014, the following are patents that the Group has been granted in the PRC and which we consider to be or may be material to our business:

Type of patent	Name of registrant	Patent description	Patent number	Date of application	Date of expiry
Invention . .	Beijing Beinei Engine Parts and Components Co., Ltd.	Angle pinhole camera and depth detector (凸輪軸銷孔角向及深度檢測儀)	ZL200910084743.0	May 19, 2009	May 18, 2029
Invention . .	Company	Steering wheel with integrated trackball device (集成軌跡球裝置的方向盤)	Zl201210009335.0	January 12, 2012	January 11, 2032
Design	Company	Automobile (T8) (汽車(T8))	ZL201030138061.7	April 9, 2010	April 8, 2020
Design	Company	Automobile (BC801) (汽車(BC801))	ZL201030138060.2	April 9, 2010	April 8, 2020
Design	Company	Front air grille (C70G) (前進氣格柵(C70G))	ZL201130044648.6	March 16, 2011	March 15, 2021
Design	Company	Outside rear-view mirror (C70G) (外後視鏡(C70G))	ZL201130044650.3	March 16, 2011	March 15, 2021
Design	Company	Automobile air conditioning control panel (C50E) (汽車空調控制器(C50E))	ZL201230004091.8	January 9, 2012	January 8, 2022
Design	Company	Air filter (C60F) (空氣濾清器(C60F))	ZL201230010021.3	January 13, 2012	January 8, 2022
Design	Company	Automobile grille (C70G) (汽車進氣格柵(C70G))	ZL201330002768.9	January 6, 2013	January 5, 2023
Design	Company	EPB switch (C61X) (EPB開關(C61X))	ZL201330025546.9	January 28, 2013	January 27, 2023
Utility Model . .	Company	Automobile air conditioning system (汽車空調系統)	Zl201020553300.X	September 29, 2010	September 28, 2020
Utility model . .	Company	Automobile speaker (一種車載揚聲器)	ZL201020569353.0	October 13, 2010	October 12, 2020
Utility Model . .	Company	Network topological structure for automobile intelligence control and automobile (一種用於汽車智慧控制的網路拓撲結構及汽車)	ZL201120043462.3	February 21, 2011	February 20, 2021

Type of patent	Name of registrant	Patent description	Patent number	Date of application	Date of expiry
Utility Model . .	Company	Automatic headlight leveling system for automobile (一種車輛自動前照燈調平系統)	ZL201120066766.1	March 15, 2011	March 14, 2021
Utility Model . .	Company	Door wiring harness clips and installation structure of door wiring harness (門檻線束卡子及門檻線束安裝結構)	ZL201220005421.X	January 6, 2012	January 5, 2022
Utility Model . .	Company	Encryption module, service platform and vehicular communication system (加密模組、服務平台及車載通信系統)	ZL201220005941.0	January 6, 2012	January 5, 2022
Utility Model . .	Company	Bracket and vehicle to fix automotive wiring harness (固定汽車線束的支架及車輛)	ZL201320005067.5	January 5, 2013	January 4, 2023
Utility Model . .	Company	Intelligent control system for automotive cooling fan and vehicle (汽車冷卻扇邏輯控制系統及車輛)	ZL201320005927.5	January 7, 2013	January 6, 2023

3. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

A. Directors and Supervisors

(a) Disclosure of Interest

Immediately following completion of the Global Offering and assuming the Over-allotment Option is not exercised, none of our Directors, Supervisors and chief executives of our Company has any interest and/or short position in the Shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors and Listed Issuers to be notified to us and the Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors).

(b) Particulars of Service Contracts

Each of the executive Director and non-executive Directors, has entered into a service contract with our Company on December 2, 2014. The principal particulars of these service agreements are

(a) for a term of three years commencing from the Listing Date and (b) are subject to termination in accordance with their respective terms. The service agreements may be renewed in accordance with our Articles of Association and the applicable laws, rules or regulations.

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, each of the Directors and Supervisors has entered into a contract in respect of, among others, compliance of relevant laws and regulations, observations of the Articles of Association and provision on arbitration with our Company.

Save as disclosed above, none of our Directors or Supervisors has or is proposed to have a service contract with us (other than contracts expiring or determinable by the employer within one year without the payment of compensation other than statutory compensation).

