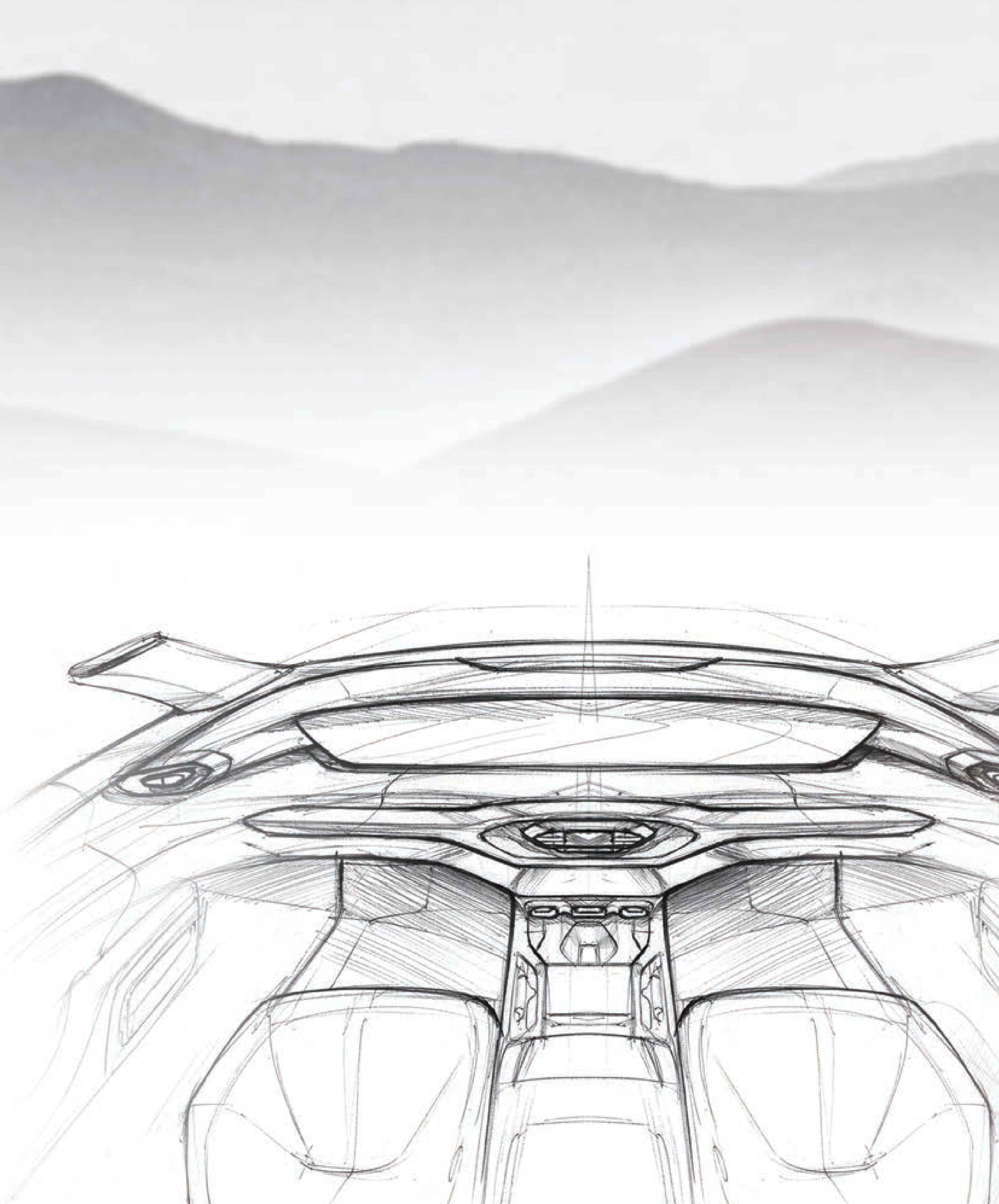
北京汽車股份有限公司
BAIC MOTOR CORPORATION LIMITED*
(A joint stock company incorporated in the People's Republic of China with limited liability)

BAIC MOTOR

Annual Report 2016

Stock code: 1958

* For identification purpose only



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Corporate Information

LEGAL NAME OF THE COMPANY
北京汽車股份有限公司

ENGLISH NAME OF THE COMPANY
BAIC Motor Corporation Limited[1]

REGISTERED OFFICE
Building Five, Block 25 Shuntong Road, Shunyi District, Beijing 101300, China

HEADQUARTERS
No. 99 Shuanghe Street, Renhe Town, Shunyi District, Beijing 101300, China

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AUTHORIZED REPRESENTATIVES

Mr. Li Feng
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Mr. Yan Xiaolei[2]
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Ms. Sun Ke[3]
5/F, 99 Shuanghe Street, Renhe Town, Shunyi District, Beijing, China

COMPANY SECRETARY

Mr. Yan Xiaolei[2]
5/F, 99 Shuanghe Street, Renhe Town, Shunyi District, Beijing, China

Ms. Sun Ke[3]
5/F, 99 Shuanghe Street, Renhe Town, Shunyi District, Beijing, China

COMPANY SECRETARY ASSISTANT

Ms. Mok Ming Wai[3]
36/F Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong

1 For identification purpose
2 Resigned from this position on September 23, 2016
3 Appointed on September 23, 2016

HONG KONG LEGAL ADVISOR

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27/F Jardine House, 1 Connaught Place, Central, Hong Kong

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AUDITORS (EXTERNAL AUDIT FIRM)

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Certified Public Accountants
22/F, Prince's Building, Central, Hong Kong

PricewaterhouseCoopers Zhong Tian LLP
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China CITIC Bank, Olympic Village Branch
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H Share Stock Code
1958

Investor Enquiry
Investor hotline: (86)10 5676 1958; (852) 3188 8333
Website: www.baicmotor.com
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Chairman's Statement

1.929 Million Units

In 2016, the Beijing Brand, Beijing Benz, Beijing Hyundai and Fujian Benz sold 1.929 million units of vehicles in total, representing a year-on-year increase of 16.4%

RMB**6.37** Billion

In 2016, the net profit attributable to equity holders of the Company amounted to RMB6.37 billion, representing a year-on-year increase of 91.9%

DEAR SHAREHOLDERS,

On behalf of the Board of Directors (the "Board"), I am delighted to present the 2016 Annual Report of BAIC Motor Corporation Limited (the "Company", together with its subsidiaries, the "Group").

During 2016, the economic growth of China moved into a "new normal", under which the economic acceleration was "changing gear", and China was making the transition to a new form of economic engines. The estimated annual growth rate of GDP is 6.7%[4], which indicated that the stable economic development advanced. For passenger vehicle industry, our Group achieved notable performance that dramatically outperformed the growth of GDP, thanks to the optimization of industrial structure led by the policy. According to the statistics of the China Association of Automobile Manufactures (the "CAAM") , the sales volume of passenger vehicles in 2016 amounted to 24.377 million units, representing a year-on-year increase of 14.9%, and we have kept our leading position in the largest vehicle market in the world. Among them, the sales of SUV products recorded a growth of 44.6%, which indicated that SUV products were the absolute driving force of the industrial growth. Meanwhile, the sales of domestic-branded passenger vehicles recorded an increase of 20.5%, which far outpaced the average growth rate in the industry.

4 The preliminary calculation result of the National Bureau of Statistics. Source: National Bureau of Statistics, January 21, 2017.

Year 2016 marks the start of the "13th Five-year Plan period". Our Group rigidly adhered to the general line of "implementing supply-side structural reform". By virtue of structure optimization, reform facilitation and innovation promotion, we successfully accomplished the annual operating plan, and made a good start at the beginning of the "13th Five-year Plan period". In 2016, following the launch of new models with high competitiveness, the proprietary Beijing Brand, Beijing Benz, Beijing Hyundai and Fujian Benz sold 1.929 million units of vehicles in aggregate, with a year-on-year increase of 16.4%. In 2016, the net profit attributable to equity holders of the Company amounted to RMB6,366.9 million, representing a year-on-year increase of 91.9%. Meanwhile, to safeguard Shareholders' investment returns, the Board has proposed to declare a year-end dividend of RMB0.29 per Share (tax inclusive) to Shareholders.

The said outstanding achievement can be attributed to the following strategic factors: firstly, the proprietary Beijing Brand is well-positioned to leverage on its core competence, based on its extensive experiences accumulated over years; secondly, we optimise our structure to comply with the trend of consumption upgrade, as such we can precisely capture business opportunities under the new normal economy; thirdly, we have implemented strategic transformation in an unwavering manner so as to achieve an innovation-driven goal.

Year 2017 is expected to be another challenging year. We expect that the directions of macroeconomic policies in China will remain unchanged in three aspects, namely the continuation of the general principle of making progress while maintaining stability, the concept of adopting proactive fiscal policies and stable monetary policies, and the main development route of promoting supply-side reforms.

In the new year, under the influence of macroeconomic policy, our Group will actively leverage on the new normal of development in passenger vehicle industry. We will strive to follow the central ideas of improving both quality and efficiency, achieving strategic transformation, as well as implementing supply-side structural reforms. For the purpose of accomplishing the important missions including focusing on development of our proprietary brands, making breakthroughs of joint venture brands, maintaining our leadership in new energy vehicles market, deepening internationalization and promoting in-depth reforms of the state-owned enterprises, we will continue to strengthen our abilities in open cooperation and corporate governance, and ensure that our efforts are well-targeted and precise, as well as continue to reinforce and develop our core competitiveness, in order to achieve strategic targets set for the "13th Five-year Plan period".

Last but not least, I would like to express my heartfelt gratitude to all our staff and business partners for their hard work, and to our Shareholders for their long-lasting support!

Chairman

Xu Heyi
March 23, 2017

Summary of Financial and Performance Information

FIVE-YEAR FINANCIAL SUMMARY

Summary of consolidated financial information of the Group for 2012 to 2016 is as follows:

(Unit: RMB million)

Item	For the year ended December 31				
	2016	2015	2014	2013	2012
Revenue	**116,199**	84,112	56,370	12,782	3,520
Cost of sales	**(89,967)**	(68,835)	(47,387)	(12,367)	(3,688)
Gross profit/(gross loss)	**26,232**	15,277	8,983	415	(168)
Selling and distribution expenses	**(10,603)**	(8,002)	(5,646)	(2,203)	(1,031)
General and administrative expenses	**(4,298)**	(4,039)	(3,455)	(1,316)	(506)
Other gains, net	**189**	1,244	1,540	620	1,856
Financial costs-net	**(468)**	(416)	(533)	(474)	(158)
Share of profit of joint venture	**3,917**	4,102	5,712	5,987	3,835
Share of profit/(losses) of associates	**300**	155	97	36	(43)
Profit before income tax	**15,269**	8,321	6,698	3,065	3,785
Income tax expense	**(3,733)**	(1,999)	(857)	(114)	(226)
Profit for the year	**11,536**	6,322	5,841	2,951	3,478
Attributable to					
Equity holders of the Company	**6,367**	3,319	4,511	2,714	3,417
Non-controlling interests	**5,169**	3,003	1,330	237	61

Total assets, total liabilities and non-controlling interest	As of December 31				
	2016	2015	2014	2013	2012
Total assets	**168,900**	127,393	109,859	85,396	31,782
Total liabilities	**110,867**	80,324	67,890	54,342	15,770
Non-controlling interests	**17,873**	12,059	8,614	7,362	215

FIVE-YEAR PERFORMANCE SUMMARY

The sales volume[5] of vehicles of each passenger vehicle business segment of the Group for 2012 to 2016 is as follows:

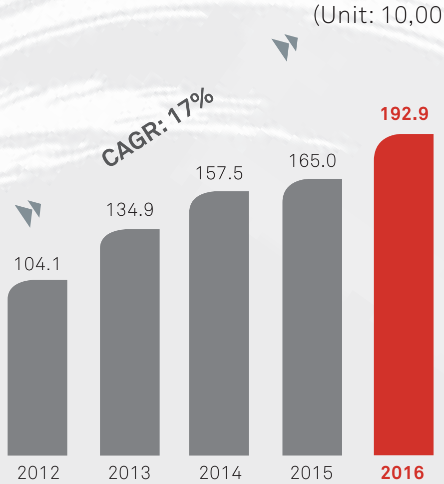
(Unit: unit)

Business segment	For the year ended December 31				
	2016	2015	2014	2013	2012
Beijing Brand	**457,082**	337,102	309,648	202,280	77,561
Beijing Benz	**317,069**	250,188	145,468	116,006	103,445
Beijing Hyundai	**1,142,016**	1,062,826	1,120,048	1,030,808	859,595
Fujian Benz	**12,568**	–	–	–	–

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

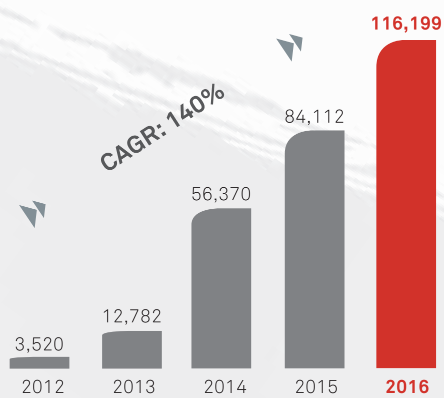
Sales volume

(Unit: 10,000 units)



Revenue

(Unit: RMB million)

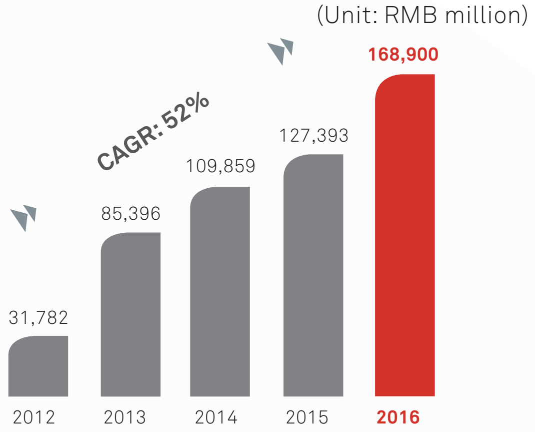


Note: 1. It means total.

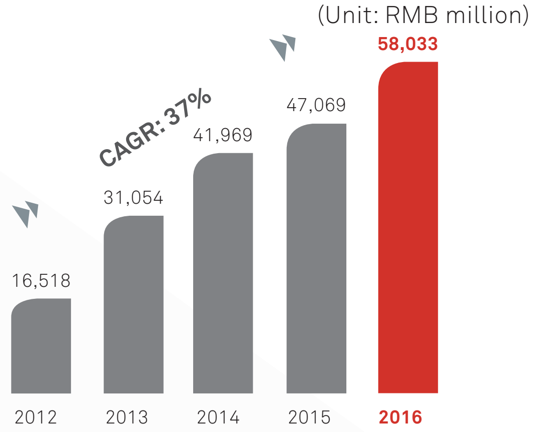
2. The total sales volume for 2012 to 2015 excludes the sales volume of Fujian Benz. However, for comparison purpose, when it comes to the change in the sales volume of the Group between 2016 and 2015 in this report, the total sales volume of Fujian Benz in 2015 is included as the base for calculation.

[5] When referring to the sales volume of the Group in this report, it refers to the sales volume of wholesales.

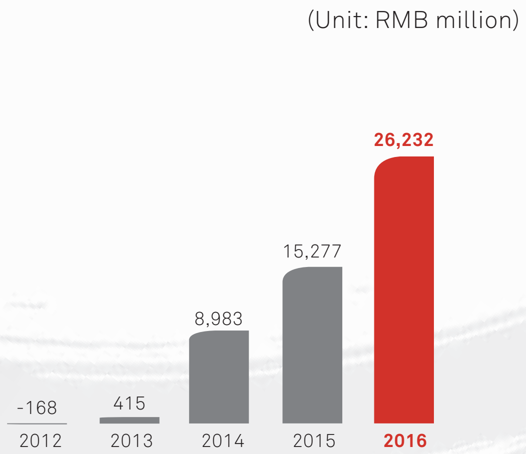
Total Asset



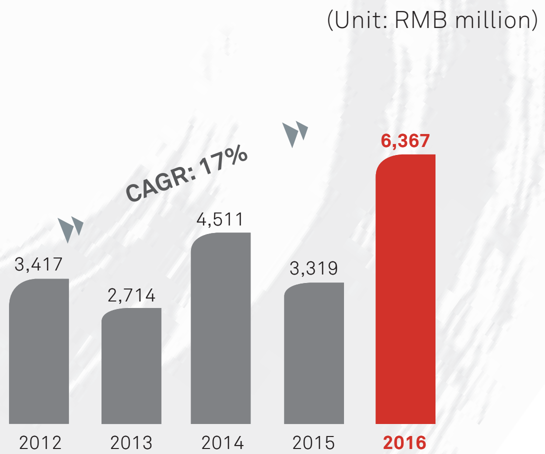
Total Equity



Gross Profit



Profit Attributable to Equity Holders of the Company



Technology

Company Profile and Business Overview

OVERVIEW

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

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

MAJOR BUSINESS OPERATIONS

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

Passenger vehicles

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

1. **Beijing Brand**

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

Senova

"Senova" is a mid to high-end passenger vehicle product series under our proprietary brands and targets customers who value both vehicle performance and cost efficiency. "Dedication to Performance" is the brand philosophy of Senova.

BJ

"BJ" series is a pioneer brand of BAIC which is inherited from the half century long military vehicle with a strong DNA of hard style off-road vehicle. "Pure Cross-Country, Absolutely Boundless" is the brand philosophy of BJ.

Wevan

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

New Energy Vehicle

Along with manufacturing of traditional oil-powered passenger vehicles, Beijing Brand business has also actively promoting production of new energy vehicles that adapted from traditional oil-powered car models, and it completed the upgrading for new energy production technologies in all manufacturing bases in 2015. Beijing Brand business has advocating the research, development and production of pure electric new energy passenger vehicles, and becomes a leader in pure electric new energy vehicle business.

2. **Beijing Benz**

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

Beijing Benz currently manufactures and sells four types of Mercedes-Benz vehicles, namely the E-Class sedan, the C-Class sedan, GLC-Class SUV and GLA-Class SUV. In terms of wholesale sales volume in 2016, Beijing Benz is the second-largest producer of Chinese premium passenger vehicles according to the data of the CAAM, and its sales growth rate is higher than those of its competitors, indicating robust growth momentum.

3. **Beijing Hyundai**

Beijing Hyundai Motor Co., Ltd. ("Beijing Hyundai") is our joint venture. The Company holds 50.0% equity interest of Beijing Hyundai through its subsidiary BAIC Investment Co., Ltd. ("BAIC Investment"), while Hyundai Motor Company ("Hyundai Motor") holds another 50.0% equity interest of Beijing Hyundai. Beijing Hyundai commenced the manufacturing and sales of passenger vehicles of Hyundai brand in 2002.

Beijing Hyundai currently manufactures and sells over ten types of vehicles, covering a full range of major sedan models including middle class, compact and A0 class models, as well as SUV models. In terms of sales volume in wholesales in 2016, Beijing Hyundai is the fourth-largest enterprise of joint venture brand passenger vehicle in China according to CAAM.

4. **Fujian Benz**

Fujian Benz Automotive Co., Ltd. ("Fujian Benz") is our joint venture. The Company holds 35.0% equity interest in Fujian Benz, and establishes an act-in-concert agreement with Fujian Motor Industry Group Co. ("FJMOTOR"), which holds 15.0% equity interest in Fujian Benz. The consensus will be reached while making decisions regarding the operation, management and other matters of Fujian Benz, as well as exercising the power by the directors appointed by FJMOTOR. Daimler Vans Limited (Hong Kong) holds the remaining 50.0% equity interest of Fujian Benz. Fujian Benz commenced the manufacturing and sales of multi-purpose passenger vehicles and vans of Mercedes-Benz brand in 2010.

Fujian Benz currently manufactures and sells three major types of Mercedes-Benz vehicles, including the V-class model, New Vito and Sprinter, among which V-class model is the updated version of Viano and New Vito is the updated version of Vito. During 2016, Fujian Benz recorded sales of 13 thousand units of vehicles in total, representing a year-on-year growth of 87.5%.

Core parts and components for passenger vehicles

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

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

Beijing Benz commenced to manufacture engines in 2013, and has two engine factories. It is the only engine manufacturing base of Mercedes-Benz brand outside Germany. Its specific product offerings include M270, M274 and M276 engines.

Beijing Hyundai commenced to manufacture engines in 2004, and has three engine factories. Its specific product offerings cover six major series including Gamma1.6 MPI/GDI and Gamma1.6 Turbo-GDI. These engines are industry-leading in terms of technology and power, mainly for use in Hyundai-branded passenger vehicles manufactured by Beijing Hyundai.

Car financing

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

In respect of Beijing Brand's car financing business, we have conducted group strategic cooperation with various commercial banks, automobile financial companies and lease finance companies, offering clients great variety of financial products covering all car models now selling on the market, lengthy interest-free period and favorable discount loans. The penetration rate of Beijing Brand's car financing business increased by approximately 7 percentage points in 2016 as compared to 2015, boosting a rapid growth of sales of Beijing Brand.

MBLC is our associate. The Company and Daimler Greater China each holds 35.0% and 65.0% equity interest of MBLC. During 2016, MBLC's sale-leaseback volume increased by more than 200%, while the finance lease penetration rate of Mercedes-Benz-branded passenger vehicle business increased by approximately 3 percentage points as compared with that of 2015, which clearly further stimulated the sales of Beijing Benz's new models.

BHAF is our associate. The Company holds 33.0% and 14.0% equity interest of BHAF through its subsidiary BAIC Investment and joint venture Beijing Hyundai, while Hyundai Capital Services and Hyundai Motor hold the remaining equity interest. During 2016, BHAF secured the third position in light of the new retail loan contract volume, while Beijing Hyundai's penetration rate of retail loans increased by approximately 7 percentage points as compared with that of 2015. Meanwhile, treasury financing business is formally launched, and business diversification advances in a progressive manner.

Other related businesses

During 2016, we conducted research and development of high-end passenger vehicles and light materials and used car businesses through relevant associates.

CORE COMPETITIVENESS

Amid intense market competition during 2016, the Group managed to maintain rapid growth, which attributed to the following core competitiveness:

1. Highly complementary and competitive business layout

Our passenger vehicle brand portfolio is profoundly competitive and highly complementary. Our business covers: Beijing Brand passenger vehicles, which are technologically advanced and have outstanding competitiveness in segmented markets; Mercedes-Benz-branded premium passenger vehicles, which have long history and are taking leading position in China market; mid to high-end passenger vehicles of Beijing Hyundai joint venture, which have strong global strength and are industry-leading in both sales and quality; and Mercedes-Benz-branded premium business purpose vehicles, which are leading the domestic market. Our products cover different market segments such as the joint venture brands of premium and mid to high-tier markets and proprietary brands for the mid to high-end and the economical market segments. Our consumer group consists of businessmen, officials and family users with different requirements. These brands are highly complementary yet not directly competitive to each other; as such the whole brand portfolio is very competitive.

2. Clearly defined and well-positioned development strategies

In recent years, we have been focusing on developing businesses in major market segments with outstanding growth, and our strategic focus targets at premium vehicle, new energy vehicle and SUV markets. Together with improvement in product layout and market expansion, we have achieved great development performance in aforementioned markets:

In regard to strategies for premium vehicles, through deepening strategic co-operation with Daimler AG, as well as investment in Fujian Benz, Beijing Benz and Fujian Benz form two-wheel driven positive interaction;

In respect of strategies for SUV, during 2016, the sales percentage of SUV products of Beijing Brand, Beijing Benz and Beijing Hyundai increased to 52.8%, 48.6% and 33.7% respectively, quickly capturing the market share of each segment;

In regard to strategies for new energy vehicles, Beijing Brand is a leader of the pure electric new energy passenger vehicles market in China. In 2017, Beijing Brand will continue to build on its success to further enrich its new energy product offerings. Meanwhile, Beijing Hyundai has also announced its commitment to implementation of the new energy strategic “NEW” program, and is expected to launch nine notable new energy models by 2020, as well as applying various new technologies.

We believe that our comprehensive product portfolio has been and will continue to be a key that enable us to seize opportunities in rapidly growing passenger vehicle market in China.

3. Diversified equity structure and good strategic partnership

Our Controlling Shareholder is Beijing Automotive Group Co., Ltd. ("BAIC Group"), which is one of the top five automobile groups in China, and ranked 160th among Fortune's Global 500 companies in 2016. Our shareholders include state-owned investment platform, key state-owned enterprise, Daimler AG, related strategic and financial investors, which is a diversified and internationalized equity structure.

For joint venture cooperation, we have established sound strategic partnerships with Daimler AG and Hyundai Motor in respect of passenger vehicle businesses within China, whereby it can further enhance the strategic depth and breadth of cooperation between both parties, and strengthen effectiveness of such strategic partnership.

We believe that the diversified and internationalized equity structure and sound relationship with strategic partners will help enhance our brand value and reputation and provide strong support for our long-term development for the business of the Group.

4. International management team with remarkable track records

We believe our excellent management team is particularly important for the long-term development for the business of the Group. Members of our senior management have more than 20 years of relevant industry experience on average, and have accumulated extensive corporate management experience in a number of leading automotive enterprises in international and domestic markets. The above management team structure enables us to forecast passenger vehicle trends and technologies as well as development pattern of the industry in future, in order to formulate highly efficient and visionary development strategy.

5. Advanced manufacturing, technologies, quality and process management

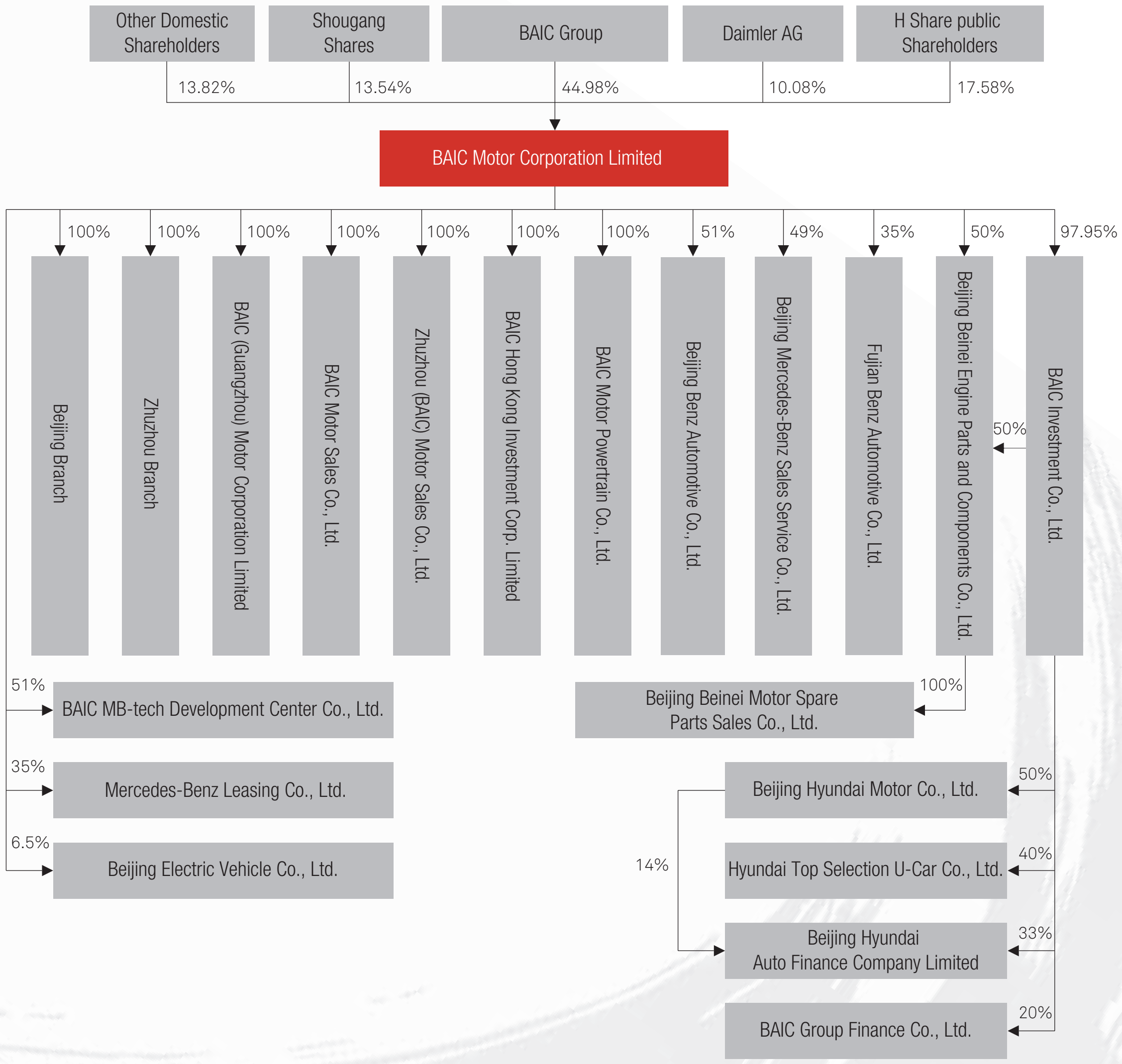
We have specialized production facilities to manufacture and assemble passenger vehicles to improve efficiency and maintain product quality standards, as well as save unit product cost through production expansion. All of our brand production facilities are equipped with flexible production lines, as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

CONTROLLING SHAREHOLDER

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

SIMPLIFIED SHAREHOLDING STRUCTURE

The following chart sets out the major shareholding and investment structure of the Company at the end of 2016:



THE INDUSTRY DEVELOPMENT OF PASSENGER VEHICLES DURING 2016

During 2016, China's economy moved to a new normal situation, with an initially estimated GDP growth rate of 6.7%. The stable economic operation advanced, which marked a good start of the "13th Five-year Plan period". In the beginning year of supply-side structural reforms, the policy of "address overcapacity, reduce inventory, deleverage, lower costs, and bolster areas of weakness" received initial success, with increasing economic growth factors. According to the statistics of the CAAM, during 2016, production and sales volume of passenger vehicles in China amounted to 24.421 million units and 24.377 million units, representing an increase of 15.5% and 14.9% as compared with that of the corresponding period last year. The development of passenger vehicle industry had a significant boost to GDP growth. Meanwhile, the passenger vehicle industry showed the following characteristics in the year:

In terms of segmented market, SUV products continued to maintain rapid growth, with a growth rate of 44.6%, and its market share increased by approximately 8 percentage points to 37.1%. Growth rate of MPV products amounted to 18.4%, while sedan products achieved a turnaround and recorded a positive growth of 3.4%.

In terms of series market, the sales volume of Chinese-branded passenger vehicles amounted to 10.529 million units with a year-on-year increase of 20.5%, and the market share of those vehicles increased to 43.2%, representing a year-on-year growth of 2 percentage points. Among them, the sales volume of Chinese-branded SUV amounted to 5.268 million units with a year-on-year growth of 57.6%, and accounted for 58.2% of total sales of SUV, increased by 4.8 percentage points year-on-year. Following steady improvement in product quality, as well as gradual establishment of research and development processes, standards and systems, Chinese-branded vehicles have growing international influence.

Meanwhile, new energy passenger vehicles maintained explosive growth, of which production and sales volume of pure electric passenger vehicles amounted to 263 thousand units and 257 thousand units respectively, increased by 73.1% and 75.1% as compared with that of the corresponding period last year; production and sales volume of plug-in hybrid passenger vehicles amounted to 81 thousand units and 79 thousand units respectively, increased by 29.9% and 30.9% as compared with that of the corresponding period last year.

In addition, driven by changes in consumption subjects and concepts of China automobile market, as well as favorable policies of the car financing industry, the proportion of consumers using credit for car purchase has continued to climb. During 2016, the volume of new retail loan contracts of car financing companies increased rapidly as compared with that of 2015. As an emerging sector in traditional automotive industry, car financing business captures further attention and favor from the market.

BUSINESS OPERATIONS OF THE GROUP IN 2016

Production and sales of various brands

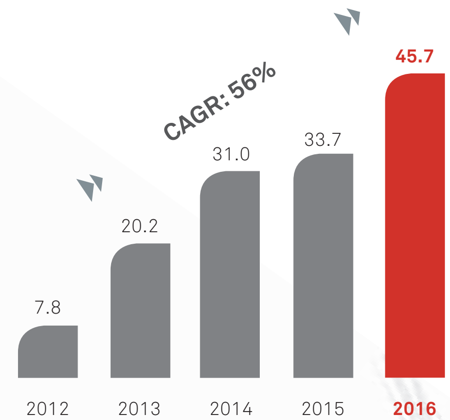
In 2016, the Group adhered to its established development strategy. Beijing Brand, Beijing Benz, Beijing Hyundai and Fujian Benz recorded sales of 1.929 million units of vehicles in total with a year-on-year increase of 16.4%, continuing to outperform the overall level of the passenger vehicle industry.

1. **Beijing Brand**

   During 2016, Beijing Brand's passenger vehicles recorded sales of 457 thousand units with a year-on-year increase of 35.6%. The growth rate is much higher than the general industry level and the overall growth rate of the brands in China, which clearly indicates the momentum for accelerated growth. Among them, Senova Series recorded sales of 201 thousand units, increased by 65.1% year-on-year; BJ Series recorded sales of 28 thousand units, increased by 619.7% year-on-year; Wevan Series recorded sales of 180 thousand units, decreased by 5.8% year-on-year; new energy passenger vehicles recorded sales of 48 thousand units, representing a year-on-year increase of 138.7%.

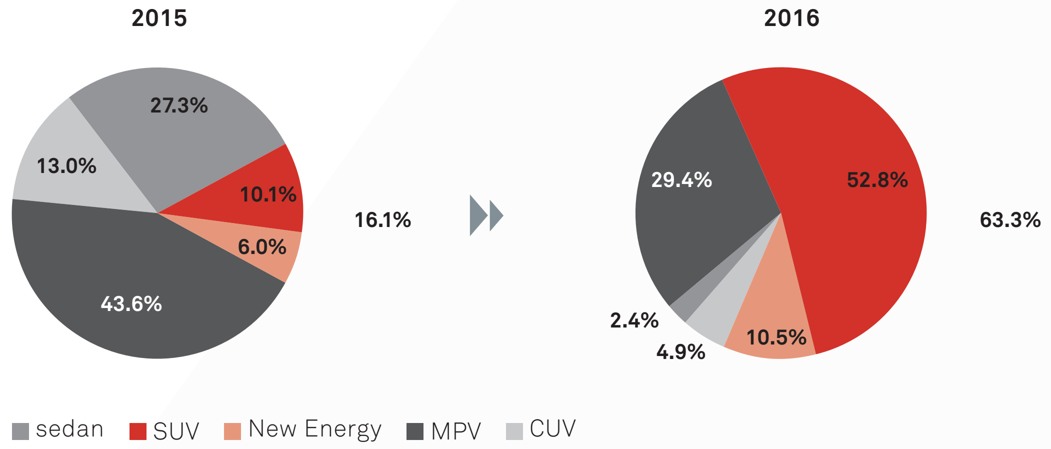
The following chart shows the sales volume of Beijing Brand over the past five years:

(Unit: 10,000 units)



In respect of product structure, thanks to the advancement of "E+S" (new energy vehicle models + SUV models) strategy, the optimization of Beijing Brand's product structure continues. During 2016, Beijing Brand's new energy and SUV products recorded sales of 290 thousand units, and their sales proportion increased to 63.3%. These products have become key elements for brand development.

Sales proportion of each of the Beijing Brand's product categories is as follows:



In respect of SUV products, during 2016, Beijing Brand's SUV products recorded sales of 242 thousand units with a growth of about 6.1 times year-on-year, and four new models, namely Senova X55, Senova X35, BJ20 and Wevan S50, were launched in the year, of which Senova X25 products recorded a total sales of 76 thousand units throughout the year, while the monthly sales of Senova X35 continued to surge, with peak sales of over 16 thousand units.

For new energy products, Beijing Brand continued to maintain its leadership in pure electric new energy vehicle industry. The annual sales of new energy vehicles amounted to 48 thousand units with an increase of 138.7% year-on-year, while the monthly peak sales broke the level of 7 thousand units. According to the overall sales of pure electric passenger vehicles released by the CAAM, Beijing Brand's pure electric new energy passenger vehicles secured a leading market share in 2016.

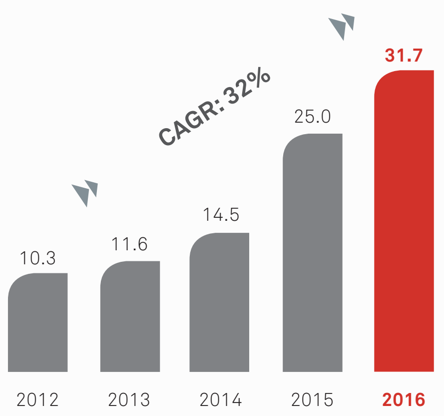
In terms of production lines, Beijing Brand fully completed the strategic layout and investment of products for one automobile generation in 2016, so as to establish a product system with better competitiveness in new energy, SUV and MPV markets.

2. Beijing Benz

During 2016, Beijing Benz continued its explosive growth, and it recorded sales of 317 thousand units. With a sales growth of 26.7% year-on-year, which was much higher than that of other joint venture premium branded passenger vehicle manufacturers, Beijing Benz continued to lead the rapid growth of premium vehicle market in China.

The following chart shows the sales volume of Beijing Benz over the past five years:

(Unit: 10,000 units)



Along with the growth, the optimization of Beijing Benz's product structure also continues. New models are recognized by the market, achieving rapid growth in sales volume. In August 2016, Beijing Benz launched Brand New Mercedes-Benz E-class long-wheelbase sedan and Brand New standard-wheelbase E-Class sedan subsequently. Since then, all series under Beijing Benz have completed their renewal and replacement, as such its competitiveness is further reinforced. In September 2016, the new model shortly recorded monthly sales of 8 thousand units, and its monthly sales exceeded 10 thousand units in four months after its launch.

Along with rapid growth in production and sales volume, Beijing Benz also promotes further capacity construction. During 2016, phase two construction of Beijing Benz's engine plant was completed, and the plant has commenced production. Meanwhile, Beijing Benz continued to facilitate the expansion construction of vehicle factory, so as to provide security for further expansion of production and sales.

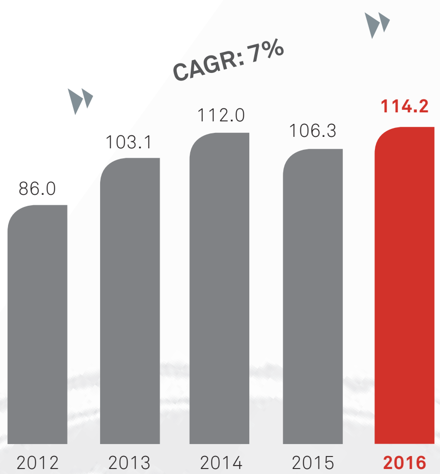
During 2016, Beijing Benz won the title of "2016 Global Best Operating Factory – Best Manufacturer in Large Scale", becoming the first vehicle manufacturing enterprise in China granted this award. This Award was jointly organized by A.T. Kearney and "Produktion", a financial journal in Germany, with an aim to identify and recognize enterprise models in global manufacturing industry.

3. **Beijing Hyundai**

During 2016, Beijing Hyundai's passenger vehicles recorded sales of 1.142 million units with a year-on-year increase of 7.5%. Its sales volume secured the fourth position in joint venture brands.

The following chart shows the sales volume of Beijing Hyundai over the past five years:

(Unit: 10,000 units)



During 2016, product structure of Beijing Hyundai was further optimized. Sales volume of SUV products increased by 30.1% year-on-year, and the proportion of D+S (D class sedans + SUV models) further increased to 50.3%. Meanwhile, according to the automobile product satisfaction survey conducted by J.D.Power[6], Beijing Hyundai ranked top three in SSI, CSI and IQS[7] during 2016, highlighting its excellent product quality.

During 2016, in order to cater to the industry development and consumption upgrade, Beijing Hyundai was committed to the implementation of new energy strategy, and launched more appealing T-power models. In respect of new energy strategy, Beijing Hyundai announced "NEW" Plan, under which Beijing Hyundai plans to launch nine notable new energy models by 2020, and it completed the announcement of the ninth-generation hybrid-powered Sonata in 2016; in regard to T-power strategies, through the launch of Mistra, additional 1.6T model of IX25, the ninth-generation Sonata and the brand new, flagship face-lifted T-power models of Santa Fe and Ward's 10 Best 1.4T Engine, Beijing Hyundai substantially increased the proportion of T-powered models, so as to enhance its brand image.

In October 2016, Beijing Hyundai's Cangzhou factory officially put into operation so as to effectively alleviate the pressure on production capacity of Beijing Hyundai, and provide capacity reserves for seizing market share in future.

4. **Fujian Benz**

In March 2016, Fujian Benz released the Mercedes-Benz V-Class multi-purpose passenger vehicles; in September 2016, Fujian Benz released the Mercedes-Benz New Vito multi-purpose passenger vehicles. Driven by these two new products, Fujian Benz recorded sales of 13 thousand units in 2016 with a year-on-year increase of 87.5%, achieving positive momentum of development.

6 J.D.Power is a brand under McGraw Hill Financial in the U.S, providing insight and solutions on customer satisfaction and improvement on performance.

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

Production facilities

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

Sales network

The Group always attaches great importance to the interests of customers, and strives to optimize its product-service system, in order to guarantee that product distributors and customers are able to receive timely, efficient, accurate and high quality services. During 2016, the Group strengthened its efforts in widening penetration of automobile sales network. Especially for Beijing Brand and Beijing Hyundai, the Group vigorously promoted the construction of satellite stores, so that the automobile sales network is no longer confined to the traditional 4S shop model, enhancing its sales efforts.

Research and development

The Group believes that our research and development capability is critical to the future development. During 2016, our various brands vigorously boosted construction of research and development system and capacity.

During 2016, Beijing Brand made greater breakthroughs in research and development in areas including design, power, electric vehicles, VoC[8], performance and light weighing. Particularly in the field of electric vehicles, Beijing Brand completed the development of first pure electric SUV in the industry, as well as high-end pure electric vehicle models with mile range of 400km. Meanwhile, at the CES[9] held in January 2017 in Las Vegas, the Company announced the intelligent strategy named "NOVA-PLS".

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

During 2016, Beijing Hyundai commenced the development project of pure electric vehicle Elantra, completed the development and validation of thirteen imported and facelifted models including Lingdong, the ninth-generation hybrid-powered Sonata and Verna, finished the fuel consumption improvement for models such as new Santa Fe and ix35, as well as accomplished revalidation of the fuel consumption of models including New Tucson, and therefore the corporate average fuel consumption meets the policy requirements.

8 Voice of Customer, refers to the research on customers' demand for products.
9 International Consumer Electronics Show (CES), a show hosted by Consumer Technology Association (CTA), with a view to promoting the integration of cutting-edge electronic technology with modern life. Starting from 1967, the show has become the platform for major electronics companies around the world to release product information, demonstrate their capability in high technology and advocate the future lifestyle.

Joint venture cooperation and industrial chain extension

During 2016, the Group made great accomplishments in capital operation, and took the following major initiatives to broaden the scope of cooperation, extend the industrial chain and expand the business market, so as to further enhance its competitiveness.

1. **Acquiring interests of Beijing Electric Vehicle**

   On March 24, 2016, the Company entered into a capital increase agreement with Beijing Electric Vehicle Co., Ltd. ("Beijing Electric Vehicle" or "BJEV"), a subsidiary of BAIC Group for the subscription of additional shares issued by Beijing Electric Vehicle. Upon subscription, the Company holds 6.5% equity interest of Beijing Electric Vehicle. The transaction has now been completed. The capital increase allows the Company to further deepen the business operation and synergies in the area of new energy vehicles, further expand its strategic industrial deployment, share the result of Beijing Electric Vehicle's development and maximise the interests of Shareholders.

2. **Acquiring interests of Fujian Benz**

   On September 18, 2016, the Company completed the change in industrial and administrative registration in respect of the acquisition of 35.0% equity interest in Fujian Benz, and as FJMOTOR acts in concert with the Company, Fujian Benz has officially become the Company's joint venture. The materialization of the equity transaction further extends and deepens the cooperation between the Company and Daimler AG (among other partners), achieving an overall strategic cooperation among the partners in respect of the Mercedes-Benz brand. Meanwhile, the equity transaction also enriches the Group's product lines, and achieves joint market exploration by capitalizing on all partners' technologies, talents and strategies, which is in the interests of the Company and its Shareholders as a whole.

3. **Capital increase to MBLC**

   On October 21, 2016, the Company and Daimler Greater China entered into a capital increase agreement, pursuant to which both parties contributed an aggregate amount of RMB500.0 million to MBLC in proportion to their respective shareholding in MBLC. Of which, the Company contributed RMB175.0 million, and it holds 35.0% equity interest in MBLC after capital increase. Driven by, amongst others, successful development of automobiles under the brand of Mercedes-Benz in the PRC, MBLC's sales volume has been rapidly increasing in the recent years. It is expected that MBLC's sales volume will further expand in the next few years following the rapid development of the PRC's automobile leasing and automobile financial market. It is expected that the contribution will help indirectly expand the sales volume of new vehicles sold by Beijing Benz, which will bring higher return on investment for the Company and the Shareholders.

4. **Establishment of BAIC South Africa**

   On November 7, 2016, BAIC Hong Kong Investment Corp. Limited ("BAIC Hong Kong"), the Company's wholly-owned subsidiary, entered into a subscription agreement and a shareholders' agreement with The Industrial Development Corporation of South Africa Limited ("IDC"), Investment Universe Co., Limited ("Investment Universe") and BAIC Automobile SA Proprietary Limited ("BAIC SA") in respect of the establishment of BAIC SA. BAIC SA will serve as the importer and manufacturer of "BAIC"-branded vehicles, components and parts in South Africa. Upon the establishment of BAIC SA, BAIC Hong Kong will hold 20% equity interest in BAIC SA. Setting up an automotive production plant in South Africa serves as the first step and milestone of the Group in its internationalization strategy, opening up a wider market for the Group in terms of customer base, human resources and technological resources.

PROSPECT FOR THE DEVELOPMENT OF PASSENGER VEHICLE INDUSTRY IN 2017

In 2017, it is expected that market demand for passenger vehicles in China is subject to the influence from curtailment of vehicle purchase tax incentives, and intensive launch of new models by various automobile companies will result in intensified competition. According to the forecast of the State Information Center, it is expected the growth rate of traditional passenger vehicle market in China will amount to approximately 6.5% in 2017. Meanwhile, the Group expects that the industry development will have the following characteristics:

1. **Chinese brands continue to thrive**

   By virtue of the outstanding performance in the SUV market, Chinese brands are expected to maintain rapid growth in 2017. According to the forecast of the State Information Center, it is expected that passenger vehicles of Chinese brands will record a year-on-year growth of approximately 8.0% in 2017.

2. **Increasing demand for premium vehicles**

   In 2017, market demand for premium vehicles in China is expected to remain robust. In the midst of maintaining rapid growth, new opportunities and challenges will also arise. The traditional three major German brands hold 90% market share of the segmented market over a long period of time, and the gap between their sales numbers is narrowing. The pricing system of the premium vehicle market will be subject to constant attention.

3. Prospect of new energy products remains positive

In 2017, following the tightening of automobile market policies in China, the sales of new energy vehicles in the first and second tier cities, being subject to restrictions on vehicle purchasing and driving, will further increase. Apart from that, the demand for short haul vehicles in the third and fourth tier cities, as well as loosened financial policies for new energy vehicles, will also further stimulate the sales growth of pure electric vehicles.

4. Further tightening of regulatory policies

In October 2016, it was pointed out at a meeting of PRC State Council that establishment of new manufacturers of traditional oil-powered vehicles would no longer be permitted in principle. This regulatory tendency clearly suggests the fact that new automobile brands and companies with future plans of launching and manufacturing of traditional oil-powered vehicles in China market will encounter obstacles for obtaining "production permits for vehicles". It is expected that regulatory policies concerning the passenger vehicle industry as a whole will be further tightened.

5. Intellectualization and internetization strategies gradually become clear

It is expected that in 2017 the in-depth cooperation between giants in automobile and internet industries will achieve initial success. The mainstream development directions for intelligent networked vehicles in future will include establishing logical and well-organized business cooperation models, integrating cross-platform advantages generated by user resources and technologies, and enhancing user's perception and satisfaction levels of vehicle intellectualization.

THE GROUP'S BUSINESS STRATEGIES IN 2017

2017 represents a critical year for our advancement of "13th Five-year Plan period". Our Group will continue to follow the operating philosophy of "customer-centric and market-oriented" and the operating principles of "aiming at focused transformation and stable efficiency growth". For the purpose of accomplishing the important missions, namely focusing on development of our proprietary brands, maintaining our leadership in new energy vehicles market, deepening internationalization strategy and promoting in-depth reforms of the state-owned enterprises, we will continue to strengthen our abilities in open cooperation and corporate governance, and ensure that our efforts are well-targeted and precise, as well as unceasingly reinforce our core competitiveness, and accelerate the pace of our strategic development and transformation and upgrading, in order to achieve strategic targets set for "13th Five-year Plan period".

1. Beijing Brand

During 2017, upholding the operating philosophy of "customer-centric and market-oriented", Beijing Brand will be committed to defining its product positioning. Meanwhile, Beijing Brand will take charge of research and development of 2.0 model, so as to ensure that the strategic car model can win success. Furthermore, Beijing Brand will use its prominent products to open up the market in order to enhance sales capabilities.

2. Beijing Benz

During 2017, Beijing Benz will pay close attention to production-sales linkage, conduct thorough analysis and set out mid to long term development planning, maintain the market popularity of existing products, as well as seek for quick entry of high-end new energy market.

In terms of sales efforts, Beijing Benz will build on its successful marketing management experience in 2016, keep in line with the principles of development of selected local markets and the strategy of driving growth in the wholesale by increasing retail business, and thoroughly explore every key process of sales management, in order to materialize the organic interaction between supply chain, information flow and value chain.

3. Beijing Hyundai

During 2017, Beijing Hyundai will strive to further improve profit margin of its products, open up breakpoints along the value chain, as well as enhance its adaptability to the changes in China market along with the completion of capacity placement, and further secure the fourth position in the industry.

In 2017, with the aim of "strengthening supply and enhancing both quantity and efficiency", Beijing Hyundai will formulate the Blue Melody Strategy with a core focus on "one social circle, two interactive chains and three support networks"[10].

4. Fujian Benz

During 2017, Fujian Benz will improve its profitability with the guideline of "accelerating the pace of product launch and technical upgrades, and building up its competitiveness in high-end vans market". Meanwhile, Fujian Benz will continue to pursue its goals of becoming the benchmarking company, and strive to gain leadership in market shares.