(c) Directors' and Supervisors' Remuneration

For the three years ended December 31, 2011, 2012, 2013, the aggregate amount of fees, salaries, allowances, discretionary bonus, pension-defined contribution plans and other benefits in kind (if applicable) paid by us to our Directors were approximately RMB1,770,000, RMB1,828,000 and RMB2,389,000 respectively. For the three years ended December 31, 2011, 2012, 2013, the aggregate amount of fees, salaries, allowances, discretionary bonus, pension-defined contribution plans and other benefits in kind (if applicable) paid by us to our Supervisors were approximately RMB950,000, RMB636,000 and RMB1,170,000, respectively. Save as disclosed under Note 30 to the financial information in the Accountant's Report set out in Appendix I to this Prospectus, no Director or Supervisor received other remuneration or benefits in kind from the Company in respect of the three years ended December 31, 2011, 2012, 2013.

Under the current arrangements, our Directors and Supervisors will be entitled to receive compensation (including remuneration and benefits in kind) from our Company for the year ending December 31, 2014, which is expected to amount to approximately RMB5.54 million in total.

B. Substantial Shareholders

So far as our Directors are aware, each of the following persons will, immediately following completion of the Global Offering (and assuming the Over-allotment Option is not exercised), have an interest or short position in the Shares or underlying shares of our Company, which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

(a) Interest in the Shares of our Company

Name of Shareholder	Class of Shares to be held after the Global Offering	Number of Shares to be held after the Global Offering	Nature of interest	Approximate percentage of shareholding in the relevant class of Shares after the Global Offering	Approximate percentage of shareholding in the total share capital of the Company after the Global Offering
BAIC Group	Domestic Shares	3,424,376,191	Beneficial owner	62.2%	45.6%
Shougang Limited	Domestic Shares	1,028,748,707	Beneficial owner	18.7%	13.7%
Daimler AG	H Shares	765,818,182	Beneficial owner	38.2%	10.2%
Benyuan Jinghong	Domestic Shares	342,138,918	Beneficial owner	6.2%	4.6%
Easy Smart	H Shares	326,315,500(1)	Beneficial owner	16.3%	4.3%
Capital Transportation (HK)	H Shares	102,036,500(1)	Beneficial owner	5.1%	1.4%
E-Town International	H Shares	102,036,500(1)	Beneficial owner	5.1%	1.4%

(1) Assuming an Offer Price of HK$7.60 (being the low end of the Offer Price range set out in this prospectus).

(b) Interest in our subsidiaries

Shareholders	Approximate shareholding (%)	Subsidiaries of our Company
Daimler AG	38.665%	Beijing Benz
Daimler Greater China	10.335%	Beijing Benz
Industry Investment	20%	Beijing Hainachuan Investment Co., Ltd.

C. Personal Guarantees

Our Directors and Supervisors have not provided personal guarantees in favor of lenders in connection with banking facilities granted to us.

D. Agency Fees or Commissions Paid or Payable

Save as disclosed in the section headed "Underwriting" in this Prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries within the two years ended on the date of this Prospectus.

E. Related Party Transactions

During the two years preceding the date of this Prospectus, we have engaged in the material related party transactions as described in Note 38 to the financial information in the Accountant's Report set out in Appendix I to this Prospectus.

F. Disclaimers

Save as disclosed in this Prospectus:

(a) none of our Directors, Supervisors or chief executive of our Company has any interests and short positions in the shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors and Listed Companies to be notified to us and the Stock Exchange, in each case once our H Shares are listed. For this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors;

(b) none of our Directors or Supervisors nor any of the parties listed in the paragraph headed "Qualification of experts" of this Appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this Prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to our Company;

(c) none of our Directors or Supervisors is a director or employee of a company which is expected to have an interest in the Shares falling to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO once the H Shares are listed on the Stock Exchange; save as disclosed in this Prospectus, none of our Directors or Supervisors nor any of the parties listed in paragraph headed "Qualification of experts" of this Appendix is materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to our business;

(d) none of the parties listed in the paragraph headed "Qualification of experts" of this Appendix: (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities; and

(e) none of our Directors or Supervisors or their respective associates or any Shareholders of our Company (who to the knowledge of our Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or our five largest customers.