10 One social circle refers to establishing an automobile-related social circle for users (Blue Members); two interactive chains refer to realizing human-commerce electric interactive chain (Blue E-commerce) and human-vehicle intellectual interactive chain (Blue Link); three support networks refer to optimized channel support network (Blue Outlet), product support network (Blue Drive) and brand support network (Blue Youth).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Mercedes-Benz
北京奔驰
All New E-Class L Sport Sedan
C-Class Sedan
GLA SUV
GLC SUV


北京现代
NEW THINKING.
NEW POSSIBILITIES.
All New Santa-Fe
The 9th Generation Sonata
All New Tucson
All New Celesta

Management Discussion and Analysis

REVENUE

The Group's main business operations are the research and development, manufacturing, sales and after-sale services of passenger vehicles. The above business has brought sustained and stable revenue to the Group. In 2016, the total revenue of the Group increased to RMB116,199.0 million from RMB84,111.5 million in 2015, mainly attributable to the increase in revenue from both Beijing Benz and Beijing Brand[11].

Revenue generated from Beijing Benz increased to RMB85,312.0 million in 2016 from RMB66,262.8 million in 2015, representing a year-on-year increase of 28.7%, mainly attributable to (i) a year-on-year increase of 26.7% in sales volume of Beijing Benz; and (ii) the increase in average revenue due to the increase in sales volume of models with relatively higher selling prices.

Revenue generated from Beijing Brand increased to RMB30,887.0 million in 2016 from RMB17,848.7 million in 2015, representing a year-on-year increase of 73.0%, mainly attributable to (i) a year-on-year increase of 35.6% in sales volume of Beijing Brand; and (ii) an increase in average revenue of products driven by increased proportion of sales volume of the higher priced SUV products.

COST OF SALES

The Group's cost of sales increased to RMB89,967.3 million in 2016 from RMB68,834.7 million in 2015, mainly attributable to the increase in the volume of vehicles sold and related increase in costs of Beijing Benz and Beijing Brand.

Cost of sales incurred by Beijing Benz increased to RMB59,937.4 million in 2016 from RMB49,566.2 million in 2015, representing a year-on-year increase of 20.9%, mainly attributable to (i) a year-on-year increase in sales volume and revenue of Beijing Benz; and (ii) the partial offset of the impact of increase in costs by cost reduction measures implemented by Beijing Benz such as increasing the proportion of domestic procurement of components and parts.

Cost of sales incurred by Beijing Brand increased to RMB30,029.9 million in 2016 from RMB19,268.5 million in 2015, representing a year-on-year increase of 55.8%, mainly attributable to (i) a year-on-year increase in sales volume and revenue of Beijing Brand; (ii) an increase in average cost of products driven by increased proportion of sales volume of SUV products; and (iii) the partial offset of the impact of increase in costs by cost saving measures implemented by Beijing Brand.

[11] When referring to the business segment, "Beijing Brand" means the consolidated business of the Company and its subsidiaries (excluding Beijing Benz).

GROSS PROFIT

Based on the aforesaid reasons, the Group's gross profit increased to RMB26,231.7 million in 2016 from RMB15,276.8 million in 2015, mainly attributable to the year-on-year increase in gross profit of Beijing Benz and Beijing Brand.

Gross profit of Beijing Benz increased to RMB25,374.6 million in 2016 from RMB16,696.6 million in 2015, representing a year-on-year increase of 52.0%. Gross margin increased to 29.7% in 2016 from 25.2% in 2015, mainly attributable to (i) a year-on-year increase of 26.7% in sales volume of Beijing Benz; (ii) the increase in average gross profit due to the increase in sales volume of models with relatively higher gross profit; and (iii) the reduction in production cost due to the measures implemented by Beijing Benz, such as an increase in the proportion of domestic procurement of components and parts.

Gross profit of Beijing Brand increased to RMB857.1 million in 2016 from RMB-1,419.8 million in 2015. Gross profit margin increased to 2.8% in 2016 from -8.0% in 2015, mainly attributable to (i) a year-on-year increase of 35.6% in sales volume of Beijing Brand; (ii) higher sales proportion of the higher-margin SUV products; and (iii) the reduction in production cost due to the cost saving measures implemented by Beijing Brand.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses of the Group increased to RMB10,603.1 million in 2016 from RMB8,002.4 million in 2015, mainly attributable to the increase in selling and distribution expenses of Beijing Benz and Beijing Brand.

Selling and distribution expenses of Beijing Benz increased to RMB8,529.2 million in 2016 from RMB6,186.0 million in 2015, representing a year-on-year increase of 37.9%. The proportion of Beijing Benz's selling and distribution expenses to its revenue increased to 10.0% in 2016 from 9.3% in 2015. This was mainly attributable to (i) a year-on-year increase of 26.7% in sales volume of Beijing Benz, leading to an increase in expenses such as after-sales warranty, transportation and others along with changes in sales; and (ii) increase in targeted advertising and promotion expenses due to the launch of new vehicles by Beijing Benz in 2016.

Selling and distribution expenses of Beijing Brand increased to RMB2,073.9 million in 2016 from RMB1,816.4 million in 2015, representing a year-on-year increase of 14.2%. The proportion of Beijing Brand's selling and distribution expenses to its revenue decreased to 6.7% in 2016 from 10.2% in 2015. This was mainly attributable to (i) a year-on-year increase of 35.6% in sales volume of Beijing Brand, leading to an increase in expenses such as after-sales warranty, transportation and others along with changes in sales; and (ii) Beijing Brand's stricter budget control system on selling and distribution expenses which resulted in a decrease in the proportion of selling and distribution expenses to revenue.

ADMINISTRATIVE EXPENSES

Administrative expenses of the Group increased to RMB4,297.4 million in 2016 from RMB4,039.1 million in 2015, mainly attributable to the increase in administrative expenses of Beijing Benz and Beijing Brand.

Administrative expenses of Beijing Benz increased to RMB2,979.3 million in 2016 from RMB2,973.4 million in 2015, representing a year-on-year increase of 0.2%. The proportion of administrative expenses of Beijing Benz to its revenue decreased to 3.5% in 2016 from 4.5% in 2015, which was mainly attributable to (i) the increase in expenses in relation to urban construction tax, additional education expenses and other expenses due to increase in production and sales volume; and (ii) Beijing Benz's strict budget control system has made its administrative expenses stable and the proportion of administrative expenses steadily decrease along with the increase in revenue.

Administrative expenses of Beijing Brand increased to RMB1,318.1 million in 2016 from RMB1,065.7 million in 2015, representing a year-on-year increase of 23.7%. The proportion of administrative expenses of Beijing Brand to its revenue decreased to 4.3% in 2016 from 6.0% in 2015, which was mainly attributable to (i) the increase in expenses in relation to employees cost, urban construction tax, additional education expenses and other expenses due to increase in production and sales volume; and (ii) Beijing Brand's stricter budget control system on administrative expenses which resulted in a decrease in the proportion of administrative expenses to revenue year by year.

FOREIGN EXCHANGE LOSSES[12]

In 2016, the Group recorded a foreign exchange loss of RMB85.6 million against a foreign exchange gain of RMB90.2 million in 2015. The increase in foreign exchange loss was mainly attributable to exchange losses incurred by euro-denominated payments as a result of the decline in the exchange rate of Renminbi against Euro.

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

Since the second half of 2015, expectations for the depreciation of RMB have been strengthening, and the Group has accordingly used its best efforts to reduce the size of debt denominated in foreign currencies. Meanwhile, the Group has a well-developed foreign exchange management strategy that continuously and orderly controls foreign exchange rate risks of foreign exchange exposure. At present, the Group mainly uses foreign exchange forward contracts as our hedging tool.

FINANCIAL COSTS

The Group's net financial costs increased to RMB467.9 million in 2016 from RMB415.6 million in 2015, mainly attributable to the increase in financial costs of Beijing Brand.

12 Foreign exchange (loss)/gain include fair value changes of forward foreign exchange contracts.

Net financial income of Beijing Benz increased to RMB265.4 million in 2016 from RMB122.1 million in 2015, representing a year-on-year increase of 117.4%, mainly attributable to (i) the increase in deposit interest as a result of sufficient cash flow; and (ii) the decrease in financial expenses as a result of the decrease in long term borrowings.

Net financial costs of Beijing Brand increased to RMB733.3 million in 2016 from RMB537.6 million in 2015, representing a year-on-year increase of 36.4%, mainly attributable to the increase in interest expenses as a result of the increase in borrowings.

SHARE OF PROFITS OF JOINT VENTURES AND ASSOCIATES

The Group recorded a total investment income of RMB4,216.7 million in 2016, representing a year-on-year decrease of 1.0%, in which, the investment income of Beijing Hyundai decreased from RMB4,074.4 million in 2015 to RMB3,907.4 million in 2016, mainly because of lower net profit of Beijing Hyundai as its product range entered a cycle of generation upgrade, causing an increase in sales promotion and marketing expenses.

INCOME TAX EXPENSES

Income tax expenses of the Group increased to RMB3,732.9 million in 2016 from RMB1,998.6 million in 2015, representing a year-on-year increase of 86.8%, mainly attributable to the increase in taxable income. Effective tax rate increased to 24.4% in 2016 from 24.0% in 2015.

The rates of enterprise income tax applicable to the Company and its subsidiaries in 2016 and 2015 were: 15.0% for new and high technology enterprises, 16.5% for Hong Kong profits tax, 32.8% for German enterprise income tax and the statutory 25.0% for PRC enterprises, among which 25.0%, the statutory enterprise income tax rate for PRC enterprises was applicable to Beijing Benz in 2016 and 2015.

NET PROFIT

Based on the aforesaid reasons, the Group's net profit increased to RMB11,536.2 million in 2016 from RMB6,322.0 million in 2015, representing a year-on-year increase of 82.5%, mainly attributable to the increase in net profits of Beijing Benz and Beijing Brand.

Net profit of Beijing Benz increased to RMB10,373.7 million in 2016 from RMB5,952.7 million in 2015, representing a year-on-year increase of 74.3%, with net profit margin of Beijing Benz increasing to 12.2% in 2016 from 9.0% in 2015.

Net profit (including investment income) of Beijing Brand increased to RMB1,162.5 million in 2016 from RMB369.3 million in 2015, representing a year-on-year increase of 214.8%, with net profit margin increasing to 3.8% in 2016 from 2.1% in 2015. Excluding the investment income from Beijing Hyundai, net profit increased to RMB-2,744.9 million in 2016 from RMB-3,705.1 million in 2015, representing a year-on-year decrease of loss of 25.9%.

NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The Group's net profit attributable to equity holders of the Company increased to RMB6,366.9 million in 2016 from RMB3,318.6 million in 2015, representing a year-on-year increase of 91.9%. Basic earnings per share increased to RMB0.84 in 2016 from RMB0.44 in 2015, representing a year-on-year increase of 90.9%.

FINANCIAL RESOURCES AND CAPITAL STRUCTURE

At the end of 2016, the Group had cash and cash equivalents of RMB36,063.9 million, notes receivable of RMB14,640.5 million, notes payable of RMB9,916.9 million, outstanding borrowings of RMB35,378.7 million, unused bank credit lines of RMB22,491.0 million, and commitments for capital expenditure of RMB4,571.7 million. The above outstanding borrowings included RMB1,780.4 million equivalents of Euro borrowings at the end of 2016.

At the end of 2015, the Group had cash and cash equivalents of RMB23,946.5 million, notes receivable of RMB6,370.6 million, notes payable of RMB2,104.6 million, outstanding borrowings of RMB30,266.0 million, and unused bank credit lines of RMB33,390.3 million.

The Group usually satisfied its daily working capital requirements through self-owned cash and borrowings. At the end of 2016, the outstanding borrowings of the Group included short-term borrowings and long-term borrowings of RMB27,569.6 million and RMB7,809.1 million, respectively. The Group will promptly repay the aforesaid borrowings at maturity. As at the end of 2016, none of the Group's debt covenants in effect includes any agreement on the performance of controlling shareholder's obligations. The Group has also strictly followed all the terms and conditions in its debt covenants, and no default has taken place.

TOTAL ASSETS

Total assets of the Group increased to RMB168,900.4 million at the end of 2016 from RMB127,393.1 million at the end of 2015, representing a year-on-year increase of 32.6%, mainly attributable to (i) the increase in cash and cash equivalents and the other relevant current assets as a result of increase in sales volume of Beijing Benz and Beijing Brand; and (ii) the increase in noncurrent assets such as fixed assets, intangible assets, investments in joint ventures and associates driven by the continuous capital investment by Beijing Brand.

TOTAL LIABILITIES

Total liabilities of the Group increased to RMB110,867.1 million at the end of 2016 from RMB80,323.7 million at the end of 2015, representing a year-on-year increase of 38.0%. This was mainly attributable to (i) the increase in bills payable for the purchase of raw materials as a result of increased sales volume of Beijing Benz and Beijing Brand; and (ii) the increase in borrowings with the business expansion of Beijing Brand. Among the total liabilities of the Group, fixed-rate borrowings amounted to RMB16,626.3 million.

TOTAL EQUITY

Total equity of the Group increased to RMB58,033.3 million at the end of 2016 from RMB47,069.4 million at the end of 2015, representing a year-on-year increase of 23.3%, mainly attributable to the increase in net profits of Beijing Benz and Beijing Brand.

NET GEARING RATIO

As at the end of 2016, the Group's net gearing ratio ((total borrowings less cash and cash equivalents)/(total equity plus the total borrowings less cash and cash equivalents)) was -1.2%, representing a decrease of 13.0 percentage points from 11.8% at the end of 2015, mainly attributable to the increase in cash and cash equivalents and the excess of balance of cash and cash equivalents over the total borrowings as at the end of 2016.

SIGNIFICANT INVESTMENTS

Total capital expenditures of the Group decreased to RMB6,075.7 million in 2016 from RMB7,418.8 million in 2015, representing a year-on-year decrease of 18.1%, of which capital expenditures of Beijing Benz decreased to RMB4,172.3 million in 2016 from RMB4,333.0 million in 2015, and capital expenditures of Beijing Brand decreased to RMB1,903.4 million in 2016 from RMB3,085.8 million in 2015.

Total research and development expenses of the Group decreased to RMB2,800.1 million in 2016 from RMB3,729.1 million in 2015, representing a year-on-year decrease of 24.9%, the majority of which were incurred by Beijing Brand for its product research and development projects. Based on applicable accounting standards and the Group's accounting policy, most of the aforesaid research and development expenses complied with capitalization conditions and had been capitalized accordingly.

MATERIAL ACQUISITIONS AND DISPOSALS

On March 24, 2016, the Company entered into a capital increase agreement with BJEV for the subscription of additional shares issued by BJEV. Upon the subscription, the Company has 6.5% equity interests in BJEV.

On September 18, 2016, the Company completed the change in industrial and administrative registration in respect of the acquisition of the 35.0% equity interest in Fujian Benz. As FJMOTOR acts in concert with the Company, Fujian Benz formally becomes the joint venture of the Company.

On November 7, 2016, BAIC Hong Kong, the Company's wholly-owned subsidiary, entered into the subscription agreement and the shareholders' agreement with IDC and Investment Universe in respect of the establishment of BAIC SA. Upon the establishment of BAIC SA, it will be held as to 20% by BAIC Hong Kong.

For detailed information on the above co-operation, please refer to the Company's announcements dated March 28, 2016, September 19, 2016 and November 8, 2016 respectively.

PLEDGE OF ASSET

At the end of 2016, the Group had pledged notes receivable of RMB7,334.6 million.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities at the end of 2016.

EMPLOYEE AND REMUNERATION POLICIES

At the end of 2016, the Group had 25,159 employees, while there were 25,461 employees at the end of 2015. In 2016, the Group incurred total staff costs of RMB4,825.8 million, representing an increase of 5.9% as compared with that of 2015, mainly attributable to (i) the higher labor cost as a result of the increase in production of Beijing Brand; and (ii) the increase in average labor cost of Beijing Benz.

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

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

PROVISION OF LOANS

In 2016, the Group did not provide any loans to other entities.

EXTERNAL FINANCIAL ASSISTANCE OR GUARANTEES

In 2016, the Group did not provide any financial assistance or guarantees to external parties.

RISK FACTORS

1. Risks relating to macroeconomic volatility

Macroeconomic performance will have significant impact on consumer demand for passenger vehicles, and therefore will affect the Group's business performance. According to the forecast of the Chinese Academy of Social Sciences (CASS),China's GDP growth is expected to stabilize in 2017 with an expected annual growth rate of 6.5%, lower than the 6.7% growth rate in 2016. The Group will continue to pay attention to the macroeconomic situations in China, and introduce responsive measures in due course to deal with the volatility in the economic environment.

2. Risks relating to the fluctuation of raw material prices

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

3. Risks relating to emission and environmental protection policies

Exhaust emissions of traditional vehicles are viewed as one of the primary sources of air pollution. The Chinese government is constantly raising the emission standards of traditional vehicles. In the meantime, the standards for air quality in passenger vehicles are implemented successively. The Group has taken voluntary actions to fulfill its social responsibilities and support the implementation of the regulations in relation to emission and air quality in vehicles. However, the increased raw material costs and development expenditures will also affect the Group's operating results.

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

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

5. Risks relating to revisions of subsidy policy for new energy vehicles

In December 2016, the National Development and Reform Commission, the Ministry of Finance and other ministries of the PRC jointly promulgated a new subsidy policy for new energy vehicles, which raises and dynamically adjusts the standards for inclusion into the directory of recommended models, adjusts the subsidy standards for new energy vehicles, and improves the ways of provision of subsidy. Such revisions of subsidy policy for new energy vehicles may affect the Group's sales of new energy vehicles, and thus adversely affect the operating results within a certain period after policy adjustment. The Group will minimize such negative impact to the maximum extent by constantly strengthening the research and development capability of new energy vehicles and continuing to implement strict measures on procurement cost saving.

Customer Care

Report of the Board of Directors

The Board of Directors hereby presents the report of the Board of Directors to the Shareholders and 2016 audited consolidated financial statements as prepared in accordance with the IFRSs.

COMPANY PROFILE AND INITIAL PUBLIC OFFERING

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

PRINCIPAL BUSINESS

Please refer to the section headed "Major Business Operations" on pages 10 to 13 of "Company Profile and Business Overview" in this report for details.

BUSINESS REVIEW

Please refer to the chapters headed "Company Profile and Business Overview" on pages 10 to 25 and "Management Discussion and Analysis" on pages 28 to 35 in this report for information regarding the business conditions, main risks and uncertainties faced by the Group in 2016, and the forecast of 2017 outlook. In addition, please refer to page 40, page 40 and page 40 respectively in this report for information regarding the Group's environmental performance and policies in 2016, the compliance with the relevant laws and regulations that have a significant impact on the Group and the Group's relationship with employees, suppliers and customers.

OUTLOOK

Please refer to the section headed "The Group's Business Strategies 2017" on pages 24 to 25 of "Company Profile and Business Overview" in this report for details.

PERFORMANCE

The 2016 annual results and the financial position at the end of 2016 of the Company and the Group are set out on pages 112 to 194 of the audited consolidated financial statements in this report.

PROPERTY

Changes of property, plant and equipment of the Group in 2016 are set out in Note 7 to the audited consolidated financial statements.

SHARE CAPITAL

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

TAXATION

Tax position of the Group for 2016 is set forth in Note 32 to the audited consolidated financial statements.

EVENTS AFTER BALANCE SHEET DATE

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

DISTRIBUTABLE RESERVES

The details of the change in the reserves of the Company and the Group for 2016 are set forth in Note 41 to the audited consolidated financial statements, and in the consolidated statement of changes in equity on pages 116 to 117, respectively, among which the details of the reserve distributable to Shareholders are set forth in Note 41 to the audited consolidated financial statements.

PROFIT DISTRIBUTION

In accordance with the provisions of Article 193 of the Articles of Association, distributable profits will be determined based on either the China Accounting Standards or the IFRSs, whichever is lower.

The Board recommends to distribute an annual dividend for the year 2016 of RMB0.29 per share (tax inclusive). The proposal will be submitted to the Company's 2016 annual general meeting for review and approval. Expected date of distribution will be no later than September 30, 2017.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

The Company and the Group did not purchase, redeem or sell any of the Company's listed securities for 2016.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

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

In 2016, the Company's usage of the net proceeds from the initial public offering is consistent with those as set forth in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

MAJOR CLIENTS AND SUPPLIERS

Major clients

The transaction amount of the Group for the top five clients accounted for 6.0% of the total revenue in 2016, among which the transaction amount of the single largest client accounted for 3.1% of the total revenue.

Major suppliers

The transaction amount of the Group for the top five suppliers accounted for approximately 48.9% of the Group's cost of raw materials used in cost of sales in 2016. Among which, the transaction amount of the single largest supplier accounted for approximately 26.7% of the Group's cost of raw materials used in cost of sales in the year.

In 2016, Daimler AG, the Group's largest supplier, BJEV, the second largest supplier, Beijing Hainachuan Johnson Controls Automotive Components Co., Ltd., the third largest supplier, Beijing Beiqi Mould & Plastic Technology Co., Ltd., the fifth largest supplier, are the related parties of the Group.

In 2016, Mr. Hubertus Troska and Mr. Bodo Uebber, the non-executive Directors of the Company, held interests in Daimler AG. Save as disclosed above, to the best knowledge of the Directors, none of the Directors, associates of Directors or Shareholders (who to the best of the Directors' knowledge held more than 5.0% interest in the Company's share capital) has interests in the top five suppliers of the Group in 2016.

RELATIONS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group provides competitive remuneration portfolio to attract and incentivize employees. The Group reviews the employees' remuneration portfolio on a regular basis and makes necessary adjustment in order to be in line with the market standard. The Group also understands that it is of great importance to maintain good relations with suppliers and customers for the realization of the short-term and long-term goals. For the purpose of maintaining the competitiveness of brands and the leading position, the Group is committed to providing premium products and services to customers. In 2016, the Group had no material and significant dispute with suppliers and customers.

ENVIRONMENTAL PERFORMANCE AND POLICIES

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

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

COMPLIANCE WITH LAWS AND REGULATIONS

In 2016, the Group followed strictly the relevant laws, regulations and environmental policies in China, and established appropriate mechanisms for compliance operation. In accordance with the "Environmental, Social and Governance Reporting Guide" issued by the Hong Kong Stock Exchange, the Group has commenced preparation of the Company's environmental, social and governance report, which is planned to be released in or before July 2017.

BANK LOANS AND OTHER BORROWINGS

The details for bank loans and other borrowings of the Group at the end of 2016 are set forth in Note 23 to the audited consolidated financial statements.

DONATIONS

In 2016, the total amount of donations made by the Group was RMB51.0 million.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets forth part of information of the Directors, Supervisors and senior management of the Company at the end of 2016:

Directors

Name	Position	Commencement Date of Appointment
Mr. Xu Heyi	Chairman of the Board and Non-executive Director	September 20, 2010
Mr. Zhang Xiyong	Non-executive Director	September 6, 2013
Mr. Li Feng	Executive Director	September 6, 2013
Mr. Zhang Jianyong	Non-executive Director	December 28, 2016
Ms. Shang Yuanxian	Non-executive Director	December 28, 2016
Mr. Qiu Yinfu	Non-executive Director	June 24, 2013
Mr. Hubertus Troska	Non-executive Director	November 18, 2013
Mr. Bodo Uebber	Non-executive Director	November 18, 2013
Ms. Wang Jing	Non-executive Director	April 24, 2014
Mr. Yang Shi	Non-executive Director	September 20, 2010
Mr. Fu Yuwu	Independent non-executive Director	December 2, 2014
Mr. Wong Lung Tak Patrick	Independent non-executive Director	December 2, 2014
Mr. Bao Robert Xiaochen	Independent non-executive Director	December 2, 2014
Mr. Zhao Fuquan	Independent non-executive Director	December 2, 2014
Mr. Liu Kaixiang	Independent non-executive Director	December 2, 2014

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

Supervisors

Name	Position	Commencement Date of Appointment
Mr. Zhang Yuguo	Chairman of the Board of Supervisors	September 20, 2010
Mr. Wang Min	Supervisor	December 28, 2016
Mr. Yu Wei	Supervisor	June 29, 2015
Mr. Zhu Zhenghua	Supervisor	July 13, 2011
Ms. Li Chengjun	Employee Representative Supervisor	August 29, 2013
Mr. Zhang Guofu	Employee Representative Supervisor	August 29, 2013
Mr. Wang Jianping	Employee Representative Supervisor	February 25, 2015
Mr. Pang Minjing	Independent Supervisor	July 24, 2015
Mr. Zhan Zhaohui	Independent Supervisor	July 24, 2015

Senior Management

Name	Position	Commencement Date of Appointment
Mr. Li Feng	President	May 20, 2013
Mr. Chen Guixiang	Vice President	November 20, 2015
Mr. Zhou Yanming	Vice President	December 10, 2010
Mr. Chen Hongliang	Vice President	March 22, 2013
Mr. Liu Zhifeng	Vice President	June 1, 2013
Mr. Wang Zhang	Vice President	March 22, 2015
Mr. Cai Jianjun	Vice President	November 20, 2015
Mr. Gu Lei	Vice President	March 22, 2015
Mr. Xie Wei	Vice President	November 20, 2015
Mr. Liu Yu	Vice President	August 24, 2016
Ms. Sun Ke	Board secretary and company secretary	August 24, 2016 and September 23, 2016

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following sets out changes in information of the Directors, Supervisors and senior management from January 1, 2016 up to the Latest Practicable Date:

Directors and Supervisors

Mr. Zhang Jianyong and Ms. Shang Yuanxian were elected by poll at the general meeting and appointed as non-executive Directors on December 28, 2016, effective from the date of approval at the general meeting until the expiration of the term of the second session of the Board of Directors. Mr. Li Zhili and Mr. Ma Chuanqi ceased to serve as non-executive Directors on December 28, 2016.

On the same day, Mr. Zhang Xiyong, a non-executive Director, was elected as a member of the Nomination Committee, and Mr. Zhang Jianyong was elected as a member of the Audit Committee and a member of the Strategy Committee, both with the term up to the expiration of the term of the second session of the Board of Directors.

Mr. Wang Min was elected by poll at the general meeting and appointed as a Supervisor on December 28, 2016, effective from the date of approval at the general meeting until the expiration of the term of the second session of the Board of Supervisors.

The three-year term of the Company's second session of Board of Directors and Board of Supervisors expired on September 8, 2016. As the nomination work of Directors and Supervisors requires completion of certain process, in order to provide continuity to the two Boards, the terms of the second session of the Board of Directors and the second session of the Board of Supervisors have been extended until the new session of the Board of Directors and the Board of Supervisors are approved by Shareholders at the general meeting in accordance with the Articles of Association. The Company's China Legal Advisor, JunHe LLP, considers that the postponed formation of the second session of the Board of Directors and the Board of Supervisors, and the continuation by the existing Directors and Supervisors to execute their duties until the general meeting approving the new session of the Board of Directors and the Board of Supervisors do not contravene the requirements under the Company Law of the PRC or the Company's Articles of Association.

The Board passed the resolution on nomination for candidates of directors of the third session of the Board of Directors on March 6, 2017. On April 21, 2017, the Company convened its extraordinary general meeting, in which the appointment of the directors of the third session of the Board of Directors was approved. On the same day, the third session of the Board of Directors approved the membership of the Special Committees. Please refer to the relevant announcement dated April 21, 2017 of the Company for details.

Up to the Latest Practicable Date, the term of the Board of Supervisors of the Company was further extended. Please refer to the relevant announcement dated March 7, 2017 of the Company for details.

Senior Management and Company Secretary

Due to the needs of their work, the Company's vice-presidents Mr. Li Jikai, Mr. Chen Bao, Mr. Jiang Xiaodong, Mr. Liang Guofeng and Mr. Zhang Huaye have relinquished their positions since August 24, 2016, while Mr. Yan Xiaolei ceased to act as secretary to the Board of the Company on August 24, 2016, and the Company's vice presidents Mr. Wu Xuebin and Mr. Yin Taihe relinquished their positions since September 26, 2016 and November 30, 2016, respectively.

On August 24, 2016, the Board appointed Mr. Liu Yu as the Company's vice president and Ms. Sun Ke as secretary to the Board of the Company, from August 24, 2016 until the expiry of the term of office of the second session of the Board.

On September 23, 2016, Mr. Yan Xiaolei ceased to act as the company secretary and the authorized representative of the Company under Rule 3.05 of the Listing Rules. On the same day, the Board appointed Ms. Sun Ke as the company secretary of the Company and Ms. Mok Ming Wai, a director of KCS Hong Kong Limited, as the company secretary assistant. Ms. Sun has also succeeded Mr. Yan as the authorized representative under Rule 3.05 of the Listing Rules. With regard to the appointment of Ms. Sun, the Company has been granted by the Stock Exchange a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules. The waiver is for a period of three years.

Due to the needs of their work, the Company's president Mr. Li Feng relinquished his position since March 6, 2017. On the same day, the Board appointed Mr. Chen Hongliang as the Company's president and Mr. Huang Wenbing as the Company's vice president, from March 6, 2017 until the expiry of the term of office of the second session of the Board; in addition, the Company's vice president Mr. Liu Zhifeng has relinquished his position.

On April 21, 2017, the third session of the Board of Directors continued to appoint Mr. Xu Heyi as the chairman, Mr. Chen Hongliang as the president; continued to appoint Mr. Liu Yu, Mr. Zhou Yanming, Mr. Wang Zhang, Mr. Chen Guixiang, Mr. Xie Wei, Mr. Cai Jianjun, Mr. Huang Wenbing and Mr. Gu Lei as the vice presidents; continued to appoint Ms. Sun Ke as the secretary to the Board. The term of the office of all the aforementioned officers commence from April 21, 2017 until expiration of the term of office of the third session of the Board of Directors.

Save as disclosed above, from January 1, 2016 up to the Latest Practicable Date, the Company did not newly appoint or lay off any Directors, Supervisors and senior management.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Biographical details of Directors, Supervisors and senior management of the Company are set forth in chapter headed "Directors, Supervisors and Senior Management" on pages 88 to 99 of this report.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the Directors of the second session of the Board has entered into a service contract with the Company for a term of three years, or up to the term of office of the third session of the Board becoming effective. The Company will enter into service contracts with all the Directors of the third session of the Board for a term of three years or up to the term of office of the next session of the Board becoming effective.

Each of the Supervisors has entered into a service contract with the Company for a term of three years, or from the date of the latest appointment (as the case may be and whichever is later) and up to the expiration of the term of office of the second session of the Board of Supervisors, or up to the term of office of the third session of the Board of Supervisors becoming effective.

The service contract sets out the main terms, key conditions and relevant rights, obligations and responsibilities of the appointed Directors and Supervisors, with particular emphasis on the duties of the independent non-executive Directors and the executive Directors, and it can be terminated in accordance with the relevant terms in the service contract.

In 2016, none of the Directors or the Supervisors has entered into a service contract with the Company that cannot be terminated by the Company within a year without compensation (other than statutory compensation).

REMUNERATION OF DIRECTORS AND SUPERVISORS

Details of remuneration of Directors and Supervisors in 2016 are set forth in Note 42 to audited consolidated financial statements.

REMUNERATION FOR FIVE INDIVIDUALS WITH THE HIGHEST REMUNERATION

Details for remuneration of five individuals (excluding Directors and Supervisors) with the highest remuneration in the Company in 2016 are set forth in Note 30 to audited consolidated financial statements.

MANAGEMENT CONTRACTS

In 2016, no contract regarding the management and administration of overall business and any substantial part of the business has been entered into by the Company.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" on pages 51 to 63 of this report, none of the Company or any of its subsidiaries entered into any contracts of significance with the Controlling Shareholder or any of its subsidiaries other than the Group, nor was there any contracts of significance between the Group and the Controlling Shareholder or any of its subsidiaries other than the Group in relation to provision of services in 2016.

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

In 2016, save as disclosed in this report, none of the Directors or Supervisors or their connected entities has material interest in any contracts, transactions or arrangements, which are significant to the businesses of the Group and entered by the Company or any of its subsidiaries either directly or indirectly.

RIGHTS AND INTERESTS OF DIRECTORS ON COMPETING BUSINESSES

In 2016, save as disclosed in this report, none of the Directors or their associates has any competing interests in the businesses which compete or are likely to compete with the Group, either directly or indirectly.

DIRECTORS AND SUPERVISORS SERVING IN COMPETING BUSINESSES

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

Name	Main Positions in the Group	Main Positions in BAIC Group and its other related companies
Mr. Xu Heyi	• Chairman of the Board and non-executive Director of the Company • Chairman of the board of Beijing Benz • Chairman of the board of BAIC Investment • Chairman of the board of Fujian Benz	• Chairman of the board of BAIC Group • Chairman of the board of Beiqi Foton Motor Co., Ltd. • Chairman of the board of Beijing General Aviation Co., Ltd. • Chairman of the board of Beijing Electric Vehicle Co., Ltd. • Chairman of the board of Beijing Pan Pacific Aerospace Technology Co., Ltd. • Chairman of the board of Pacific Aerospace Limited in New Zealand
Mr. Zhang Xiyong	• Non-executive Director of the Company	• Director and general manager of BAIC Group • Vice chairman of the board of Beiqi Foton Motor Co., Ltd. • Chairman of the board of BAIC (Zhenjiang) Motor Co., Ltd. • Chairman of the board of Jiangxi Chang He Automotive Co., Ltd. • Chairman of the board of BAIC ROCAR Automobile Service & Trade Co., Ltd.

Name	Main Positions in the Group	Main Positions in BAIC Group and its other related companies
Mr. Zhang Jianyong	• Non-executive Director of the Company	• Deputy general manager of BAIC Group • Director of Beiqi Foton Motor Co., Ltd. • Chairman of the board of BAIC Group Finance Co., Ltd. • Executive director of BAIC Group Industrial Investment Co., Ltd. • Director of Beijing Hainachuan Automobile Components Corporation Limited • Director of Jiangxi Chang He Automotive Co., Ltd. • Director of Shandong Binzhou Bohai Piston Co., Ltd. • Supervisor of BAIC ROCAR Automobile Service & Trade Co., Ltd. • Supervisor of Inalfa Roof Systems Group B.V. • Director of Pacific Aerospace Limited in New Zealand • Chairman of board of supervisors of Beijing Electric Vehicle Co., Ltd.
Ms. Shang Yuanxian (Note)	• Non-executive Director of the Company	• Director of Beiqi Foton Motor Co., Ltd. • Director of Beijing Hainachuan Automobile Components Corporation Limited • Director of Jiangxi Chang He Automotive Co., Ltd. • Director of Shandong Binzhou Bohai Piston Co., Ltd.
Mr. Qiu Yinfu	• Non-executive Director of the Company • Director of BAIC Investment	• Director of Beiqi Foton Motor Co., Ltd.
Ms. Wang Jing	• Non-executive Director of the Company	• Director of Beijing Electric Vehicle Co., Ltd.
Mr. Zhu Zhenghua	• Supervisor of the Company	• Director of Beijing Electric Vehicle Co., Ltd. • Director of Beijing Hainachuan Automobile Components Corporation Limited

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

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

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

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

At the end of 2016, none of the Company's Directors, Supervisors and senior management had any interests or short positions (including those deemed to have according to the provisions of the SFO) in the shares, underlying shares or debentures of the Company's or any of its associated corporation (as defined under Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 in Part XV of the SFO, or any interests or short positions, pursuant to section 352 in SFO, which are required to be recorded in the register referred to by the interests or short positions, or needed to be notified to the Company and the Stock Exchange pursuant to Model Code.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At the end of 2016, none of the Directors or Supervisors or any of their respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or any other body corporate, or had exercised any such right.

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

At the end of 2016, and to the best knowledge of the Directors, the following entities/persons (except for the Company's Directors, Supervisors and senior management) have interests or short positions in the Shares or underlying shares which are required to be disclosed to the Company pursuant to Divisions 2 and 3 in Part XV of SFO, or recorded in the register required to be kept under section 336 of the SFO, or who were directly and/or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings:

Name of Shareholder	Type of Share	Amount of share/relevant share amount (Note 1)	Percentages to relevant share capital types (%) (Note 2)	Percentages to the total share capital (%)
BAIC Group	Domestic Shares	3,416,659,704(L)	62.18	44.98
Beijing Shougang Company Limited	Domestic Shares	1,028,748,707(L)	18.72	13.54
Shenzhen Benyuan Jinghong Equity Investment Fund (Limited Partner)	Domestic Shares	342,138,918(L)	6.23	4.50
Daimler AG	H Shares	765,818,182(L)	36.46	10.08
Easy Smart Limited	H Shares	278,651,500(L)	13.26	3.67

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

Note 2: The percentage is calculated by the amount of shares held by relevant person/the amount of relevant types of shares issued by the end of 2016.

ARRANGEMENTS FOR SHARE PRE-EMPTIVE RIGHT AND SHARE OPTION

In 2016, no arrangement for share pre-emptive right and share option was made by the Company, and there is no specific provision under the PRC laws or the Articles regarding share pre-emptive right.

DEBENTURES ISSUED

The debentures issued by the Group in 2016 are set out below:

On February 2, 2016, the Company issued the first ultra short-term debentures for 2016 for RMB2,000 million at an interest rate of 2.85% with a term of 270 days. The capital raised was mainly for repayment of borrowings and working capital supplement.

On April 22, 2016, the Company issued the first green bond for 2016 for RMB2,500 million at an interest rate of 3.5% with a term of 7 years. The capital raised was mainly for technological upgrade and capacity expansion project of the Company's Zhuzhou base.

On August 12, 2016, the Company issued the second ultra short-term debentures for 2016 for RMB2,500 million at an interest rate of 2.7% with a term of 270 days. The capital raised was mainly for repayment of borrowings and working capital supplement.

On October 12, 2016, the Company issued the third ultra short-term debentures for 2016 for RMB2,500 million at an interest rate of 2.7% with a term of 270 days. The capital raised was mainly for repayment of borrowings and working capital supplement.

On March 17, 2016, BAIC Investment issued the first corporate bond for 2016 for RMB1,500 million at an interest rate of 3.2% with a term of 5 years. The capital raised was mainly used as working capital supplement.

EQUITY-LINKED AGREEMENTS

In 2016, no equity-linked agreement was entered into by or subsisted in the Company, and there was no provision to enter into any agreement which will or may result in the Company issuing new shares.

PERMITTED INDEMNITY PROVISION

In 2016, no permitted indemnity provision (whether made by the Company or otherwise) was made or in force for the benefit of the directors of the Company or any directors of the associated companies of the Company (if made by the Company).

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

PENSION AND EMPLOYEE BENEFITS PLAN

For details on the Group's pension and employee benefits plan, please refer to the chapter headed "Human Resources" on pages 100 to 101 of this Report.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

For details, please refer to the chapter headed "Corporate Governance Report" on pages 70 to 87 of this report.

AUDIT COMMITTEE

The Audit Committee has reviewed the Company's and the Group's 2016 annual results, and the audited consolidated financial statements prepared in accordance with IFRSs for 2016.

AUDITORS

PwC and PwC Zhong Tian were appointed as the Company's auditors in relation to the financial statements prepared under the IFRSs and China Accounting Standards, respectively, for the year ended 2016.

SUMMARY OF THE 5-YEAR FINANCIAL INFORMATION

Summary of the Group's operation performance, assets and liabilities for the last five financial years is set out in the chapter headed "Summary of Financial and Performance Information" on pages 5 to 7 of this report. This summary does not form part of the audited consolidated financial statements.

COMPLIANCE OF BAIC GROUP WITH THE NON-COMPETITION UNDERTAKING

The Company has received a confirmation letter from BAIC Group, which confirms that in 2016 BAIC Group has complied with every undertaking in the "Non-competition Undertaking" granted to the Company.

PUBLIC FLOAT

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

MATERIAL LITIGATION

As of the end of 2016, the Group was not involved in any material litigation or arbitration. To the best knowledge of the Directors, there is also no ongoing or possible material litigation or claim against the Company.

CONNECTED TRANSACTIONS

Continuing Connected Transactions

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

   The Company entered into a trademark and technology licensing framework agreement (the "Trademark and Technology Licensing Framework Agreement") with BAIC Group on December 2, 2014 for an initial term commencing on the Listing Date of the Company and expiring on the end of 2016, subject to renewal upon mutual consents by both parties. Both parties have renewed the Agreement on October 20, 2016, the term of which commenced on January 1, 2017 and will end on December 31, 2019, subject to renewal upon mutual consents by both parties.

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

The Trademark and Technology Licensing Framework Agreement was entered into on normal commercial terms and the Group paid trademark license fee of RMB0 and technology license fee of RMB0 to BAIC Group during 2016. For the purpose of Chapter 14A of the Listing Rules, the applicable ratio was less than 0.1%. By virtue of Rule 14A.76 of the Listing Rules, the aforesaid continuing connected transaction is exempted from annual reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

Beijing Benz entered into a trademark licensing agreement with BAIC Group and Daimler AG respectively, in respect of its company name "Beijing Benz" and the production and assembly of existing vehicle models. The trademark licensing agreement entered into between Beijing Benz and BAIC Group commenced on February 28, 2003 and will remain effective within the term of the joint venture agreement of Beijing Benz. Pursuant to the agreement, Beijing Benz has the non-exclusive use of the "Beijing" trademark in the Company's name, and the manufacturing and assembly of passenger vehicles. Beijing Benz has to pay to BAIC Group the royalties regularly for the use of the trademark.

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

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

For 2016, the annual cap of exemption approved by the Stock Exchange was RMB387.8 million, and the actual payment of trademark licensing fee by Beijing Benz to BAIC Group under the aforesaid agreement was RMB352.3 million.

The annual caps determined by the Company under the agreement for 2017, 2018 and 2019 are RMB555.4 million, RMB607.1 million and RMB707.7 million respectively. As the highest applicable ratios exceed 0.1% but are lower than 5.0% as defined by the Listing Rules, the relevant continuing connected transactions and annual caps are subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules but exempted from the independent Shareholders' approval requirement. The aforesaid continuing connected transaction was approved by the Board on October 20, 2016. For further details on the agreement, please refer to the announcement of the Company dated October 20, 2016.

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

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

Pursuant to the agreement, the rent payable under the agreement shall be agreed based on arm's length negotiation between the relevant contracting parties with reference to market rates at relevant location and subject to relevant rules and regulations of the PRC; individual agreements 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 agreement commenced on the Listing Date of the Company and expired at the end of 2016, subject to renewal through mutual consents by both parties.

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

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

For 2016, the revised annual cap was RMB336.7 million, and the actual payment of property and facility leasing fee by the Group to BAIC Group under the aforesaid agreement was RMB180.0 million.

We renewed the Property and Facility Leasing Framework Agreement with BAIC Group on October 20, 2016, the term of which commenced on January 1, 2017 and will end on December 31, 2019, subject to renewal through mutual consents by both parties. The annual caps determined by the Company for 2017, 2018 and 2019 are RMB377.8 million, RMB396.7 million and RMB416.5 million respectively. As the highest applicable ratios exceed 0.1% but are lower than 5.0% as defined by the Listing Rules, the relevant connected transactions and annual caps are subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules but exempted from the independent Shareholders' approval requirement. The aforesaid continuing connected transaction was approved by the Board on October 20, 2016. For further details on the Property and Facility Leasing Framework Agreement, please refer to the announcement of the Company dated October 20, 2016.

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

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

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

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

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

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

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

For 2016, the annual caps approved by the general meeting and the actual amount of the transactions under the aforesaid agreement are summarized as follows:

Items	Annual cap approved/revised (RMB million)	Actual amount (RMB million)
Maximum daily balance of deposits placed by the Group with BAIC Finance	11,000.0	**10,873.1**
Interest income from deposits placed by the Group with BAIC Finance	170.0	**97.3**

The Company renewed the Financial Services Framework Agreement on October 20, 2016 with BAIC Finance, the term of which commenced on January 1, 2017 and will end on December 31, 2019, subject to renewal through mutual consents by both parties. The annual caps determined by the Company for 2017, 2018 and 2019 are as follows:

(Unit: RMB million)

Items	2017	2018	2019
Maximum daily balance of deposits placed by the Group with BAIC Finance	12,500.0	12,500.0	12,500.0
Interest income from deposits placed by the Group with BAIC Finance	193.2	193.2	193.2

As the highest applicable ratios exceed 5.0% as defined by the Listing Rules, such continuing connected transactions contemplated under the respective agreements and the relevant annual caps are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The aforesaid continuing connected transactions were approved by extraordinary general meeting held on December 28, 2016. For further details on the Financial Services Framework Agreement, please refer to the circular of the Company dated November 12, 2016.

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

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

In order to ensure that the terms of individual transaction in respect of the purchase of products and general services by the Group from BAIC Group are fair and reasonable and in line with market practices, the Group has adopted the following pricing policies and measures: to have regular contact with the suppliers of the Group (including BAIC Group) to keep abreast of market developments and the price trend of general services; before placing an individual purchase order, to invite certain number of suppliers (including BAIC Group) from the approved list of suppliers of our Group to submit quotations or proposals; to have the suppliers and pricing of products and general services determined jointly by the Group's tender assessment board according to the Group's administrative measures for market quotations.

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

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

For 2016, the annual caps approved/revised and the actual amount of the transactions under the aforesaid agreement are summarized as follows:

Items	Annual cap approved/revised (RMB million)	Actual amount (RMB million)
Purchase of products	26,458.6	**26,103.4**
Purchase of services	7,687.0	**2,967.9**

The Company renewed the Products and Services Purchasing Framework Agreement with BAIC Group on October 20, 2016, the term of which commenced on January 1, 2017 and will end on December 31, 2019, subject to renewal through mutual consents by both parties. The annual caps determined by the Company for 2017, 2018 and 2019 are as follows:

(Unit: RMB million)

Items	2017	2018	2019
Purchase of products	41,532.7	61,954.4	72,821.3
Purchase of services	7,755.0	8,265.5	8,632.2

As the highest applicable ratios exceed 5.0% as defined by the Listing Rules, such connected transactions contemplated under the respective agreements and the relevant annual caps are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The aforesaid continuing connected transactions were approved at the extraordinary general meeting held on December 28, 2016. For further details on the Products and Services Purchasing Framework Agreement, please refer to the circular of the Company dated November 12, 2016.

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

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

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

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

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

For 2016, the revised annual caps and the actual amounts of the transactions under the aforesaid agreement are summarized as follows:

Items	Annual cap approved/revised (RMB million)	Actual amount (RMB million)
Provision of products	22,925.4	**11,170.5**
Provision of services	725.1	**23.0**

The Company renewed the Sales of Products and Provision of Services Framework Agreement with BAIC Group on October 20, 2016, the term of which commenced on January 1, 2017 and will end on December 31, 2019, subject to renewal through mutual consents by both parties. The annual caps determined by the Company for 2017, 2018 and 2019 are as follows:

(Unit: RMB million)

Items	2017	2018	2019
Provision of products	32,473.3	43,017.6	46,445.6
Provision of services	973.1	1,027.2	1,101.1

As the highest applicable ratios of provision of products transactions exceed 5.0% as defined by the Listing Rules, such connected transactions contemplated under the respective agreements and the relevant annual caps are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The provision of products transactions were approved at the extraordinary general meeting held on December 28, 2016. For further details on the provision of products transactions, please refer to circular of the Company dated November 12, 2016. As the highest applicable ratios of provision of services transactions exceed 0.1% but are lower than 5.0% as defined by the Listing Rules, the relevant connected transactions and annual caps are subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules but exempted from the independent Shareholders' approval requirement. The provision of services transactions were approved by the Board on October 20, 2016. For further details on the provision of services transactions, please refer to the announcement of the Company dated October 20, 2016.

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

In 2016, the Group has conducted a number of continuing connected transactions with Daimler AG and its associates. In view of factors including protection of trade secrets and avoidance of unnecessary burden and losses to the business and operation of the Group, the Stock Exchange, at the time of Listing of the Company, has granted the Company a waiver from strict compliance with the written agreement and/or annual cap, announcements, annual reporting and/or independent Shareholders' approval requirements under the Listing Rules in respect of certain transactions with Daimler AG, as follows:

Nature of transaction	Transaction summary and pricing policy	Waivers granted
Sales of vehicles by Beijing Benz to Daimler AG and its associates	• **Transaction summary:** Daimler AG and its associates purchased vehicles from Beijing Benz for the purposes of research and development, testing, marketing and promotion and self-use. • **Pricing policy:** In relation to the aforesaid transactions, the market prices of relevant vehicles have been taken into consideration to ensure that the prices are fair and reasonable and on normal commercial terms.	Signing of written agreement
Purchases of parts and accessories by Beijing Benz from Daimler AG and its associates	• **Transaction summary:** Beijing Benz purchased from Daimler AG and its associates components (including chassis), spare parts and accessories for the purposes of production. • **Pricing policy:** In relation to the aforesaid transactions, the market prices of similar products available in the market will be taken into consideration by Beijing Benz to ensure that the prices offered by Daimler AG and its associates are reasonable and competitive in the market. • **Transaction amount:** Not applicable.	Signing of written agreement, annual cap, annual reporting, announcement and independent Shareholders' approval

Nature of transaction	Transaction summary and pricing policy	Waivers granted
Provision of the use of intellectual property rights (including trademarks and technologies) by Daimler AG and its associates to Beijing Benz	• **Transaction summary:** Beijing Benz is granted by Daimler AG a non-exclusive license for the use of trademarks (including the "Benz" trademark in its company name) and technologies in the manufacture and assembly of Mercedes-Benz branded passenger vehicles upon the periodic payment of royalties to Daimler AG and its associates. • **Pricing policy:** The prices for the use of technologies and trademarks have been agreed by Daimler AG and the Group on arm's length negotiations subject to our internal control procedures. The royalties payable for such licenses of technologies and trademarks are calculated as a percentage of the net revenue from vehicles and automobile parts and components which use the licensed technologies and trademarks. This net revenue is calculated based on the manufacturer's suggested retail price less the value-added tax, gross margin of dealers, sales rebates to dealers, consumption tax and sales discounts. • **Transaction amount:** Not applicable.	Signing of written agreement, annual cap, annual reporting, announcement and independent Shareholders' approval

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

In relation to the continuing connected transactions arising from the sale of vehicles by Beijing Benz to Daimler AG and its associates, the Company revised the existing 2016 annual cap to RMB110.0 million on November 18, 2016. In 2016, the actual transaction amount was RMB106.1 million. For details, please refer to the announcement of the Company dated November 18, 2016.

The annual caps determined by the Company in respect of this transaction for 2017, 2018 and 2019 are RMB170.0 million, RMB170.0 million and RMB170.0 million, respectively. As the highest applicable ratios exceed 0.1% but are lower than 5.0% as defined by the Listing Rules, the relevant continuing connected transactions and annual caps are subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules but exempted from the independent Shareholders' approval requirement. The aforesaid transactions were approved by the Board on October 20, 2016. For further details, please refer to the announcement of the Company dated October 20, 2016.