4. OTHER INFORMATION

A. Indemnity

On December 1, 2014, BAIC Group, as our Controlling Shareholder, made the following undertaking of indemnity (the "**Undertaking of Indemnity**") in respect of defects in titles of certain lands and properties used by the Company and its subsidiaries:

1. For the title defects subject to rectifications of land use rights acquired by the Company from Zhuzhou Hi-Tech Construction Project Co., Ltd. (the "**Third Party**"), in the event there is dispute over the titles due to defective titles of such lands, BAIC Group will coordinate with the Third Party to solve the dispute. In connection with any claims, penalties (including but not limited to fines and penalties imposed by the relevant PRC regulatory authorities) or other losses (including but not limited to any costs, expenses and operating and business losses suffered by the Company and/or its subsidiaries resulting from the relocation of its properties or assets due to the defects of titles) against or incurred by the Company due to defective titles of such lands, if the Third Party did not make compensation or make full compensation for the losses suffered by the Company within 90 days after the claim was made by the Company against the Third Party, BAIC Group shall indemnify all or any outstanding compensation. After indemnifying the abovementioned losses, BAIC Group shall be entitled to enjoy the recourse right against the Third Party.

2. For the buildings with defective titles owned by Company's Beijing branch, Zhuzhou branch and Powertrain, BAIC Group will assist these entities to apply for relevant building ownership certificates with the relevant housing management departments. In the event there is dispute over the titles due to defective titles of such buildings, BAIC Group shall coordinate to solve the dispute. In connection with any claims, penalties (including but not limited to fines and penalties imposed by the relevant PRC regulatory authorities) or other losses (including but not limited to any costs, expenses and operating and business losses suffered by the Company and/or its subsidiaries resulting from the relocation of its properties or assets due to the defects of titles) against or incurred by the Company or Powertrain due to defective titles of such buildings, BAIC Group shall indemnify in full all losses suffered by the Company or Powertrain.

3. For the buildings without building ownership certificates leased to Beijing Beinei Engine Parts and Components Co., Ltd. by Beijing Beinei Limited, a subsidiary of BAIC Group,

BAIC Group undertakes that Beijing Beinei Limited is entitled to own the aforesaid buildings and Beijing Beinei Engine Parts and Components Co., Ltd. is entitled to use such buildings undisputedly. If disputes over the ownership of such building arise, BAIC Group will be responsible for coordinating to resolve the disputes. In connection with any claims, penalties (including but not limited to fines and penalties imposed by the relevant PRC regulatory authorities) or other losses (including but not limited to any costs, expenses and operating and business losses suffered by the Company and/or its subsidiaries resulting from the relocation of its properties or assets due to the defects of titles) against the Beijing Beinei Engine Parts and Components Co., Ltd. due to defective titles of such buildings, BAIC Group shall indemnify in full all losses suffered by Beijing Beinei Engine Parts and Components Co., Ltd..

4. For the buildings used by Guangzhou Company with ownership defects subject to rectifications, BAIC Group will assist Guangzhou Company to apply for relevant building ownership certificates with the relevant housing management departments. In the event there is dispute over the titles due to defective titles of such buildings, BAIC Group shall coordinate to solve the dispute. In connection with any claims, penalties (including but not limited to fines and penalties imposed by the relevant PRC regulatory authorities) or other losses (including but not limited to any costs, expenses and operating and business losses suffered by the Company and/or Guangzhou Company resulting from the relocation of its properties or assets due to the defects of titles) against or incurred by the Company and/or Guangzhou Company due to defective titles of such buildings, BAIC Group shall indemnify in full all losses suffered by the Company and/or Guangzhou Company.

5. In addition to the above, if there are property defects to the lands and/or buildings owned by our Company and/or its subsidiaries, or those leased to us by BAIC Group and/or its subsidiaries, and disputes over such lands or buildings arise, BAIC Group shall coordinate to solve the dispute and compensate in full the penalties caused thereof (including but not limited to fines and penalties imposed by the relevant PRC regulatory authorities) or other losses (including but not limited to any costs, expenses and operating and business losses resulting from the relocation of its properties or assets due to the defects of titles) suffered by our Company and/or its subsidiaries.

6. For the buildings without building ownership certificates leased to the Company and/or its subsidiaries by any third parties other than BAIC Group, in the event there is dispute over the titles, BAIC Group will coordinate with the third parties to solve the dispute. In connection with any losses, claims, expenses and costs suffered by the Company and/or its subsidiaries due to titles disputes over such buildings, if the third parties did not make compensation or make full compensation for the losses (including but not limited to fines and penalties imposed by the relevant PRC regulatory authorities, as well as any costs, expenses and operating and business losses suffered by the Company and/or its subsidiaries resulting from the relocation of its properties or assets due to the defects of titles) suffered by the Company and/or its subsidiaries within 90 days after the claim was made the Company and/or its subsidiaries against the third parties, BAIC Group shall indemnify in full all or any outstanding compensation. After indemnifying the abovementioned losses, BAIC Group shall be entitled to enjoy the recourse right against the third parties.

B. Estate Duty

We have been advised that no material liability for estate duty under PRC law is likely to fall upon us.

C. Litigation

As at the Latest Practicable Date, our Group is not involved in any material litigation, arbitration or administrative proceedings. So far as we are aware, no such litigation, arbitration or administrative proceedings are pending or threatened.

D. Restrictions on share repurchases

In accordance with Article 143 of the Company Law, a company may not repurchase its own shares, except under one of the following circumstances:

(1) to reduce its capital;

(2) to merge with another company that holds its shares;

(3) to reward its staff and workers with shares;

(4) when a shareholder who votes against the resolution of the shareholders' general meeting on the merger or division of the company requires the company to repurchase his shares.

When a company repurchases its own shares by reason of the provisions in (1) to (3) of the preceding clause, the resolution of the shareholders' general meeting shall be required. After a company has repurchased its own shares in accordance with the preceding clause by reason of the provision in (1), the repurchased shares shall be cancelled within ten days of the repurchase, and if by reason of the provision in (2) to (4), the repurchased shares shall be transferred or cancelled within six months.

When a company repurchases its shares by reason of the provision in (3) of the above clause, the amount of shares it repurchases shall not exceed 5% of total amount of shares it has already issued. Funds used to repurchase such shares shall be paid out of the after-tax profits of the company. The shares so repurchased shall be transferred to the staff and workers within one year.

A company may not be the pledgee of its own shares.

E. Joint Sponsors

Each of the Joint Sponsors has declared its independence pursuant to Rule 3A.07 of the Listing Rules. The Joint Sponsors have made an application on our behalf to the Listing Committee for listing of, and permission to deal in, our H Shares, including any Offer Shares which may be issued pursuant to the exercise of the Over-allotment Option. All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

We have entered into engagement agreements with the Joint Sponsors respectively, pursuant to which we agreed to pay HK$3.2 million to the Joint Sponsors to act as the sponsors to our Company in the Global Offering.

F. Preliminary Expenses

Our preliminary expenses are approximately RMB90,190, and were borne by the Company.

G. Qualification of Experts

The qualifications of the experts who have follows:

Name	Qualification
PricewaterhouseCoopers	Certified public accountants
Jia Yuan Law Offices	PRC legal advisers
HSBC Corporate Finance (Hong Kong) Limited	Licensed to conduct Type 6 (advising on corporate finance) of regulated activities under the SFO
CITIC Securities Corporate Finance (HK) Limited	Licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) of regulated activities under the SFO
Deutsche Securities Asia Limited	Licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) of regulated activities under the SFO
UBS Securities Hong Kong Limited	Licensed to conduct Type 1 (dealing in securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) of regulated activities under the SFO
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent property valuer and consultant
All China Marketing Research Co., Ltd.	Industry consultant

H. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in our financial or trading position since June 30, 2014.

I. Binding Effect

This Prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

J. Bilingual Prospectus

The English language and Chinese language versions of this Prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

K. Miscellaneous

Save as disclosed in this Prospectus,

(a) within the two years preceding the date of this Prospectus, we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;

(b) no share or loan capital of our Company, if any, is under option or is agreed conditionally or unconditionally to be put under option;

(c) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;

(d) the Company has no outstanding convertible debt securities or debentures;

(e) within the two years immediately preceding the date of this Prospectus, no commission, discount, brokerage or other special term has been granted in connection with the issue or sale of any capital of the Company;

(f) there is no arrangement under which future dividends are waived or agreed to be waived;

(g) there has been no interruption in our business which may have or have had a significant effect on the financial position in the last 12 months; and

(h) none of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

L. Consents

Each of the experts as referred to in the paragraph headed "Qualification of experts" in this Appendix has given, and has not withdrawn, their respective written consents to the issue of this Prospectus with the inclusion of their reports and/or letters and/or the references to their names included herein in the form and context in which they are respectively included.