Non-Continuing Connected Transactions

1. **BEPC entered into the Asset Acquisition Agreement with Beinei Limited**

   On March 24, 2016, Beijing Beinei Engine Parts and Components Co., Ltd. ("BEPC"), a subsidiary of the Company, entered into the Asset Acquisition Agreement with Beijing Beinei Limited ("Beinei Limited"), a subsidiary of BAIC Group. BEPC acquired part of the land and properties in the factory site of Beinei Limited at a consideration of RMB149.9 million in cash.

   The acquisition constitutes a connected transaction of the Company. As the highest applicable ratios in respect of the acquisition exceed 0.1% but are lower than 5.0%, the transaction is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but exempted from the independent Shareholders' approval requirement.

   For further details of the acquisition, please refer to the announcement of the Company dated March 28, 2016. At the end of 2016, the aforesaid transaction had been completed.

2. **The Company entered into the Capital Increase Agreement with Beijing Electric Vehicle**

   On March 24, 2016, the Company entered into the Capital Increase Agreement with Beijing Electric Vehicle, pursuant to which the Company subscribed for 208.0 million shares issued additionally by Beijing Electric Vehicle for a consideration of RMB532.5 million in cash. Upon completion of the capital increase, the Company holds 6.5% of Beijing Electric Vehicle's total share capital.

   The subscription constitutes a connected transaction of the Company. As the highest applicable ratios in respect of the subscription exceed 0.1% but are lower than 5.0%, the transaction is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but exempted from the independent Shareholders' approval requirement.

   For further details of the capital increase agreement, please refer to the announcement of the Company dated March 28, 2016.

3. **Capital Increase by the Company to MBLC**

   On October 21, 2016, the Company and Daimler Greater China entered into the capital increase agreement and contributed an aggregate amount of RMB500.0 million to MBLC in proportion to their respective shareholding in MBLC. Of which, Daimler Greater China contributed RMB325.0 million, representing 65.0% of the amount under the capital increase, while the Company contributed RMB175.0 million, representing 35.0% of the amount under the capital increase. Upon completion of the capital increase, the registered capital of MBLC will be increased from RMB697.5 million to RMB1,197.5 million.

   The capital increase by the Company to MBLC constitutes a connected transaction of the Company. As the highest applicable ratios in respect of the transaction exceed 0.1% but are lower than 5.0%, the transaction is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but exempted from the independent Shareholders' approval requirement.

   For further details of the capital increase to MBLC, please refer to the announcement of the Company dated October 21, 2016.

4. **Subscription Agreement and the Shareholders' Agreement entered in relation to Establishment of BAIC SA**

   BAIC Hong Kong, the Company's wholly-owned subsidiary, entered into the subscription agreement and the shareholders' agreement with IDC, Investment Universe and BAIC SA in respect of the establishment of BAIC SA on November 7, 2016. BAIC SA will serve as the importer and manufacturer of "BAIC"-branded vehicles, parts and components in South Africa. Upon the establishment of BAIC SA, it will be held as to 20.0% by BAIC Hong Kong, 45.0% by Investment Universe and 35.0% by IDC.

   The transaction constitutes a connected transaction of the Company. As the highest applicable ratios in respect of the transaction exceed 0.1% but are lower than 5.0%, the transaction is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but exempted from the independent Shareholders' approval requirement.

   For further details of the subscription agreement and the shareholders' agreement in respect of the establishment of BAIC SA, please refer to the announcement of the Company dated November 7, 2016.

   During the year 2016, the Group has entered into certain transactions with related parties as defined under the applicable accounting standards. Details of such related party transactions are set out in Note 11, Note 12, Note 13 and Note 38 to the audited consolidated financial statements of this report. These related party transactions included connected transactions as disclosed in this section headed "Connected Transactions".

   The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

INDEPENDENT NON-EXECUTIVE DIRECTORS' REVIEW AND CONFIRMATION

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

AUDITOR'S LETTER

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

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

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

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

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

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

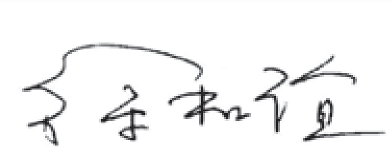
MODEL CODE

Having made all reasonable enquiries to the Directors and the Supervisors, in the year 2016, they confirmed that they have strictly followed the "Model Code for Securities Transactions by Directors of Listed Issuers" in Appendix 10 to the Listing Rules. The Company has not adopted a standard less exacting than that provided by the Model Code in relation to our Directors' securities transactions.

ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of our 2016 audited consolidated financial statements are consistent with the accounting policies for the preparation of our audited consolidated financial statements in 2015.

BY ORDER OF THE BOARD
Chairman
Xu Heyi



March 23, 2017

Report of the Board of Supervisors

In the year 2016, pursuant to the Company Law, the Articles of Association and Rules of Procedure of the Board of Supervisors of BAIC Motor Corporation Limited, and in the spirit of accountability for the interest of the Company and in the safeguarding the legitimate rights of the Shareholders, all the Supervisors have duly performed their supervisory duties to monitor and inspect the execution of the duties of the Directors and senior management and the operation and management activities of the Company. In so doing, they have promoted operational standard and healthy development of the Company.

THE WORK OF THE BOARD OF SUPERVISORS

Convening Meetings of the Board of Supervisors

In the year 2016, two meetings of the Board of Supervisors were held, in which the Work Report of the Board of Supervisors for 2015, the 2015 Annual Report, matters relating to the remuneration of independent Supervisors and 2016 Interim Report were reviewed and approved.

The Changes of Members of the Board of Supervisors

Pursuant to the Articles of Association and as approved by the first extraordinary general meeting of 2016, Wang Min (王　敏) was elected to be the shareholder representative Supervisor. The term of its office is effective until the expiration of the term of the second session of the Board of Supervisors, and Yin Weijie (尹維劼) ceased to be a shareholder representative Supervisor.

Participating in the General Meetings and Attending the Board Meetings

Pursuant to the Articles of Association and Rules of Procedure of the Board of Supervisors, members of the Board of Supervisors attended the 2015 annual general meeting, the 2016 first domestic shareholders class meeting, the 2016 first H shareholders class meeting, the first extraordinary general meeting of 2016, attended the Board meetings held on site. The Board of Supervisors appointed the Supervisors to act as the scrutinizers of the general meetings and Board meetings to ensure compliance with meeting procedures and the legitimacy and compliance of voting on the resolutions in the meetings; and reviewed the meeting materials of the Board meetings held in the form of communication.

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

Carrying out in-depth investigation and continually monitoring its implementation

In the year 2016, members of the Board of Supervisors visited the Company's Zhuzhou branch company and Changsha 4S Store of BAIC Senova respectively to conduct research study and investigation to deeply understand the situation of the products production, operation, and the review of the implementation of the budgets and monitor the management of the construction progress and budgets in Phase II; to listen to and understand reports from frontline sales staff, distributors in 4S stores on situations including the research and development, design, selling price, and delivery ratios of its proprietary brands vehicle models and proposed its opinions and recommendations on the marketing and sales and management.

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

In the year 2016, the Board of Directors made scientific decisions in compliance with the law and regulations pursuant to the Company Law, the Listing Rules, the Articles of Association and relevant laws, regulations and systems. The Directors duly performed their duties diligently, and in accordance with the laws, the senior managers devoted to their duties and performed their duties faithfully and conscientiously implemented the decisions made by the Board of Directors, and ensured high standards of operation and prudent management. Significant progress in operation and management were made especially in cost reduction and efficiency improvement, adjustments of the products mix, quality control and innovative technology. The Company further improved its internal control systems covering each procedure and enhanced internal evaluation to ensure the implementation of its major works on the internal control. The overall internal control system operated well with continuous enhancement in management capabilities while the overall performance on production and business enhanced.

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

The Chairman of the Board of Supervisors attended the meetings of the Audit Committee of the year, and monitored the financial position and works on risk management and internal audits of the Company. The Board of Supervisors carefully read the 2016 financial report of the Company, reviewed the standard unqualified auditor's report issued by PwC and PwC Zhong Tian, listened to the report of the Company's senior management on relevant audit and communicated with the auditors. The Board of Supervisors is of the view that the Company's 2016 financial report meets the requirements of the relevant accounting standards and regulations; and it gives a true and fair view of the affairs of the Company's financial position and business performance; and the information reflecting the Company's operation is truthful, legitimate and complete without false information, misleading representation or material omissions.

The year 2016 marks the beginning of the "13th Five-Year Plan period". Faced with the "new normal" of the macro economy and the downturn situation in automotive industry in the beginning of the year, and the external environment of increasing various uncertainties and increasing risks, the Company followed the management principle of "restructuring, repositioning, enhancing intrinsic value and increasing efficiency", actively promoted its strategic transformation, explored new technologies and new models, focused on adjustments of its product mix, strengthened measures to reduce costs and enhance efficiency and promoted management improvement, thus has realized various operating and management goals set by the Board in the beginning of the year. Nonetheless, pressure on business is still big and the task to innovate and transform and improve efficiency is daunting, leaving us room for improvement in some aspects when compared with advanced and international practices. To that end, we will stick to the market demand, capture the new situation and new changes in automotive industry to further promote our strategic transformations, continue to innovate on products and mechanisms to keep improve our operating quality and governance level, in order to reward investors with more excellent results.

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

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

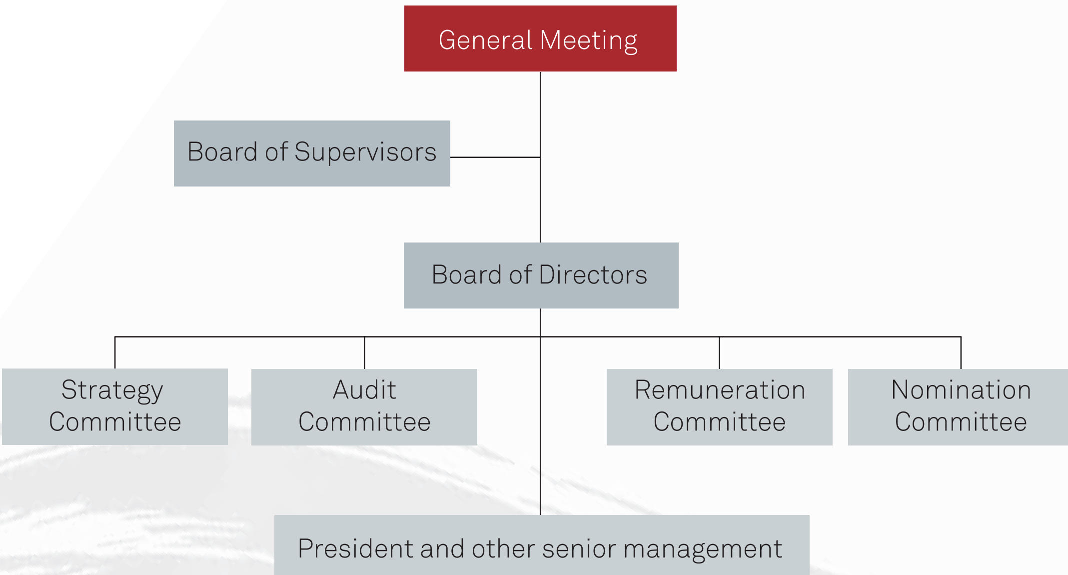
March 23, 2017

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICE

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

The corporate governance structure of the Company is as follows:



The three-year term of the second session of the Board of Directors and the Board of Supervisors expired on September 8, 2016. As the nomination work of Directors and Supervisors requires completion of certain process, the terms of the second session of the Board of Directors and Board of Supervisors have been extended until the new session of the Board of Directors and Board of Supervisors are approved at the general meeting. On April 21, 2017, Directors of the third session of the Board have been elected in 2017 first extraordinary general meeting; on the same date, a meeting has been convened by the third session of the Board of Directors to elect the chairman of the Company, members of the Strategy Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee and the relevant senior management. For which, the term of office of the second session of the Board of Directors is longer than the term of retirement by rotation at least every three years as specified in provision A.4.2 of the Corporate Governance Code provisions.

Save as disclosed above, the Directors of the Company believe that for 2016, the Company had complied with all the code provisions under the Corporate Governance Code in all respects.

GENERAL MEETING

Responsibility

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

Substantial Shareholders

BAIC Group is the Controlling Shareholder of the Company and as of the Date of Issue of the Report, BAIC Group holds 44.98% of the Shares. During 2016, BAIC Group did not circumvent the general meeting to make direct or indirect intervention in the Company's decision making and business operation.

For 2016, information on other substantial Shareholders and data on the personnel with a voting right of 5.0% or above in the general meeting (classes of Shares by Domestic Share and H Share) are set out in the section headed "Report of the Board of Directors" on pages 38 to 66 of this report.

BOARD OF DIRECTORS

Responsibility

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

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

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

Composition of the Board of Directors

As of the Date of Issue of the Report, the Board of Directors of the Company comprised fifteen members, and the biographical details of the Directors are listed in the section headed "Directors, Supervisors and Senior Management" on pages 88 to 99 of this report.

In the year 2016, the Board of Directors complied with the Rule 3.10(1) and Rule 3.10(2) of the Listing Rules regarding the appointment of at least three independent non-executive Directors (specifically, at least one of the independent non-executive Directors shall possess appropriate professional qualification or expertise relating to accounting or financial management), and the Rule 3.10A of the Listing Rules regarding the appointment of one-third of the Board members to be independent non-executive Directors.

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

As the independent non-executive Directors have declared their independence pursuant to Rule 3.13 of the Listing Rules, the Company believes that the above personnel are independent persons. The independent non-executive Directors are invited to be the committee member of the Strategy Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee. In 2016, the independent non-executive Directors raised no objection to the Board resolutions and other matters deliberated by the Board of Directors.

In the year 2016, none of the Directors, Supervisors and senior management has any financial, business or family relationships or any relationships in other material aspects with each other or with the Company for which disclosure may be required.

Performance and Continuing Professional Development

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

Training received by all the Directors in 2016 is as follows:

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

Notes:

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

Appointment and Re-election of Directors

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

Executive Directors, non-executive Directors and independent non-executive Directors shall serve a term of three years, or from the effective date of their appointment to the expiration of the term of office of the second session of the Board of Directors on September 8, 2016, whichever is shorter. Due to the postponed re-election, the term of office of the second session of the Board of Directors shall postpone to the approval of the members of the new session of the Board by the general meeting. Each of the Directors has signed a service contract with the Company, in which the main terms, conditions and corresponding rights, obligations and responsibilities, and in particular the duties of independent non-executive Directors and executive Directors, are stipulated. The contract can be terminated in accordance with relevant provisions of the service contract. None of the Directors has signed with the Company a service contract that cannot be terminated by the Company within a year without compensation (other than statutory compensation).

Board Meeting

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

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

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

During 2016, the Company held ten Board meetings. The main matters deliberated are as follows:

Name of Board Meeting	Time	Main Matters Deliberated
25th Board Meeting of the second session of the Board	March 24, 2016	Proposal on 2015 Annual Report and annual results Proposal on 2016 Production and Operation Plan Proposal on 2016 Investment Plan
26th Board Meeting of the second session of the Board	April 20, 2016	Proposal on 2016 first quarter Financial Statements
27th Board Meeting of the second session of the Board	June 12, 2016	Proposal on acquisition of 35% equity interest in Fujian Benz Automotive Co., Ltd. from Fujian Motor Industry Group Co.
28th Board Meeting of the second session of the Board	July 25, 2016	Proposal on Nomination of Directors Proposal on the increase of investment in construction project phase I in Beijing Branch of Beijing Motor Corporation Limited
29th Board Meeting of the second session of the Board	August 24, 2016	Proposal on 2016 Interim Report and Interim Performance Proposal on the adjustment of relevant senior managers Proposal on the appointment and removal of Secretary to the Board of Directors
30th Board Meeting of the second session of the Board	August 29, 2016	Proposal on the establishment of BAIC Automobile SA through Joint Venture
31st Board Meeting of the second session of the Board	September 23, 2016	Proposal on the appointment and removal of Company Secretary Proposal on authorisation of Chairman to appoint and remove the transactional authorized representative required by Hong Kong regulators
32nd Board Meeting of the second session of the Board	October 20, 2016	Proposal on 2016 third quarter Financial Statements Proposal on share capital increase in Mercedes-Benz Leasing Co., Ltd. Proposal on the application of annual caps for the continuing connected transactions from 2017 to 2019
33rd Board Meeting of the second session of the Board	November 18, 2016	Proposal on 2015 Financial Report of BAIC Investment Co., Ltd. (draft) Proposal on 2015 Profit Distribution Plan of BAIC Investment Co., Ltd. (draft)
34th Board Meeting of the second session of the Board	December 28, 2016	Proposal on asset disposal project of S1 and S4 in Beijing Branch of Beijing Motor Corporation Limited Proposal on election of the members of Audit Committee, Strategy Committee and Nomination Committee

Attendance of the Directors at Board meetings is as follows:

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

Note 1: Mr. Li Zhili and Mr. Ma Chuanqi ceased to be non-executive Directors on December 28, 2016 due to their retirements for age reason.

Note 2: The Company had held one Board Meeting during the period from the date Mr. Zhang Jianyong and Ms. Shang Yuanxian were appointed as non-executive Directors on December 28, 2016 until the end of 2016.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code in Appendix 10 to the Listing Rules as the code of conduct for dealing in securities by our Directors and Supervisors of the Company. Having made all reasonable enquiries to all Directors, the Supervisors and Senior Management, they have confirmed that they complied with the Model Code in 2016.

AUTHORIZATION OF THE BOARD OF DIRECTORS

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

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

FUNCTIONS OF CORPORATE GOVERNANCE

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

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

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

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

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

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

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Company has established a Remuneration Committee with the responsibilities to confirm and review the remuneration policies and proposals of the Company's Directors and senior management. In 2016, except for the independent non-executive Directors and independent Supervisors who have received directors and supervisors' remuneration from the Company, the remaining Directors or Supervisors have not received remuneration from the Company as directors or supervisors' remuneration. The executive Directors received the senior management's remuneration of the Company. The remuneration standard of independent non-executive Directors and independent Supervisors is determined in accordance with the Company's actual situation and with reference to the average market level. The remuneration standard of each independent non-executive Director and independent Supervisor is RMB120,000 per year (before tax), which shall be calculated starting from the effective date of their term of office.

The remuneration details of the Directors and Supervisors for 2016 are set forth in Note 42 to the audited consolidated financial statements.

The remuneration paid to the senior management (including one Director) in 2016 is as follows:

Remuneration Range (RMB)	Number of People
2,000,001-2,500,000	2
1,500,001-2,000,000	4
Below 1,500,000	12

Note: Including eight resigned senior management members.

LIABILITY INSURANCE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Company has placed Directors, Supervisors and senior management under the coverage of liability insurance for certain relevant lawsuits in 2016.

CHAIRMAN AND PRESIDENT

According to the requirement of provision A.2.1 of the Corporate Governance Code, the roles of chairman and president should be separated.

In 2016, the positions of Chairman and President (chief executive) of the Company are held respectively by Mr. Xu Heyi and Mr. Li Feng. The Company has clearly defined the responsibilities of the Chairman and the President and the detailed definition is provided in the Articles of Association.

SPECIAL COMMITTEES OF THE BOARD OF DIRECTORS

Strategy Committee

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

At the end of 2016, the Strategy Committee comprises ten members, namely Mr. Xu Heyi (Chairman), Mr. Zhang Xiyong, Mr. Li Feng, Mr. Zhang Jianyong, Mr. Qiu Yinfu, Mr. Hubertus Troska, Mr. Yang Shi, Mr. Fu Yuwu, Mr. Zhao Fuquan and Ms. Meng Yulei, among which two of them are independent non-executive Directors.

On December 28, 2016, the Board reviewed and approved the appointment of Mr. Zhang Jianyong as the member of the Strategy Committee.

During 2016, the Strategy Committee held five meetings. Attendance of the committee members is as follows：

No.	Name	Position	No. of Attendance/ No. of Meeting	Attendance Rate
1	Xu Heyi	Chairman	5/5	100%
2	Zhang Xiyong	Committee member	5/5	100%
3	Li Feng	Committee member	5/5	100%
4	Ma Chuanqi [Note 1]	Committee member	5/5	100%
5	Zhang Jianyong [Note 2]	Committee member	0/0	–
6	Qiu Yinfu	Committee member	5/5	100%
7	Hubertus Troska	Committee member	5/5	100%
8	Yang Shi	Committee member	5/5	100%
9	Fu Yuwu	Committee member	5/5	100%
10	Zhao Fuquan	Committee member	5/5	100%
11	Meng Yulei	Committee member	5/5	100%

Note 1: Mr. Ma Chuanqi ceased to be the member of the Strategy Committee since December 28, 2016 due to his retirement for age reason.

Note 2: There is no meeting held by the Strategy Committee from the date of appointment of Mr. Zhang Jianyong as the member of the Strategy Committee on December 28, 2016 to the end of 2016.

Audit Committee

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

As of the end of 2016, the Audit Committee comprises three members, namely Mr. Wong Lung Tak Patrick (Chairman), Mr. Zhang Jianyong and Mr. Liu Kaixiang, among which two of the members are independent non-executive Directors.

On December 28, 2016, the Board appointed Mr. Zhang Jianyong as the member of the Audit Committee.

During 2016, the Audit Committee held five meetings, which reviewed and presented reasonable comments on the financial reporting system, compliance procedures, internal monitoring and control (on resources, qualifications, training programs and budget of the employees in the accounting and finance departments), and risk management system and procedures.

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

Meanwhile, the Audit Committee has reviewed the Group's first and third quarter's financial statements, the interim results and annual results in the 2016 financial year, the work plan of external auditors and the relevant auditing arrangements as well as the report prepared by PwC for accounting matters and major discoveries during the audit process.

During 2016, the Audit Committee held five meetings. Attendance of the committee members is as follows：

No.	Name	Position	No. of Attendance/ No. of Meeting	Attendance Rate
1	Wong Lung Tak Patrick	Chairman	5/5	100%
2	Ma Chuanqi[Note 1]	Committee member	5/5	100%
3	Zhang Jianyong[Note 2]	Committee member	0/0	–
4	Liu Kaixiang	Committee member	5/5	100%

Note 1: Mr. Ma Chuanqi ceased to be the member of the Audit Committee since December 28, 2016 due to his retirement for age reason.

Note 2: There is no meeting held by the Audit Committee from the date of appointment of Mr. Zhang Jianyong as the member of the Audit Committee on December 28, 2016 to the end of 2016.

Remuneration Committee

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

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

As of the end of 2016, the Remuneration Committee comprises five members, namely Mr. Bao Robert Xiaochen (Chairman), Mr. Li Feng, Ms. Wang Jing, Mr. Wong Long Tak Patrick and Mr. Liu Kaixiang, among which three are independent non-executive Directors.

During 2016, the Remuneration Committee held one meeting. Attendance of the committee members is as follows：

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

Nomination Committee

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

At the end of 2016, the Nomination Committee comprises five members, namely Mr. Xu Heyi (Chairman), Mr. Zhang Xiyong, Mr. Fu Yuwu, Mr. Bao Robert Xiaochen and Mr. Zhao Fuquan, among which three are independent non-executive Directors.

On December 28, 2016, the Board considered and approved the appointment of Mr. Zhang Xiyong as the member of the Nomination Committee.

During 2016, the Nomination Committee held two meetings. Attendance of the committee members is as follows：

No.	Name	Position	No. of Attendance/ No. of Meeting	Attendance Rate
1	Xu Heyi	Chairman	2/2	100%
2	Zhang Xiyong[Note 1]	Committee member	0/0	–
3	Li Zhili[Note 2]	Committee member	2/2	100%
4	Fu Yuwu	Committee member	2/2	100%
5	Bao Robert Xiaochen	Committee member	2/2	100%
6	Zhao Fuquan	Committee member	2/2	100%

Note 1: There is no meeting held by the Nomination Committee from the date of appointment of Mr. Zhang Xiyong as the member of the Nomination Committee on December 28, 2016 to the end of 2016.

Note 2: Mr. Li Zhili ceased to be the member of the Nomination Committee on December 28, 2016 due to his retirement for age reason.

BOARD DIVERSITY POLICY

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

The Nomination Committee shall consider and adopt the composition of Board of Directors in accordance with the above measurement standard. By taking into account the Directors' skills and experience and their suitability to the Company, the Nomination Committee believes that the Company's existing Board structure in 2016 is reasonable and meets the requirements of "Board Diversity Policy", without the need of adjustment.

RESPONSIBILITY OF DIRECTORS IN RELATION TO THE FINANCIAL STATEMENTS

The Board of Directors shall fulfill its duty to prepare the 2016 financial statements for the Group so as to present a true and fair view of the Group's production and operational condition, and of the business performance and cash flow of the Company.

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

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

The results of the Company and the Group for the year 2016, and the financial positions of the Group at the end of 2016 are set out in the audited consolidated financial statements of this report on pages 112 to 194.

COMPANY SECRETARY

Due to the needs of his work, Mr. Yan Xiaolei ceased to act as secretary to the Board of the Company since August 24, 2016 and ceased to act as company secretary of the Company since September 23, 2016. Ms. Sun Ke has been our secretary to the Board of the Company with effect from August 24, 2016 and secretary of the Company with effect from September 23, 2016. She is responsible for putting forward suggestions on matters relating to corporate governance to the Board of Directors, and shall abide by the policies and procedures of the Board to ensure compliance with relevant laws and regulations. In order to maintain good corporate governance and ensure compliance with the Listing Rules and applicable laws in Hong Kong, the Company appointed Ms. Mok Ming Wai, the Director of KCS Hong Kong Limited (a company secretary service provider), as the company secretary assistant to assist Ms. Sun Ke in performing her duties as the company secretary of the Company.

In the year 2016, Ms. Sun Ke and Ms. Mok Ming Wai attended no less than 15 hours of relevant professional training respectively, in compliance with the requirements in Rule 3.29 of the Listing Rules.

CONTROL MECHANISM

Board of Supervisors

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

In the year 2016, the Board of Supervisors has monitored the financial activities and the validity and compliance of the duties carried out by Directors and senior management of the Company. Two meetings were held, with attendance rate (including authorizing other Supervisors to attend the meeting) of 100%. The Supervisors also attended the general meetings and Board meetings as non-voting delegates and duly performed the duties of the Board of Supervisors.

Internal Control and Risk Management

Responsibility of the Board

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

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

Risk Management and Internal Control Systems

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

During the course of risk management, the Company implements risk management responsibility and puts pressure into each business unit through risk manager system, and transmits to every grass-roots responsible person from level to level. Vice president level will assume the role of risk manager, responsible for setting up professional risk management system in businesses of which they take in charge, promoting the application of the professional risk management tools and methods used by professionals for risk identification, analysis, monitoring and necessary response.

The risk management and internal control system of the Company is a set of comprehensive and self-contained risk management system which absorbs the insights from others' strengths. For example, the internal control system uses the five elements of COSO framework model and Guidelines for Internal Control jointly issued by Ministry of Finance, CSRC, National Audit Office, CBRC and CIRC for reference; the establishment of risk database learned from the "Risk Intelligence Map" of a professional risk management organization and "Guidelines for Comprehensive Risk Management" issued by State-owned Assets Supervision and Administration Commission of the State Council. The entire risk management and internal control system has the following features:

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

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

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

The Group conducts a comprehensive self-evaluation work which covers the relevant year for the risk management and internal control system once a year, using evaluations to hundreds of indicators from the two dimensions of the design integrity and running availability to undertake the system assessment (the self-evaluation work for risk and internal control for the year of 2016 has 767 indicators in total, including 270 design integrity indicators and 497 running availability indicators). In respect of the flawed entries discovered during the evaluation, the Company adopts special rectification work, assigns a person of primary responsibility, clarifies the rectification solutions, deliverables and schedule requirements as well as completes the rectification work within a time limit.

The procedures of processing and releasing inside information and the measures to internal monitor and control

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

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

The Company's business promotion department and the audit department are responsible for the risk management and internal control auditing functions, respectively. The business promotion department is responsible for conducting a self-evaluation work which covers the year for the risk management and internal control system once a year. The audit department is responsible for implementing or entrusting an independent third party to implement the risk management and internal control evaluation.

The business promotion department is the lead department of the Company's risk management and internal control system construction and system operation, which is responsible for providing related working mechanism of risk management and internal control and the generalized risk management and internal control methods and the design of operating modes, establishing relevant organizations of risk management, organizing related professional training of risk and internal control together with the human resources department, as well as establishing risk and internal control business processes and incentive and communication mechanisms.

The Company has reviewed the effectiveness of risk management and internal control systems and considered that such systems were effective and adequate.

AUDITOR'S REMUNERATION

The Company has appointed PwC and PwC Zhong Tian as the auditor of the Company's 2016 consolidated financial statements prepared under IFRSs and PRC Accounting Standards, respectively. The Company also authorized the management to determine its service remuneration.

The remuneration for the year 2016 paid or payable to the above Company's auditors, for audit and audit-related services amounted to RMB9.4 million and there was no non-audit services fee.

COMMUNICATION WITH THE SHAREHOLDERS AND INVESTOR RELATIONS

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

INFORMATION DISCLOSURE

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

In 2016, the Company released 75 announcements in accordance with the Listing Rules. All announcements of the Company are published on the websites of the Stock Exchange and the Company. For details, please visit www.hkex.com.hk and www.baicmotor.com.

COMMUNICATION WITH INVESTORS

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

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

SHAREHOLDERS' RIGHTS

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

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

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

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

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

ARTICLES OF ASSOCIATION

The Articles of Association of the Company has been published on the website of the Company for public access. In 2016, there is no revision of the Articles of Association.

Directors, Supervisors and Senior Management

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

DIRECTORS

Mr. Xu Heyi (徐和誼), aged 59, holds a doctoral degree in management and is a senior engineer (professor level) enjoying special government allowances of the State Council. **At present, Mr. Xu is the chairman of the Board of Directors, as well as the secretary of the party committee and a non-executive Director of the Company.** Mr. Xu is also the chairman of the board of directors and secretary of the party committee of BAIC Group, and also serves as the chairman of the board of directors of Foton, the chairman of the board of directors of Beijing Benz, the chairman of the board of directors of Beijing Hyundai, the chairman of the board of directors of Fujian Benz, the chairman of the board of directors of Beijing Electric Vehicle, and the vice chairman of the board of directors of Benz Sales. Mr. Xu also serves as a representative of the 18th National Congress of the Communist Party of China, a representative of the 12th National People's Congress, a member of the 11th Beijing Municipal Committee, a standing member of the 12th Beijing Municipal Committee of the Chinese People's Political Consultative Conference and the deputy chairman of the China Association of Automobile Manufacturers, among others.

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

Mr. Zhang Xiyong (張夕勇), aged 53, holds a doctoral degree in management and is a senior accountant, senior economist and senior engineer. **At present, Mr. Zhang is a non-executive Director of the Company.** He is also a director, deputy secretary of the party committee and general manager of BAIC Group. In addition, he is the chairman of the board of directors of BAIC (Zhenjiang) Motor Co., Ltd., the vice chairman of the board of directors of Foton and the chairman of Jiangxi Chang He Automotive Co., Ltd.

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

Mr. Li Feng (李峰), aged 53, holds a master's degree in power engineering, master's degree in Business Administration for senior management and is a senior engineer. **At present, Mr. Li is the executive Director of the Company.** He is also a director of Beijing Benz, a director of Benz Sales, a director of Mercedes-Benz Leasing Co., Ltd. and a director of Beijing Hyundai. In addition, Mr. Li is a vice president of the Academic Committee of Beijing Automotive Engineering Society and a member of the Marketing Expert Committee (Automotive) of China Association of Marketing.

Mr. Li has more than 30 years of experience in the industry and in management. From October 1996, he began to serve as the head of the Automobile Engineering Research Institute of Foton, the general manager of the marketing company and the deputy general manager of Foton, a member of the economic management committee and the deputy general manager of Chery Automobile Co., Ltd. He also served as the standing deputy general manager, secretary of the party committee and director of Beijing Hyundai from December 2009 to June 2013, and the president and deputy secretary of the party committee of the Company from August 2013 to March 2017. Since September 6, 2013, he has been the executive Director of the Company.

Mr. Zhang Jianyong (張建勇), aged 40, holds a doctoral degree in management science and engineering and is a senior accountant. **At present, Mr. Zhang is a non-executive Director of the Company.** He is also the deputy general manager of BAIC Group, a director of Foton, an executive director and secretary of the party committee of BAIC Group Industrial Investment Co., Ltd., a director of Shandong Binzhou Bohai Piston Co., Ltd., the chairman of the board of directors and secretary of the party committee of BAIC Group Finance Co., Ltd., a director of Beijing Hainachuan Automobile Components Corporation Limited, a supervisor of Inalfa Roof Systems Group B.V., a director of Pacific Aerospace Limited in New Zealand, a director of Jiangxi Chang He Automotive Co., Ltd. and a supervisor of BAIC ROCAR Automobile Service & Trade Co., Ltd., among others.

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

Mr. Qiu Yinfu (邱銀富), aged 49, holds a master's degree in business administration and is a senior engineer of metallurgical equipment. **At present, Mr. Qiu is a non-executive Director of the Company.** He is also a director of BAIC Investment, the deputy secretary of the party committee, chairman of the labor union and deputy general manager of Shougang Shares, the secretary of the party committee of Hebei Shougang Qian'an Iron & Steel Co., Ltd. and a director of Foton.

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

Mr. Hubertus Troska, aged 57, German, holds a bachelor's degree in English language and literature. **At present, Mr. Troska is a non-executive Director of the Company**, the deputy chairman of the board of directors and director of Beijing Benz. He is also a member of the board of management of Daimler AG, responsible for its businesses in Greater China, and serves as the chairman and chief executive officer of Daimler Greater China.

Mr. Troska has nearly 30 years of experience in the automobile industry. He was a director and a member of the board of management of Mercedes-Benz (Turkey) Company from September 1997 to February 2000, responsible for the sales and aftersales of cars and businesses of vans, trucks and passenger vehicles. He was the president of Mercedes-Benz AMG GmbH from October 2003 to April 2005. He was the global executive vice president of Daimler AG (the head of Mercedes-Benz truck, in charge of the truck business in Europe and Latin America) from April 2005 to December 2012.

Mr. Bodo Uebber, aged 57, German, holds a master's degree in industrial economics. **At present, Mr. Uebber is a non-executive Director of the Company** and a member of the board of management of Daimler AG.

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

Mr. Guo Xianpeng (郭先鵬), aged 50, holds a master's degree in automotive engineering and is a senior engineer. **At present, Mr. Guo is a non-executive Director of the Company** and the deputy general manager of China Aerospace Investment Holdings Co., Ltd.

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

Ms. Wang Jing (王京), aged 45, holds a master's degree in laws, MBA, a senior economist and corporate legal advisor. **At present, Ms. Wang is a non-executive Director of the Company**, a director of Beijing Electric Vehicle, a director of BOE Technology Group Co., Ltd., a director of China Resources Pharmaceutical Group Limited, and a supervisor of CSC Financial Co., Ltd.

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

Mr. Zhu Baocheng (朱保成), aged 43, holds a doctoral degree in accounting and is a senior accountant. **At present, Mr. Zhu is a non-executive Director of the Company** and the chief financial officer of Beijing Energy Group Co., Ltd., a director of Beijing Energy Group Finance Co., Ltd., a director of Beijing Jing Guo Rui Equity Investment Funds Management Co., Ltd., a director of Beijing Jingneng Clean Energy Co., Limited and a director of Bank of Chengdu Corporation Limited.

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

Mr. Ge Songlin (葛松林), aged 61, holds a doctoral degree in mechanical engineering. **At present, Mr. Ge is an independent non-executive Director of the Company** and the deputy secretary of Society of Automotive Engineering of China and a senior engineer at researcher level.

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

Mr. Wong Lung Tak Patrick (黃龍德), aged 68, holds a doctoral degree in science of commerce, a fellow member of the Association of Chartered Certified Accountants and certified tax adviser of the Taxation Institute of Hong Kong. **At present, Mr. Wong is an independent non-executive Director of the Company** and also the chief practicing director of Patrick Wong C.P.A. Limited.

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

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

Mr. Bao Robert Xiaochen (包曉晨), aged 50, American, holds a bachelor's degree in engineering, MSc, MBA, certified quality manager, certified reliability engineer and certified quality engineer. **At present, Mr. Bao is an independent non-executive Director of the Company** and is the director and general manager of Meihe (China) Management Consultancy Co., Ltd.

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

Mr. Zhao Fuquan (趙福全), aged 53, holds a doctoral degree in engineering. **At present, Mr. Zhao is an independent non-executive Director of the Company**, a professor and doctoral supervisor of the department of automotive engineering, the head of the Automotive Strategy Research Institute in Tsinghua University, a visiting professor of Jilin University and an independent director of China Automotive Engineering Research Institute Co., Ltd..

Mr. Zhao has more than 20 years of experience in the industry. Mr. Zhao served as the senior engineering specialist and research director of US Daimler Chrysler from April 1997 to March 2004, vice president and general manager of research & development center of Shenyang HuaChen Jinbei Vehicle Manufacturing Co., Ltd. from April 2004 to September 2006, president of Geely Automobile Research Institute from February 2007 to April 2013, vice president of Zhejiang Geely Holding Group and executive director of Geely Automobile Holdings Limited from November 2006 to May 2013.

Mr. Liu Kaixiang (劉凱湘), aged 52, holds a doctoral degree in law. **At present, Mr. Liu is an independent non-executive Director of the Company**. He is also a professor and doctoral supervisor of Peking University Law School, vice president of China Commercial Law Research Society and an arbitrator of China International Economic and Trade Arbitration Commission and Singapore International Arbitration Centre.

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

Currently, Mr. Liu serves as the independent director of Taiji Computer Corporation Ltd., Beijing Orient Landscape Co., Ltd., Beijing Ultrapower Software Co., Ltd. and Beijing Hanjian Heshan Pipe Co., Ltd.

SUPERVISORS

Mr. Zhang Yuguo (張裕國), aged 60, graduated from Peking University in law. **At present, Mr. Zhang is the chairman of the Board of Supervisors of the Company.** Mr. Zhang is also a full-time supervisor of BAIC Group as appointed by the State-owned Assets Supervision and Administration Commission of People's Government (SASAC of Beijing Municipality).

Mr. Zhang has more than 20 years of experience in management. He was the deputy director of the supervisory division of SASAC of Beijing Municipality from November 2003 to May 2005 and was the deputy director of the work department of the board of supervisors of the SASAC of Beijing Municipality from May 2005 to September 2007. He was the department-level supervisor of the fourth and third offices of the Beijing Municipal State-owned Enterprises Supervisory Board from September 2007 to September 2009, department-level supervisor of the third office of the Beijing Municipal State-owned Enterprises Supervisory Board from September 2009 to October 2012 and full-time department-level supervisor of the fourth office of the Beijing Municipal State-owned Enterprises Supervisory Board from October 2012 to November 2014.

Mr. Wang Min (王敏), aged 51, holds a master's degree in industrial engineering and is a senior accountant. **At present, Mr. Wang is a Supervisor of the Company.** Mr. Wang is also the designated full-time supervisor of BAIC Group.

Mr. Wang Min has about 30 years of experience in financial management and business management. He served in various positions, including consecutively served as the price officer of profit tax division, cost officer of cost division, responsible officer and deputy department head of capital division and deputy department head of profits tax division of finance department of Shougang's Beigang Company (首鋼北鋼公司) from August 1989 to November 1995; served as the profit tax administrator, office head assistant and deputy office head of price and tax office of audit and finance department of Shougang's headquarter from November 1995 to October 1999; served as the chief accountant of Shougang Shares from October 1999 to December 2010; served as the vice president of the Company from December 2010 to December 2013; served as the general manager of Beijing Rocar Automotive Trading Co., Ltd. (北京鵬龍行汽車貿易有限公司) ("Rocar") from December 2013 to December 2014, and simultaneously served as the general manager of Rocar and BAIC ROCAR Automobile Services & Trade Co. Ltd. from December 2014 to April 2016.

Mr. Yu Wei (余威), aged 39, holds a master's degree and is a senior steel rolling engineer. **At present, Mr. Yu is a Supervisor of the Company.**

Mr. Yu has more than ten years of technical and management experience. From 1999 to 2001, Mr. Yu served the positions of technician of technology department and deputy section chief of hot-rolled sheet section (temporary training assignment) of the medium-thick-plate factory of Shougang. He also worked as deputy section chief of hot-rolled sheet section and deputy leader of the commissioning group of No. 2160 of the medium-thick-plate plant of Beijing Shougang Xingang Co., Ltd. from 2001 to 2006. He took the positions of assistant to the head, director of production and technology office and deputy head of the hot-rolled operating department of Shougang Qiangang Co., Ltd. from 2006 and 2012. Mr. Yu also served as the executive deputy head and head of cold-rolled operating department and head of silicon business unit of Shougang Qiangang Co., Ltd. from 2012 to 2014. Since 2014, Mr. Yu has worked as the chairman of the board of directors and general manager of Beijing Shougang Cold-Rolled Sheet Co., Ltd. He served as assistant to general manager and head of the silicon business unit of Shougang Qiangang Co., Ltd. from April 2014 to June 2014. Mr. Yu was promoted to the position of senior steel rolling engineer in June, 2014.

Mr. Zhu Zhenghua (朱正華), aged 42, holds a master's degree in business administration and is a senior engineer. **At present, Mr. Zhu is a Supervisor of the Company** and also serves as the deputy general manager of Beijing Industry Investment Management Co., Ltd., director of Beijing Electric Vehicle, director of Beijing Hainachuan Investment Co., Ltd. and director of Xiezhong International Holdings Limited.

Mr. Zhu has more than 10 years of experience in technology and management. From November 2004 to May 2006, he was the general manager of Beijing Konte Ehio Electronics Co., Ltd. Since June 2008, he has been serving as the project manager of the administrative department, manager of the investment department and deputy general manager of Beijing Industry Investment Management Co., Ltd. From May 2011 to November 2013, he served as the director of BAIC Investment.

Ms. Li Chengjun (李承軍), aged 48, holds a bachelor's degree in law and is a senior political officer. **At present, Ms. Li is an employee representative Supervisor of the Company** and secretary of discipline inspection commission.

Ms. Li has more than 20 years of working experience. She was the department head of the labor union of the party committee, the head of the public relation division and chairman of the female workers committee of Beijing Hyundai from August 2002 to January 2009. She served in various positions including the vice chairman of the labor union and head of the female workers committee in BAIC Holding from February 2009 to August 2010. Ms. Li is now also vice president of the Beijing Auto Parts Industrial Trade Union.

Mr. Zhang Guofu (張 國 富), aged 39, holds a master's degree in engineering majoring in project management and is an engineer. **At present, Mr. Zhang is an employee representative Supervisor of the Company** and the deputy secretary to the party committee and chairman of the labor union.

Mr. Zhang has more than 10 years of experience in management. He served in various positions, including the secretary of the Committee of BAIC Holding from April 2007 to February 2011. He was the deputy secretary to the party committee and the chairman of the labor union of BAIC ROCAR Automobile Services & Trade Co., Ltd. from August 2009 to August 2010; and the deputy secretary of the party committee and chairman of the labor union of Beijing Hainachuan Automotive Parts Co., Ltd. from February 2011 to August 2013. He held various positions, including secretary of the party committee and chairman of labor union of the automobile research institute of BAIC Motor Corporation Ltd. from September 2013 to October 2015.

Mr. Wang Jianping (王建平), aged 45, holds a master's degree and is a political officer and certified human resource practitioner. **At present, he is the employee representative Supervisor of the Company.** He is also head of organization department, head of human management department and deputy president of party school of BAIC Group.

Mr. Wang has more than 20 years of experience in automobile industry and management. He held various positions including the deputy chairman of the labor union of Beijing Light Duty Automobile Co., Ltd., party committee member, director of the labor union office and vice chairman of the labor union of Beijing Hyundai. He was also a member of the preparatory team and party leader of Beijing Branch Company. Since March 2011, he has been the deputy party secretary of the party committee and secretary of discipline inspection commission and chairman of the labor union of Beijing Hyundai. He was the executive deputy head of organization department of the party committee of BAIC Group from July 2016 to December 2016. Since December 2016, he has been the deputy president of BAIC Group's party school. Since January 2017, he has been the head of organization department and human resources department of BAIC Group.

Mr. Pang Minjing (龐民京), aged 61, holds a master's degree and is a senior lawyer. **At present, Mr. Pang is an independent Supervisor of the Company.**

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

Mr. Zhan Zhaohui (詹朝暉), aged 48, holds a master's degree and is a certified accountant, certified public valuer, certified tax agent, and international certified internal auditor. **At present, Mr. Zhan is an independent Supervisor of the Company.**

Mr. Zhan has more than 20 years of experience in accounting and corporate management. He was a clerk of the business operation division of Shaowu Branch of Fujian Province Petroleum Corporation from 1989 to 1993 and worked as an assistant to general manager of the lubricant company of the Shaowu Branch of Fujian Province Petroleum Corporation from 1993 to 1995. He was a project team leader of Environmental Science Institute in Beijing General Research Institute of Mining and Metallurgy from 1998 to 2002. He worked as a project manager of Beijing Huaxia Tianhai Certified Public Accountants and Beijing Huarongjian Asset Appraisal Firm from 2002 to 2007 and a department Manager of Huaxia Zhongcai (Beijing) Certified Public Accountants from 2007 to 2008. He was a partner of Huaxia Zhongcai (Beijing) Certified Public Accountants and Chairman of the Board of Huaxia Jiacheng (Beijing) Asset Appraisal Co. Ltd. from 2009 to 2012. He was also a part-time member of the Specialized Committee of Beijing Institute of Certified Public Accountants from 2010 to 2011. Since 2012, he has worked as a deputy general manager of Beijing Tianyuankai Asset Appraisal Co. Ltd. Since 2013, he has been an expert in evaluation report review committee of the SASAC of Beijing Municipality.

SENIOR MANAGEMENT

Mr. Chen Hongliang (陳宏良), holds a master's degree in Engineering and is a researcher-level senior engineer. **At present, Mr. Chen is the president and vice secretary of the party committee of the Company**.

Mr. Chen has more than 20 years of experience in the automobile industry. He has held various positions from January 1996 to September 2008, including the deputy director of the chassis plant (mainly responsible for the technical quality system), head of the procurement department, director of the assembly plant and deputy general manager of NAVECO Ltd. He was the vice secretary of the party committee of NAVECO Ltd. from September 2008 to February 2009, and the deputy general manager of passenger vehicle department of BAIC Holding, and vice president of the head office of operation and production, chief project director of the Company, and general manager and secretary of the party committee of Zhuzhou branch from February 2009 to January, 2014. He was the vice president of the Company and the senior executive vice-president and secretary of the party committee of Beijing Benz from January 2014 to March 2017. Since March 2017, he is a president and deputy secretary of the party committee of the Company.

Mr. Liu Yu (劉宇), holds a bachelor's degree in engineering and MBA. **At present, Mr. Liu is the vice president of the Company**, and is responsible for the Company's automobile research institution and the procurement center as the president of the Company's automobile research institution.

Mr. Liu has more than ten years of experiences in automobile industry. From August 1999 to April 2000, he acted as the researcher in the North Technology and Information Research Institution (北方科技信息研究所)；From April 2000 to December 2002, he acted as the regional manager of the Audi Sales Division in FAW-Volkswagen Sales Company Ltd. (一汽大眾銷售有限公司); From December 2002 to January 2010, he acted as the Minister of the Business Department in Southern Region of BAIC Motor Corporation Limited; From January 2010 to March 2011, he acted as the vice general manager of Passenger Vehicle Business Division of BAIC Group; From March 2011 to October 2015, he successively acted as the deputy head of the sales department of the Company, vice general manager and general manager of BAIC Motor Sales Co. Ltd.; and from October 2015 to June 2016, he acted as the director of procurement center of the Company.

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

Mr. Zhou has more than 30 years of experience in the automobile industry. He has served in various positions from January 1982 to May 1998, including as factory supervisor and factory director of Changsha Auto-electric Factory. He was an assistant to the general manager of China Automotive Industry Corporation from May 1998 to January 2003 and the deputy general manager and standing deputy general manager of BAIC Investment from January 2003 to October 2008. Mr.Zhou has been the general manager of BAIC Investment from October 2008 to January 2011.

Mr. Wang Zhang (王 璋), holds a master's degree in Automobile Engineering from Tsing Hua University, and a senior engineer (professor level). **At present, Mr. Wang is the vice president of the Company**, in charge of the off-road vehicle business. He is also a president and executive director of Beijing Automotive Technology Center, director of Research Institute of the off-road vehicles of BAIC Group and general manager of business unit of the off-road vehicles.

Mr. Wang has more than 20 years of experience in the automobile industry. Since 1988, he has served as director, deputy chief and chief of the Institute of Auto Accessories of BAIC Motor, deputy chief engineer, deputy general manager of Beijing Automobile and Motorcycle United Company, vice president and chief engineer of Beijing Automobile Works Co., Ltd., director of industrial layout office of BAIC Group, general manager of Guangzhou Company, and deputy general manager and head of production department of Beijing Hyundai, general manager of the off-road branch company of BAIC Group. He has been a vice president of the Company since March 2015.

Mr. Chen Guixiang (陳桂祥), holds a master's degree in Engineering and is a senior engineer. **At present, Mr. Chen is a vice president of the Company**.

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

Mr. Xie Wei (謝 偉), holds a bachelor's degree in engineering and a doctoral degree in management, and is an engineer. **At present, Mr. Xie is a vice president of the Company** with responsibility over operation center, management center and three major production bases of Beijing Brand.

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

Mr. Cai Jianjun (蔡建軍), holds a bachelor's degree in management and is an assistant economist. **At present, Mr. Cai is a vice president of the Company** with responsibilities over BAIC Motor Sales Co. Ltd. where he is also the executive Director and general manager.

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

Mr. Huang Wenbing (黃文炳), holds a bachelor's degree in engineering and is an engineer. **At present, Mr. Huang is the vice president of the Company** with responsibilities over the production and technology center, quality center and Powertrain.

Mr. Huang has more than 20 years of experience in the automotive industry. He has served in various positions including the technician of quality management in Yuejin Motor Group (躍進汽車集團公司), the quality supervisor of the assembly plant of FIAT, head of quality management department in Wu Xi Yuejin Motor Group, director of quality management of Changsha Zotye Auto Industrial Company Limited (長沙眾泰汽車工業有限公司), head of quality management, director of quality control and deputy general manager of our Zhuzhou branch, deputy head of quality centre of the Company, and the general manager of our Zhuzhou branch since 1995. He has been a production and technology director of our Company since October 2016.

Mr. Gu Lei (顧鐳), American, holds a doctoral degree in mechanical engineering and modern mechanics. **At present, Mr. Gu is the vice president of the Company** with responsibilities over the commodity center and the technical center of MBtech as its general manager.