None of the experts named above has any shareholding interests in any member of our Group or the right (other than the penal provisions) of sections 44A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

M. Promoters

Promoters of the Company are BAIC Group (previously known as BAIC Holding), Shougang Limited, BSAM, Modern Innovation, BSAMAC, and Beijing Energy Investment.

Save as disclosed in this Prospectus, within the two years immediately preceding the date of this Prospectus, no cash, securities or other interest have been paid, allotted or given to the above promoters in connections with the Hong Kong Public Offering or related transactions in this Prospectus.

N. Particulars of the Selling Shareholders

Certain particulars of the Selling Shareholders are set out as follows:

	Name	Description	Address	Number of Sale Shares (assuming the Over-allotment Option is not exercised)	Number of Sale Shares (assuming the Over-allotment Option is exercised in full)
1.	Beijing Automotive Group Co., Ltd. (北京汽車集團有限公司)	Its principal businesses include the manufacture, sale, import and export of vehicles and spare parts, operation and management of state-owned assets, investment and investment management, technology development, service and consultancy, and real property development and sales.	No. 25, East 3rd Ring South Road, Beijing, China	99,516,829	114,444,353
2.	Beijing State-Owned Assets Management and Administration Center (北京國有資本經營管理中心)	The platform for capital maintenance and increment of state-owned assets as well as to support the Beijing Municipality Government's strategic adjustments to the state-owned assets and reorganization of state-owned enterprises.	No. 2, Huaibaishu Street, Xicheng District, Beijing, China	6,139,995	7,060,994
3.	Beijing Energy Investment Holding Co., Ltd. (北京能源投資（集團）有限公司)	A state-owned enterprise and its scope of businesses is subject to the provisions of relevant national laws and regulations with independent choice of businesses.	9/F, Tianyin Plaza A West, No. 2 Jia Fuxingmen Nandajie, Xicheng District, Beijing, China	5,841,445	6,717,662
4.	Beijing Industrial Developing Investment Management Co., Ltd. (北京工業發展投資管理有限公司)	Its principal businesses include investment and investment management, economic information consultancy, real property information consultancy (excluding brokerage), development, transfer, service, consultancy and training of technologies.	No. 6, Gongtibeilu, Chaoyang District, Beijing, China	1,121,731	1,289,991

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this Prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the **WHITE, YELLOW** and **GREEN** Application Forms;

(b) the written consents referred to in the paragraph headed "Statutory and General Information—4. Other Information—L. Consents" in Appendix VI to this Prospectus;

(c) a copy of each of the material contracts referred to in the paragraph headed "Statutory and General Information—2. Further Information about our Business—A. Summary of our material contracts" in Appendix VI to this Prospectus; and

(d) the particulars of the Selling Shareholders, including their names, descriptions and addresses.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Clifford Chance at 27/F, Jardine House, One Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this Prospectus:

(a) the Articles of Association;

(b) the Accountant's Report prepared by PricewaterhouseCoopers, the text of which is set out in "Appendix I—Accountant's Report";

(c) the Report on the compilation of unaudited pro forma financial information of the Group, the text of which is set out in "Appendix II—Unaudited Pro Forma Financial Information";

(d) the PRC legal opinions issued by Jia Yuan Law Offices, our PRC legal adviser in respect of our general matters and property interests;

(e) the material contracts referred to in the paragraph headed "Statutory and General Information—2. Further Information about our Business—A. Summary of our material contracts" in Appendix VI to this Prospectus;

(f) the written consents referred to in the paragraph headed "Statutory and General Information—4. Other Information—L. Consents" in Appendix VI to this Prospectus;

(g) the service contracts referred to in the paragraph headed "Statutory and General Information—3. Further Information about our Directors, Supervisors and Substantial Shareholders—A. Directors and Supervisors" in Appendix VI to this Prospectus;

(h) the particulars of the Selling Shareholders; and

(i) the Company Law, the Special Regulations and the Mandatory Provisions together with unofficial English translations thereof.

北京汽车股份有限公司
BAIC MOTOR CORPORATION LIMITED*

* For identification purpose only.