Mr. Gu has more than 20 years of experience in the automotive industry. Since 1993, he has served as senior engineer of automotive safety products development of KBS2 Inc. in Chicago, senior engineer and technical expert of Advanced Engineering Center of Ford Motor Company, assistant to general manager of Chery Automobile Co., Ltd. and dean of Automotive Engineering Research Institute, chief of Beijing Automotive Technology Center, and chief engineer and commodity center director of the Company.

Ms. Sun Ke (孫可), holds a bachelor's degree in law, majoring in international finance and law. **At present, Ms. Sun is the secretary to the Board of the Company and the company secretary of the Company**, and is in charge of the investor relationship center.

Ms. Sun possesses over 10 years of experience in IT industry and capital industry. Ms. Sun served as the senior project manager of international business department of China Netcom Corporations (中國網通公司) from March 2001 to June 2006; the strategic investment and development senior manager in China of News Corp. from July 2006 to June 2008; the investment director of Beijing Zhongchengyongdao Investment Management Center (Limited Partnership) (北京中誠永道投資管理中心(有限合夥)) from July 2010 to September 2013; successively the senior investment director of global investment and financing department of Le Holdings (Beijing) Co., Ltd. (樂視控股(北京)有限公司), the general manager of automobile investment and financing department of Le and the investment and financing vice president and director of Beijing Dongfangcheyun Information Technology Co., Ltd. (Yidao Yongche) (北京東方車雲信息技術有限公司(易到用車)) from September 2013 to June 2016.

Human Resources

PERSONNEL STRUCTURE

At the end of 2016, the Group had 25,159 full-time employees and the number of employees of different functions is set out in the table below:

Classification	Beijing Brand	Beijing Benz	Subtotal
Production workers	7,952	9,313	**17,265**
Technical staff	3,662	1,322	**4,984**
Sales and marketing personnel	858	77	**935**
Others	1,317	658	**1,975**
Total	13,789	11,370	**25,159**

EMPLOYEE MOTIVATION

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

EMPLOYEE TRAINING

The Group actively conducts a full range of training for employees at different levels to enhance its talent team for the realization of our growth with the staff. In 2016, in accordance with the company strategy and key undertakings of the year, we have carried on the development of systems, training courses, trainer qualification. On that basis, we have planned and implemented several corporate training programs, and served and controlled the training of the business sector and its subordinate units. As of the end of 2016, the Group provided training to 416,978 employees with a total of 1,770,364 learning hours and an average of 70.4 learning hours per employee. The Group continues to improve the training structure, to lay a solid foundation for the construction of learning ecosystem in BAIC MOTOR under the age of the Internet.

EMPLOYEES' REMUNERATION

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

PENSION PLAN

In 2016, the Group has 47 retired individual who have the right to enjoy the social pension insurance plan granted by the local social security bureau.

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

Innovations

Independent Auditor's Report

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of BAIC Motor Corporation Limited (the "Company") and its subsidiaries (the "Group") set out on pages 112 to 194, which comprise:

- the consolidated balance sheet as at December 31, 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Capitalization of internal development costs Refer to Note 5 (Critical accounting estimates and judgements) and the Note 9 (Intangible assets) of the consolidated financial statements The Group launches new vehicle model which requires expenditure on the internal research and development projects. Management capitalises the costs on development projects when the criteria set out in the accounting standard for capitalization of such costs have been met. RMB2,771 million of internal development costs have been capitalized and recorded as addition to intangible assets for the year ended December 31, 2016. We focused on this area due to the fact that there is significant judgement involved in assessing whether the criteria set out in the accounting standard for capitalization of expenditure on the internal research and development projects has been met, particularly: • The timing to start capitalization; • The technical feasibility of the projects; and • The likelihood of the projects that will deliver sufficient future economic benefits.	We have understood and evaluated the design of the controls identified by the management surrounding the capitalization of internal development costs and subsequent measurement which we considered as key. We tested such controls and performed substantive test of details on the projects with significant expenditure on the internal and development as follows. • We obtained the bases of considerations from management to determine the projects which were considered under development stage, in terms of how the specific requirements of the relevant accounting standards were met and whether it is appropriate to start the capitalization of the costs attributable to the projects. • We also conducted interviews with individual project development managers responsible for the projects selected to obtain corroborative evidence such as project progress reports to support the explanations provided by the management. • We tested samples of cost incurred by selected individual project and through our understanding of the projects and assessing the nature and necessity of such costs to evaluate whether such cost items selected for testing were directly attributable to the projects. Based on above, we found that the judgment applied by management in assessing the criteria for capitalization of internal development costs were supported by the evidence we gathered and consistent with our understanding.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of property, plant and equipment, land use right and intangible assets related to Beijing Brand passenger vehicle business Refer to Note 5 (Critical accounting estimates and judgements), Note 7 (Property, plant and equipment), Note 8 (Land use right) and Note 9 (Intangible assets) of the consolidated financial statements The Group has material balances of property, plant and equipment, land use right and intangible assets related to Beijing Brand passenger vehicle business, a separate cash generating unit ("CGU") with operating losses for the year ended December 31, 2016. Management has engaged an independent valuer to determine the recoverable amount of this CGU, being the value in use. Such assessment involved complex and subjective judgements and assumptions, such as future cash flow projections using revenue, gross margin and other operating costs projections, long-term growth rates of revenue, and discount rate. Based on above management's assessment, the value in use of this CGU is larger than its carrying value as of December 31, 2016. We focused on this area due to the material balances of property, plant and equipment, land use right and intangible assets related to Beijing Brand passenger vehicle business, and the fact that judgement and assumptions were involved to determine the recoverable amount of this CGU.	The recoverable amount of the Beijing Brand passenger business was determined based on value in use, which is the present value of the future cash flows expected to be derived from this CGU, and we performed the following major audit procedures: 1. We assessed the competence, independence and integrity of the valuer. We read the valuer's report and assessed the valuation methodology. 2. We tested the consistency and assessed the reasonableness of the data used and evaluated the management's key assumptions adopted in the discounted cash flow projections, mainly in relation to: • the budgeted sales, gross margin and other operating costs, by comparing them with actual performance and historical financial data of this CGU. For the budgeted sales, we also compared to the Group's strategic plan, future market growth as forecasted and sourced from independent parties; • the long-term growth rate of revenue, by comparing it with the relevant economic and industry forecasts, including certain forecasts sourced from independent parties; and • discount rate, by comparing it with the cost of capital of comparable companies and historical weighted average cost of capital, as well as considering territory specific factors. Based on available evidence, we found the data used and the key assumptions adopted in management's discounted cash flow projection were supported by the evidence we gathered.

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for warranties Refer to Note 5 (Critical accounting estimates and judgements) and Note 24 (Provision) of the consolidated financial statements. The Group recognizes estimated warranty costs for vehicles sold principally at the time of sale of the vehicles or when it is determined that such obligations are probable and can be reasonably estimated. As disclosed in Note 24, the Group's warranties provision balance is RMB3,563 million as at December 31, 2016. The key judgment adopted by management as part of this process includes determining the estimated warranty cost per unit of vehicle sold. We focused on this area given the estimates are adjusted from time to time based on facts and circumstances that impact the status of claims and involving the judgement and assumptions.	In assessing the provision for warranties, we obtained an understanding on the management's process to identify and quantify the provisions and inspected related controls. We also tested the provision for warranties attributable to vehicles with significant sales volume as follows: • We tested the mathematical accuracy of the management's calculation of the provision for warranties which was based on the cost-per-unit and sales volume, and traced the volume data in current period to related sales records for each type of vehicle. • We assessed the reasonableness of the cost-per-unit provision estimates of each type of vehicle sold in the year with the Group's data sources that reported warranty costs in the past, and benchmarked the cost-per-unit provision estimates with similar types of vehicle produced and sold by the Group. • In respect of the provision for warranties previously recorded and subsequently settled during the year, we compared the provision amount with the settlement amount and investigated if significant variance exists and the reasonableness of the reassessment of the adequacy of the provision for warranties previously made by the management. We also discussed with management the existence of any indicators of significant product defect occurred during the year and subsequent to the year-end that would significantly affect the estimates of the year end warranty provision. We found the assumptions adopted and judgment applied by management were supported by the available evidence and reasonable.

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 23, 2017

Consolidated Balance Sheet

As at December 31, 2016

		As at December 31,	
	Note	**2016** **RMB'000**	2015 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**40,071,342**	38,353,039
Land use rights	8	**5,482,557**	5,222,063
Intangible assets	9	**13,446,115**	11,473,224
Investments in joint ventures	11	**15,143,746**	12,902,015
Investments in associates	12	**2,769,905**	1,680,360
Available-for-sale financial assets	13	**536,480**	4,000
Deferred income tax assets	14	**5,504,386**	4,208,609
Other long-term assets		**972,847**	1,313,159
		83,927,378	75,156,469
Current assets			
Inventories	15	**14,166,927**	9,870,762
Accounts receivable	16	**27,188,927**	10,948,608
Advances to suppliers	17	**1,163,249**	2,041,593
Other receivables	18	**4,802,738**	3,965,500
Restricted cash	19	**1,587,258**	1,463,660
Cash and cash equivalents	20	**36,063,909**	23,946,496
		84,973,008	52,236,619
Total assets		**168,900,386**	127,393,088

		As at December 31,	
	Note	**2016 RMB'000**	2015 RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	21	**7,595,338**	7,595,338
Other reserves	22	**17,636,248**	17,680,657
Retained earnings		**14,928,521**	9,733,988
		40,160,107	35,009,983
Non-controlling interests		**17,873,214**	12,059,419
Total equity		**58,033,321**	47,069,402
LIABILITIES			
Non-current liabilities			
Borrowings	23	**7,809,091**	8,986,078
Deferred income tax liabilities	14	**808,608**	839,971
Provisions	24	**2,067,044**	1,610,287
Deferred income	25	**2,021,757**	1,260,294
		12,706,500	12,696,630
Current liabilities			
Accounts payable	26	**41,892,244**	21,382,334
Advances from customers		**463,128**	1,283,647
Other payables	27	**24,413,446**	21,201,970
Current income tax liabilities		**2,326,451**	1,943,280
Borrowings	23	**27,569,624**	21,279,937
Provisions	24	**1,495,672**	535,888
		98,160,565	67,627,056
Total liabilities		**110,867,065**	80,323,686
Total equity and liabilities		**168,900,386**	127,393,088

The notes on pages 120 to 194 are an integral part of these consolidated financial statements.

The financial statements on pages 112 to 194 were approved by the Board of Directors on March 23, 2017 and were signed on its behalf.

Xu Heyi, Director

Li Feng, Director

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2016

	Note	For the year ended December 31, 2016 RMB'000	2015 RMB'000
Revenue	6	**116,198,983**	84,111,526
Cost of sales	29	**(89,967,328)**	(68,834,689)
Gross profit		**26,231,655**	15,276,837
Selling and distribution expenses	29	**(10,603,075)**	(8,002,438)
General and administrative expenses	29	**(4,297,442)**	(4,039,122)
Other gains, net	28	**189,115**	1,243,610
Operating profit		**11,520,253**	4,478,887
Finance income	31	**417,905**	348,366
Finance costs	31	**(885,767)**	(763,941)
Finance costs, net		**(467,862)**	(415,575)
Share of profits of joint ventures		**3,916,712**	4,102,237
Share of profits of associates		**299,988**	155,108
Profit before income tax		**15,269,091**	8,320,657
Income tax expense	32	**(3,732,936)**	(1,998,648)
Profit for the year		**11,536,155**	6,322,009
Profit attributable to:			
Equity holders of the Company		**6,366,930**	3,318,601
Non-controlling interests		**5,169,225**	3,003,408
		11,536,155	6,322,009
Earnings per share for profit attributable to equity holders of the company for the year			
(expressed in RMB per share)			
Basic and diluted	33	**0.84**	0.44

	Note	For the year ended December 31, 2016 RMB'000	2015 RMB'000
Other Comprehensive Income:			
Items that may be reclassified to profit or loss			
Cash flow hedges		**(152,267)**	–
Currency translation differences		**65**	–
Other comprehensive income for the year		**(152,202)**	–
Total comprehensive income for the year		**11,383,953**	6,322,009
Attributable to:			
Equity holders of the Company		**6,289,309**	3,318,601
Non-controlling interests		**5,094,644**	3,003,408
		11,383,953	6,322,009

The notes on pages 120 to 194 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2016

	Attributable to equity holders of the Company					
	Share capital RMB'000 (Note 21)	Other Reserve RMB'000 (Note 22)	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at January 1, 2015	7,508,018	16,677,213	9,169,736	33,354,967	8,613,649	41,968,616
Profit for the year	–	–	3,318,601	3,318,601	3,003,408	6,322,009
Total comprehensive income for the year	–	–	3,318,601	3,318,601	3,003,408	6,322,009
Transactions with owners						
Issuance of new shares (Note 21)	87,320	526,113	–	613,433	–	613,433
Share issuance costs (Note 21)	–	(371)	–	(371)	–	(371)
Appropriation to statutory surplus reserve	–	475,748	(475,748)	–	–	–
2014 final dividends	–	–	(2,278,601)	(2,278,601)	–	(2,278,601)
Dividends to non-controlling interests holders of subsidiaries	–	–	–	–	(1,552,034)	(1,552,034)
Contributions from non-controlling interest holders of subsidiaries	–	–	–	–	1,992,408	1,992,408
Others	–	1,954	–	1,954	1,988	3,942
	87,320	1,003,444	(2,754,349)	(1,663,585)	442,362	(1,221,223)
Balance at December 31, 2015	7,595,338	17,680,657	9,733,988	35,009,983	12,059,419	47,069,402

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

The notes on pages 120 to 194 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended December 31, 2016

	Note	For the year ended December 31, 2016 RMB'000	2015 RMB'000
Cash flows from operating activities			
Cash generated from operations	35(a)	**21,666,405**	13,035,082
Interest paid		**(761,338)**	(1,343,930)
Interest received		**417,905**	348,366
Income tax paid		**(4,676,659)**	(1,674,205)
Net cash generated from operating activities		**16,646,313**	10,365,313
Cash flows from investing activities			
Acquisition of a subsidiary (Note 37)		**7,973**	–
Purchase of property, plant and equipment		**(7,040,405)**	(9,220,098)
Purchase of land use rights		**(269,613)**	–
Addition of intangible assets		**(2,449,229)**	(2,831,773)
Investments in joint ventures		**(1,559,750)**	(1,294,125)
Investments in associates		**(867,237)**	(246,600)
Investments in available-for-sales		**(532,480)**	–
Receipt of government grants for capital expenditures		**427,203**	289,280
Proceeds from disposals of property, plant and equipment and intangible assets	35(b)	**20,664**	4,070
Dividends received from joint ventures		**3,720,312**	5,169,653
Dividends received from associates		**40,595**	105,671
Increase of restricted cash		**(123,598)**	(419,950)
Net cash used in investing activities		**(8,625,565)**	(8,443,872)

	Note	For the year ended December 31, 2016 RMB'000	2015 RMB'000
Cash flows from financing activities			
Issuance of new shares	21	–	613,433
Proceeds from borrowings		**29,714,863**	25,406,249
Repayments of borrowings		**(24,675,890)**	(25,063,446)
Dividends paid by the Company		**(1,139,301)**	(2,278,601)
Contributions from non-controlling interest holders of a subsidiary		**742,634**	1,992,408
Dividends paid to non-controlling interests holders of subsidiaries		**(635,603)**	(501,172)
Payment of listing expenses		–	(95,326)
Net cash generated from financing activities		**4,006,703**	73,545
Net increase in cash and cash equivalents		**12,027,451**	1,994,986
Cash and cash equivalents at January 1,		**23,946,496**	21,923,296
Exchange gains on cash and cash equivalents		**89,962**	28,214
Cash and cash equivalents at December 31,		**36,063,909**	23,946,496

The notes on pages 120 to 194 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2016

1 GENERAL INFORMATION

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

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

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

These financial statements are presented in Renminbi Yuan ("RMB"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on March 23, 2017.

2 BASIS OF PREPARATION

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

As at December 31, 2016, the current liabilities of the Group exceeded its current assets by approximately RMB13,188 million. Given the debt obligations and working capital requirements, management has thoroughly considered the Group's available sources of the funds as follows:

- the Group's continuous net cash generated from operating and financing activities; and
- undrawn short-term and long-term banking facilities of approximately RMB350 million and RMB22,141 million respectively as at December 31, 2016.

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

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

2 BASIS OF PREPARATION (CONTINUED)

New/revised standards, amendments to standards and interpretations

(a) Adoption of new standards and amendments to standards

The Group has adopted the following new standard and amendments and interpretation which are mandatory for the financial year beginning on January 1, 2016:

IFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations
IFRS 14	Regulatory deferral accounts
IAS 16 and IAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation
Annual Improvement Project	Annual Improvements 2012-2014 Cycle
IAS 1 (Amendment)	Disclosure initiative
IFRS 10, IFRS 12 and IAS 28	Investment entities: applying the consolidation exception

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

(b) Standards and amendments which are not yet adopted

The following are new standards and amendments to standards that have been issued but are not yet effective for the financial year beginning after January 1, 2016 and have not been early adopted by the Group.

IAS 7 (Amendment)	Disclosure on changes in financing liability (1)
IAS 12 (Amendment)	Deferred tax assets for unrealised losses (1)
IFRS 2 (Amendment)	Clarification and Measurement of Share-based Payment Transactions (2)
IFRS 10 and IAS 28 (Amendment)	Sale or distribution of assets between an investor and its associate or joint venture (3)
IFRS 9	Financial Instruments (2) (i)
IFRS 15	Revenue from Contracts with Customers (2) (ii)
IFRS 16	Lease (3) (iii)

(1) Change effective for the accounting period beginning on January 1, 2017
(2) Change effective for the accounting period beginning on January 1, 2018
(3) Change effective for the accounting period beginning on January 1, 2019

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

2 BASIS OF PREPARATION (CONTINUED)

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

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

(i) IFRS 9 'Financial instruments'

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group has yet to undertake a detailed assessment of the classification and measurement of financial assets. Currently, the financial assets held by the Group include:

- instruments classified as available-for-sale ("AFS") for which a fair value through other comprehensive income ("FVOCI") election is available under IFRS 9; and

- instruments measured at fair value through profit or loss ("FVPL") which would likely continue to be measured on the same basis under IFRS 9.

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

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

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

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

IFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed IFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt IFRS 9 before its mandatory date.

2 BASIS OF PREPARATION (CONTINUED)

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

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

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

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption. IFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date, and the Group is in the process of assessing the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

(iii) IFRS 16 'Leases'

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

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB171,338,000 (Note 36(b)). However, the Group has not determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

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

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Subsidiaries

(a) Consolidation

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Subsidiaries (Continued)

(a) Consolidation (Continued)

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 and receivable.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Subsidiaries (Continued)

(c) Disposal of subsidiaries

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

3.2 Joint arrangements

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

Interests in joint ventures are accounted for using the equity method. Under this method, the interests are initially recognized in the consolidated balance sheet at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses, and movements in other comprehensive income, in profit or loss and other comprehensive income respectively. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of joint ventures and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill.

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Associates

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

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

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

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

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

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

3.4 Segment reporting

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

(c) Group companies

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation on items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Buildings	20-30 years
Machinery	10 years
Vehicles	5-10 years
Furniture and office equipment	5 years
Mouldings	5-10 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.9).

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

3.7 Land use rights

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

3.8 Intangible assets

(a) Intellectual rights

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

(b) Computer software

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Intangible assets (Continued)

(c) Research and development costs

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

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

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

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

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

(d) Goodwill

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment of non-financial assets

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

3.10 Financial assets

(a) Classification

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

The Group's financial assets primarily comprise financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

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

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

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

(b) Recognition and measurement

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Financial assets (Continued)

(b) Recognition and measurement (Continued)

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

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included through profit or loss as "gains and losses from investment securities".

(c) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(d) Impairment of financial assets

(i) Assets carried at amortized cost

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Financial assets (Continued)

(d) Impairment of financial assets (Continued)

(ii) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the consolidated statement of comprehensive income.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in profit or loss. Impairment losses recognized in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income.

3.11 Derivative financial instruments and hedging activities

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Derivative financial instruments and hedging activities (Continued)

Cash flow hedge

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

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

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

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

3.12 Inventories

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

3.13 Accounts and other receivables

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

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

3.14 Cash and cash equivalents

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Share capital

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

3.16 Accounts payable

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

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

3.17 Borrowings

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

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

3.18 Borrowing costs

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

(i) Inside basis differences

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

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

(ii) Outside basis differences

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

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

(c) Offsetting

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Employee benefits

(a) Pension obligations

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

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

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

3.21 Provision

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

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

3.22 Revenue recognition

Revenue is measured at the fair value of the consideration received, or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The revenue recognition policies applied by the Group for each of these activities are as follows:

(a) Products

The Group manufactures and sells vehicles, auto parts and technologies to its dealers and automotive/spare parts manufacturers. Sales of products are recognized when the significant risks and rewards of ownership of the products have been passed to the buyers and the amount of revenue can be measured reliably.

The vehicles are often sold with sales rebates. Sales are recorded based on the prices specified in the sales contracts, net of the sales rebates which are calculated periodically.

(b) Services

Revenues are recognized when services are rendered.

(c) Dividend income

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.23 Interest income

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

3.24 Leases

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

3.25 Government grants

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

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

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

3.26 Dividend distribution

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

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(a) Market risk

(i) Foreign exchange risk

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

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

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

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

	Profit for the year RMB'000
As at and for the year ended December 31, 2016	
US$	**(93,275)**
Euro	**714,616**
As at and for the year ended December 31, 2015	
US$	(34,930)
Euro	609,915

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk

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

As at December 31, 2016, if the interest rates on borrowings had been 100 basis points higher/lower than the prevailing rate, with all other variables held constant, net profit for the year ended December 31, 2016 would have been approximately RMB111,737,000 (2015: RMB102,535,000) lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

As at December 31, 2016, 100% (December 31, 2015: 100%) of the Group's restricted cash, term deposits and cash at banks are held in reputable local joint-stock commercial banks, state-owned banks, other financial institutions and world-wide reputable banks, which management believes are of high credit quality. Management does not expect any losses from non-performance by these counterparties.

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(c) Liquidity risk

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

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

As at December 31, 2016, the Group has net current liabilities of approximately RMB13,188 million (December 31, 2015: RMB15,390 million). Management regularly monitors the Group's current and expected liquidity requirements to ensure that it maintains sufficient cash and cash equivalents and has available funding through adequate amount of committed banking facilities to meet its capital commitments and working capital requirements. The amount of undrawn credit facilities at the balance sheet dates are disclosed in Note 23 to these financial statements.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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

	Less than 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	Over 5 years RMB'000
At December 31,2016				
Borrowings	**28,539,991**	**983,380**	**5,321,238**	**2,612,716**
Accounts payable	**41,892,244**	**–**	**–**	**–**
Other payables	**22,101,042**	**–**	**–**	**–**
At December 31, 2015				
Borrowings	22,166,736	4,624,677	4,138,489	1,050,140
Accounts payable	21,382,334	–	–	–
Other payables	19,382,116	–	–	–

4.2 Capital management

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

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

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

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

As of December 31, 2015, the gearing ratio is 12%.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Fair value estimation

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

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

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss (Note 18)				
At December 31, 2016	**–**	**17,253**	**–**	**17,253**
At December 31, 2015	–	56,678	–	56,678
Liabilities				
Financial liabilities at fair value through profit or loss				
At December 31, 2016	**–**	**–**	**–**	**–**
At December 31, 2015	–	–	–	–

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

(a) Capitalization of intangible assets

Costs incurred on development projects are recognized as intangible assets when it is probable that the projects will be successful considering the criteria set out in Note 3.8(c). The Group's development activities are tracked by its technical department and documented to support the basis of determining if and when the criteria were met.

(b) Impairment of long-lived assets

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

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

The property, plant and equipment, land use right and intangible assets related to Beijing Brand passenger vehicle business are tested for impairment based on the recoverable amount of the CGU to which these assets are related. The recoverable amount of the CGU was determined based upon value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates of 3%.

Other key assumptions used for value-in-use calculations in 2016 include a 16.5% (2015: 16.5%) discount rate applied to the cash flow projections.

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

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(c) Provisions

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

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

(d) Income taxes

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

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

6 SEGMENT INFORMATION

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

The Group considers the business from a product perspective and has the following reportable segments:

- Passenger vehicles of Beijing Brand: manufacturing and sales of passenger vehicles of BAIC brands, and providing other businesses and related services.

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

6 SEGMENT INFORMATION (CONTINUED)

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

	Passenger vehicles – Beijing Brand RMB'000	Passenger vehicles – Beijing Benz RMB'000	Total RMB'000
For the year ended December 31, 2016			
Total revenue	30,965,269	85,312,009	116,277,278
Inter-segment revenue	(78,295)	–	(78,295)
Revenue from external customers	30,886,974	85,312,009	116,198,983
Gross profit	857,075	25,374,580	26,231,655
Other profit & loss disclosure:			
Selling and distribution expenses			(10,603,075)
General and administrative expenses			(4,297,442)
Other gains, net			189,115
Finance cost, net			(467,862)
Share of post-tax profits of joint ventures			3,916,712
Share of post-tax profits of associates			299,988
Profit before income tax			15,269,091
Income tax expense			(3,732,936)
Profit for the year			11,536,155
Other information:			
Significant non-cash expenses			
Depreciation and amortization	(2,092,726)	(2,844,406)	(4,937,132)
Provisions for impairments on assets	(120,137)	(194,816)	(314,953)
As at December 31, 2016			
Total assets	85,169,504	83,730,882	168,900,386
Including:			
Investments in joint ventures			15,143,746
Investments in associates			2,769,905
Total liabilities	(63,681,686)	(47,185,379)	(110,867,065)

6 SEGMENT INFORMATION (CONTINUED)

	Passenger vehicles – Beijing Brand RMB'000	Passenger vehicles – Beijing Benz RMB'000	Total RMB'000
For the year ended December 31, 2015			
Total revenue	17,918,066	66,262,804	84,180,870
Inter-segment revenue	(69,344)	–	(69,344)
Revenue from external customers	17,848,722	66,262,804	84,111,526
Gross (loss)/profit	(1,419,806)	16,696,643	15,276,837
Other profit & loss disclosure:			
Selling and distribution expenses			(8,002,438)
General and administrative expenses			(4,039,122)
Other gains, net			1,243,610
Finance cost, net			(415,575)
Share of post-tax profits of joint ventures			4,102,237
Share of post-tax profits of associates			155,108
Profit before income tax			8,320,657
Income tax expense			(1,998,648)
Profit for the year			6,322,009
Other information:			
Significant non-cash expenses			
Depreciation and amortization	(1,160,978)	(2,626,010)	(3,786,988)
Provisions for impairments on assets	(164,835)	(33,239)	(198,074)
As at December 31, 2015			
Total assets	63,725,718	63,667,370	127,393,088
Including:			
Investments in joint ventures			12,902,015
Investments in associates			1,680,360
Total liabilities	(41,464,850)	(38,858,836)	(80,323,686)

6 SEGMENT INFORMATION (CONTINUED)

There is no customer accounting for 10 percent or more of the Group's revenue for each of the years ended December 31, 2016 and 2015.

The Group is domiciled in PRC. The percentage of its revenue from external customers residing in the PRC is approximately 99.5% for the year ended December 31, 2016 (the year ended December 31, 2015: 99.8%).

As at December 31, 2016, the percentage of the Group's non-current assets, other than financial instruments and deferred income tax assets, located in the mainland of the PRC is approximately 98.3% (as at December 31, 2015: 97.9%).

7 PROPERTY, PLANT AND EQUIPMENT

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

7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Notes:

(a) There is no property, plant and equipment pledged as security for borrowing agreements at December 31, 2016 and 2015.

(b) The Group has capitalized borrowing costs amounting to RMB127,138,000 on qualifying assets of property, plant and equipment for the year ended December 31, 2016 (2015: RMB321,264,000). Borrowing costs were capitalized at the weighted average of its borrowing rate of 4.03% during the year (2015: 6.07%).

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

	For the year ended December 31, 2016 RMB'000	2015 RMB'000
Cost of sales	**3,466,389**	2,982,269
Selling and distribution expenses	**6,378**	9,076
General and administrative expenses	**208,434**	186,760
	3,681,201	3,178,105
Transfer to intangible assets – development costs	**28,146**	28,929
	3,709,347	3,207,034

(d) As at December 31, 2016, the Group has not obtained the formal ownership certificates for certain buildings with carrying values of approximately RMB570,360,000 (December 31, 2015: RMB1,428,362,000). In the opinion of the directors, the absence of formal title to these buildings does not impair their values to the Group as the probability of the Group being evicted on the ground of absence of formal title is remote.

8 LAND USE RIGHTS

	For the year ended December 31,	
	2016	2015
	RMB'000	RMB'000
Cost		
At January 1	**5,569,747**	5,569,747
Additions (Note (a))	**395,128**	–
At December 31	**5,964,875**	5,569,747
Accumulated amortization		
At January 1	**(347,684)**	(222,563)
Amortization	**(134,634)**	(125,121)
At December 31	**(482,318)**	(347,684)
Net book amount		
At December 31	**5,482,557**	5,222,063

Notes:

(a) The addition includes land use right with carrying value of approximately RMB173,330,000 granted by the local government to support the development of manufacturing bases for passenger vehicle of Beijing Brand.

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

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

	For the year ended December 31,	
	2016	2015
	RMB'000	RMB'000
General and administrative expenses	**134,634**	125,121

(d) As at December 31, 2016, the Group has not obtained the formal land use rights for certain land use rights with carrying values of approximately RMB1,970,000 (December 31, 2015: RMB2,059,000). In the opinion of the directors, the absence of formal title to these land use rights does not impair their values to the Group as the probability of the Group being evicted on the ground of absence of formal title is remote.

9 INTANGIBLE ASSETS

	Development costs (note (c)) RMB'000	Computer software RMB'000	Goodwill (note (a),(b)) RMB'000	Total RMB'000
Net book amount at January 1, 2016	**10,405,761**	**259,958**	**807,505**	**11,473,224**
Additions	**2,770,857**	**241,858**	**–**	**3,012,715**
Acquisition of a subsidiary (Note 37)	**670**	**–**	**94,440**	**95,110**
Disposals	**–**	**(220)**	**–**	**(220)**
Amortization	**(1,012,592)**	**(122,122)**	**–**	**(1,134,714)**
Net book amount at December 31, 2016	**12,164,696**	**379,474**	**901,945**	**13,446,115**
At December 31, 2016				
Cost	**14,211,375**	**640,064**	**901,945**	**15,753,384**
Accumulated amortization	**(2,046,679)**	**(260,590)**	**–**	**(2,307,269)**
Net book amount	**12,164,696**	**379,474**	**901,945**	**13,446,115**
Net book amount at January 1, 2015	7,172,560	271,243	807,505	8,251,308
Additions	3,663,240	54,890	–	3,718,130
Amortization	(430,039)	(66,175)	–	(496,214)
Net book amount at December 31, 2015	10,405,761	259,958	807,505	11,473,224
At December 31, 2015				
Cost	11,439,847	398,528	807,505	12,645,880
Accumulated amortization	(1,034,086)	(138,570)	–	(1,172,656)
Net book amount	10,405,761	259,958	807,505	11,473,224

9 INTANGIBLE ASSETS (CONTINUED)

Notes:

(a) The goodwill acquired in the acquisition of Beijing Benz in 2013 is fully allocated to the unit of passenger vehicles of Beijing Benz. The recoverable amount of this CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates of 3%.

Other key assumptions used for value-in-use calculations in 2016 include 16.5% (2015: 16.5%) discount rate applied to the cash flow projections.

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

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

(c) The Group has capitalized borrowing costs amounting to RMB263,743,000 on qualifying intangible assets for the year ended December 31, 2016 (2015: RMB252,199,000). Borrowing costs were capitalized at the weighted average of its borrowing rate of 3.90% during the year (2015: 3.77%).

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

	For the year ended December 31,	
	2016	2015
	RMB'000	RMB'000
Cost of sales	**1,098,157**	456,448
General and administrative expenses	**23,140**	27,314
	1,121,297	483,762
Transfer from computer software to development cost	**13,417**	12,452
	1,134,714	496,214

10 SUBSIDIARIES

(a) The list of the principal subsidiaries at December 31, 2016 is disclosed in Note 40.

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

(c) At September 2016, the Group obtained control in CADU by being allocated the additional equity interests, and CADU became the Group's subsidiary since (Note 37).

(d) Material non-controlling interests

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

(i) Summarized balance sheet

	As at December 31,	
	2016	2015
	RMB'000	RMB'000
Non-current assets	**35,901,485**	33,511,199
Current assets	**47,829,397**	30,156,171
Total assets	**83,730,882**	63,667,370
Non-current liabilities	**3,915,007**	3,524,586
Current liabilities	**43,270,372**	35,334,250
Total liabilities	**47,185,379**	38,858,836
Net assets	**36,545,503**	24,808,534
Non-controlling interests	**17,511,618**	11,760,504

10 SUBSIDIARIES (CONTINUED)

(d) Material non-controlling interests (Continued)

(ii) Summarized statement of comprehensive income

	For the year ended December 31,	
	2016	2015
	RMB'000	RMB'000
Revenue	**85,312,009**	66,262,804
Net profit	**10,373,656**	5,952,668
Other comprehensive income	**(152,267)**	–
Total comprehensive income	**10,221,389**	5,952,668
Net profit attributable to non-controlling interests	**5,083,091**	2,916,807
Other comprehensive income attributable to non-controlling interests	**(74,611)**	–
Total comprehensive income attributable to non-controlling interests	**5,008,480**	2,916,807
Dividends declared to non-controlling interests	**–**	1,470,000

(iii) Summarized statement of cash flows

	For the year ended December 31,	
	2016	2015
	RMB'000	RMB'000
Net cash flows generated from operating activities	**16,775,751**	17,605,903
Net cash flows used in investing activities	**(5,185,931)**	(5,232,533)
Net cash flows generated/(used in) from financing activities	**327,650**	(2,413,155)
Exchange gains on cash and cash equivalents	**89,810**	–
Net increase in cash and cash equivalents	**12,007,280**	9,960,215

11 INVESTMENTS IN JOINT VENTURES

	For the year ended December 31,	
	2016	2015
	RMB'000	RMB'000
At January 1	**12,902,015**	12,675,306
New investments (note(a))	**693,688**	1,294,125
Additional investments (note(b))	**1,351,643**	–
Share of profits for the year:		
– Profit before income tax	**5,222,283**	5,469,649
– Income tax expense	**(1,305,571)**	(1,367,412)
	3,916,712	4,102,237
Dividends received	**(3,720,312)**	(5,169,653)
At December 31	**15,143,746**	12,902,015

Notes:

(a) On June, 2016, the Group entered into a share transfer agreement with Fujian Motor Industry Group Co. ("Fujian Motor", an independent third party) with regard to its acquisition of 35% equity interests in Fujian Benz Automotive Co., Ltd. ("Fujian Benz") with the total consideration of RMB693,688,000. Upon the completion of the transaction on September, 2016, the Group and Fujian Motor hold 35% and 15%, respectively, of the equity interests in Fujian Benz, with Daimler Vans Hong Kong Limited holding the remaining 50%. Fujian Motor shall act in concert with the Group in terms of the operations and management of Fujian Benz and other relevant matters, so Fujian Benz is considered as a joint venture of the Group since then.

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

(c) 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.

11 INVESTMENTS IN JOINT VENTURES (CONTINUED)

Notes: (Continued)

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

(i) Summarized balance sheet of a material joint venture

	Beijing Hyundai	
	2016 RMB'000	2015 RMB'000
Current assets		
Cash and cash equivalents	**970,228**	2,240,956
Other current assets	**35,128,841**	37,224,182
	36,099,069	39,465,138
Non-current assets	**27,629,869**	18,589,580
Current liabilities		
Financial liabilities	**27,437,600**	26,005,674
Other current liabilities	**3,881,862**	2,045,826
	31,319,462	28,051,500
Non-current liabilities		
Financial liabilities	**1,400,000**	1,400,000
Other non-current liabilities	**2,393,952**	3,069,992
	3,793,952	4,469,992
Net assets	**28,615,524**	25,533,226

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

	2016 RMB'000	2015 RMB'000
Opening net assets	**25,533,226**	25,141,475
Additions in paid-in capital	**2,703,286**	2,582,251
Total comprehensive income for the year	**7,814,789**	8,148,809
Dividends paid	**(7,435,777)**	(10,339,309)
Closing net assets	**28,615,524**	25,533,226
Group's share in %	**50%**	50%
Carrying amount	**14,307,762**	12,766,613

11 INVESTMENTS IN JOINT VENTURES (CONTINUED)

Notes: (Continued)

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

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

	Beijing Hyundai	
	2016	2015
	RMB'000	RMB'000
Revenue	**110,132,621**	101,453,222
Depreciation and amortization	**(1,927,283)**	(1,820,242)
Interest income	**64,415**	194,486
Interest expenses	**(642,546)**	(440,605)
Other expenses	**(97,188,550)**	(88,491,650)
Income tax expenses	**(2,623,869)**	(2,746,402)
Total comprehensive income	**7,814,788**	8,148,809

(iii) Individually immaterial joint ventures

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

	As at December 31,	
	2016	2015
	RMB'000	RMB'000
Aggregate carrying amount of the net assets of individually immaterial joint ventures	**1,975,786**	273,431
Aggregate amounts of the Group's share thereon	**835,984**	135,402
Aggregate total comprehensive income	**8,667**	53,383
Aggregate amounts of the Group's share of total comprehensive income	**9,317**	27,833

12 INVESTMENTS IN ASSOCIATES

	For the year ended December 31,	
	2016	2015
	RMB'000	RMB'000
At January 1	**1,680,360**	1,391,135
New investments (Note (a))	**16,671**	246,600
Additional investments (Note (b))	**850,567**	–
Share of profits for the year		
– Profit before income tax	**399,984**	206,811
– Income tax expense	**(99,996)**	(51,703)
	299,988	155,108
Dividends received	**(33,782)**	(112,483)
Business combination of an associate (Note 37)	**(43,899)**	–
At December 31	**2,769,905**	1,680,360

Notes:

(a) In November 2016, the Group entered into an agreement for the establishment of BAIC Automobile SA Proprietary Limited, a company incorporated in South Africa. The Group contributed RMB16,671,000 with 20% interests in this associate.

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

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

(ii) In October 2016, Mercedes-Benz Leasing Co., Ltd. increased its registered capital by RMB500,000,000 with RMB175,000,000 contributed by the Group and RMB325,000,000 contributed by the other investors. The Group's equity interests in Mercedes-Benz Leasing Co., Ltd. remain at 35% the same before and after the capital contribution.

(c) 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.

12 INVESTMENTS IN ASSOCIATES (CONTINUED)

Notes: (Continued)

(c) Summarized financial information for associates (Continued)

(i) Summarized balance sheet of material associates

	BHAF	
	2016 RMB'000	2015 RMB'000
Current assets		
Cash and cash equivalents	**5,001,689**	2,302,548
Other current assets	**333,850**	224,292
	5,335,539	2,526,840
Non-current assets	**25,612,902**	18,559,063
Current liabilities		
Financial liabilities	**16,276,313**	14,396,693
Other current liabilities	**279,864**	255,369
	16,556,177	14,652,062
Non-current liabilities		
Other non-current liabilities	**9,538,559**	4,126,323
Net assets	**4,853,705**	2,307,518

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

	BHAF	
	2016 RMB'000	2015 RMB'000
Opening net assets	**2,307,518**	2,065,903
Additions in paid-in capital	**2,000,000**	–
Total comprehensive income for the year	**546,187**	241,615
Closing net assets	**4,853,705**	2,307,518
Group's share in %	**33%**	33%
Carrying amount	**1,601,723**	761,481

12 INVESTMENTS IN ASSOCIATES (CONTINUED)

Notes: (Continued)

(c) Summarized financial information for associates (Continued)

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

	BAIC Group Finance Co., Ltd. ("BAIC Finance")	
	2016 RMB'000	2015 RMB'000
Current assets		
Cash and cash equivalents	**14,123,574**	5,723,775
Other current assets	**29,267**	26,900
	14,152,841	5,750,675
Non-current assets	**12,446,215**	8,267,533
Current liabilities		
Financial liabilities	**24,440,828**	12,121,760
Other current liabilities	**115,727**	43,591
	24,556,555	12,165,351
Non-current liabilities		
Other non-current liabilities	**137,635**	68,450
Net assets	**1,904,866**	1,784,407

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

	BAIC Finance	
	2016 RMB'000	2015 RMB'000
Opening net assets	**1,784,407**	1,732,781
Total comprehensive income for the year	**184,776**	138,175
Dividends paid	**(64,317)**	(86,549)
Closing net assets	**1,904,866**	1,784,407
Group's share in %	**20%**	20%
Carrying amount	**380,973**	356,881

12 INVESTMENTS IN ASSOCIATES (CONTINUED)

Notes: (Continued)

(c) Summarized financial information for associates (Continued)

(ii) Summarized statements of comprehensive income of material associates

	BHAF	
	2016 **RMB'000**	2015 RMB'000
Revenue	**2,760,928**	1,944,240
Cost of sales	**(1,996,642)**	(1,626,212)
Other expenses	**(218,099)**	(76,413)
Total comprehensive income for the year	**546,187**	241,615

	BAIC Finance	
	2016 **RMB'000**	2015 RMB'000
Revenue	**691,825**	493,939
Cost of sales	**(432,924)**	(169,768)
Other gain	**2,283**	(128,628)
Income tax expense	**(76,408)**	(57,368)
Total comprehensive income for the year	**184,776**	138,175

(d) 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,	
	2016 **RMB'000**	2015 RMB'000
Aggregate carrying amount of the net assets of individually immaterial associates	**1,956,202**	3,842,222
Aggregate amounts of the Group's share thereon	**787,209**	561,998
Aggregate total comprehensive income	**123,000**	51,236
Aggregate amounts of the Group's share of total comprehensive income	**82,791**	47,740

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at December 31,	
	2016	2015
	RMB'000	RMB'000
At January 1	**4,000**	4,000
New investment (note (a))	**532,480**	–
At December 31	**536,480**	4,000

Note:

(a) On March 24, 2016, the Group entered into the capital increase agreement with Beijing Electric Vehicle Co., Ltd., ("BJEV"), a subsidiary of BAIC Group, pursuant to which, the Group subscribed for 208 million shares issued additionally by BJEV for a consideration of RMB532,480,000 in cash. The Group then holds 6.5% of BJEV's total equity interests but does not have significant influence in BJEV.

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

14 DEFERRED INCOME TAXES

	As at December 31,	
	2016	2015
	RMB'000	RMB'000
Deferred income tax assets:		
– to be recovered after more than 12 months	**1,916,714**	1,594,951
– to be recovered within 12 months	**3,587,672**	2,613,658
	5,504,386	4,208,609
Deferred income tax liabilities:		
– to be settled after more than 12 months	**(764,421)**	(783,157)
– to be settled within 12 months	**(44,187)**	(56,814)
	(808,608)	(839,971)

14 DEFERRED INCOME TAXES (CONTINUED)

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

Deferred income tax assets	Provisions for impairment losses RMB'000	Accruals RMB'000	Others RMB'000	Total RMB'000
At January 1, 2016	**181,909**	**3,696,780**	**329,920**	**4,208,609**
Credited to statement of comprehensive income	**31,350**	**1,048,146**	**216,281**	**1,295,777**
At December 31, 2016	**213,259**	**4,744,926**	**546,201**	**5,504,386**
At January 1, 2015	123,761	2,481,069	71,229	2,676,059
Credited to statement of comprehensive income	58,148	1,215,711	258,691	1,532,550
At December 31, 2015	181,909	3,696,780	329,920	4,208,609

Deferred income tax liabilities	Capitalized interest RMB'000	Valuation surplus upon acquisition of a subsidiary RMB'000	Total RMB'000
At January 1, 2016	**(44,304)**	**(795,667)**	**(839,971)**
Credited to statement of comprehensive income	**116**	**31,247**	**31,363**
At December 31, 2016	**(44,188)**	**(764,420)**	**(808,608)**
At January 1, 2015	(55,628)	(831,843)	(887,471)
Credited to statement of comprehensive income	11,324	36,176	47,500
At December 31, 2015	(44,304)	(795,667)	(839,971)

Deferred income tax assets are recognized for tax loss carry forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets in respect of losses and deductible temporary differences amounting to RMB13,539,063,000 (December 31, 2015: RMB11,007,311,000) that can be carried forward against future taxable income as at December 31, 2016. The unrecognized tax loss amounting to RMB12,942,691,000 (December 31,2015: RMB10,479,881,000) carry forward are expiring within five years.

15 INVENTORIES

	As at December 31,	
	2016	2015
	RMB'000	RMB'000
Raw materials	**5,432,749**	4,444,994
Work in progress	**517,187**	537,075
Finished goods	**8,623,048**	5,131,907
	14,572,984	10,113,976
Less: provision for impairment (note (a))	**(406,057)**	(243,214)
	14,166,927	9,870,762

Notes:

(a) Provision for impairment is recognized for the amount by which the carrying amount of the inventories exceeds its recoverable amount, and was recorded in cost of sales in the statements of comprehensive income.

(b) The cost of inventories recognized as an expense and included in cost of sales for the year ended December 31, 2016 amounted to RMB89,967 million (2015: RMB68,835 million).

(c) As at December 31, 2016, finished goods of RMB nil (December 31, 2015: RMB529 million) were pledged as collateral to secure the bank notes.

16 ACCOUNTS RECEIVABLE

	As at December 31,	
	2016	2015
	RMB'000	RMB'000
Trade receivables, gross (note (a))	**12,549,502**	4,579,034
Less: provision for impairment	**(1,037)**	(1,047)
	12,548,465	4,577,987
Notes receivable (note (b))	**14,640,462**	6,370,621
	27,188,927	10,948,608

16 ACCOUNTS RECEIVABLE (CONTINUED)

Notes:

(a) The majority of the Group's sales are on credit. A credit period of up to 30 days for trade receivables and up to 3 to 6 months for notes receivable may be granted in respect of sales to customers with good credit history and long-established relationship with the Group. The ageing analysis of trade receivables is as follows:

	As at December 31,	
	2016	2015
	RMB'000	RMB'000
Current to 1 year	**12,463,236**	4,560,463
1 to 2 years	**72,306**	15,166
2 to 3 years	**13,960**	3,335
Over 3 years	**–**	70
	12,549,502	4,579,034

As at December 31, 2016 and 2015, the following trade receivables were past due but not impaired. These are resulted from the recurring transaction with a number of related party customers, of which the credit risk is low. The ageing analysis of these past due but not impaired receivables is as follows:

	As at December 31,	
	2016	2015
	RMB'000	RMB'000
1 to 2 years	**72,306**	14,225
2 to 3 years	**12,923**	3,240
Over 3 years	**–**	59
	85,229	17,524

As at December 31, 2016 and 2015 movement on the provision for impairment of trade receivables is as follows:

	2016	2015
	RMB'000	RMB'000
As at January 1	**1,047**	3,496
Reversal of provision for impairment	**(10)**	(2,449)
As at December 31	**1,037**	1,047

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

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

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

16 ACCOUNTS RECEIVABLE (CONTINUED)

Notes: (Continued)

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

	As at December 31,	
	2016	2015
	RMB'000	RMB'000
Pledged notes receivable	**7,334,597**	2,696,141

17 ADVANCES TO SUPPLIERS

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

18 OTHER RECEIVABLES

	As at December 31,	
	2016	2015
	RMB'000	RMB'000
Value-added tax to be deducted and prepaid consumption tax	**2,168,603**	1,936,993
Receivable from sales of raw materials	**1,587,627**	719,721
Service fees and charges	**456,390**	675,914
Government grants	**150,000**	214,503
Receivable from disposal of property, plant and equipment and intangible assets	**139,431**	139,431
Derivative financial instruments (note (a))	**17,253**	56,678
Others	**306,892**	222,704
	4,826,196	3,965,944
Less: provision for impairment	**(23,458)**	(444)
	4,802,738	3,965,500

Note:

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

19 RESTRICTED CASH

	As at December 31,	
	2016	2015
	RMB'000	RMB'000
Pledged deposits	**1,587,258**	1,463,660

Pledged deposits are maintained with banks mainly for issuance of notes payable. They earn interests at annual rates ranging 0.30% to 1.75% as at December 31, 2016 (December 31, 2015: 1.43% to 1.69%).

20 CASH AND CASH EQUIVALENTS

	As at December 31,	
	2016	2015
	RMB'000	RMB'000
Cash at bank and on hand	**11,796,637**	12,049,232
Short-term deposits (note (a))	**24,267,272**	11,897,264
	36,063,909	23,946,496

Notes:

(a) As at December 31, 2016, short-term deposits of RMB10,873,080,000 (December 31, 2015: RMB2,129,521,000), were deposited in BAIC Finance (a 20% owned associate), which was approved by the China Banking Regulatory Commission as a non-bank financial institution. The remaining 80% of this associate is owned by BAIC Group. These deposits can be withdrawn on demand.

(b) As at December 31, 2016, approximately 96% (December 31, 2015: 97%) of the Group's cash and cash equivalents are denominated in RMB. The conversion of RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

21 SHARE CAPITAL

	Ordinary shares of RMB1 each ('000)	RMB'000
At January 1, 2015	7,508,018	7,508,018
Additions (note (a))	87,320	87,320
At December 31, 2015	7,595,338	7,595,338
At January 1, 2016	**7,595,338**	**7,595,338**
Additions	**–**	**–**
At December 31, 2016	**7,595,338**	**7,595,338**

Note:

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

The total gross proceeds from the exercises of over-allotment of the Global Offering was approximately HK$777,088,000 (equivalent to approximately RMB613,433,000), of which RMB87,320,000 was credited to share capital and approximately RMB526,113,000 was credited to share premium. The related share issuance costs amounted to approximately RMB5,737,000.

22 OTHER RESERVES

	Capital reserve RMB'000 (note (a))	Statutory reserve RMB'000 (note (b))	Other comprehensive income RMB'000	Total RMB'000
At January 1, 2015	15,214,551	1,462,662	–	16,677,213
Issuance of new shares	526,113	–	–	526,113
Share issuance costs	(371)	–	–	(371)
Appropriation to statutory surplus reserve	–	475,748	–	475,748
Others	1,954	–	–	1,954
At December 31, 2015	15,742,247	1,938,410	–	17,680,657

22 OTHER RESERVES (CONTINUED)

	Capital reserve RMB'000 (note (a))	Statutory reserve RMB'000 (note (b))	Other comprehensive income RMB'000	Total RMB'000
At January 1, 2016	15,742,247	1,938,410	–	17,680,657
Cash flow hedge	–	–	(77,656)	(77,656)
Currency translation differences	–	–	35	35
Appropriation to reserve fund	–	33,096	–	33,096
Others	116	–	–	116
At December 31, 2016	15,742,363	1,971,506	(77,621)	17,636,248

Notes:

(a) Capital reserve

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

(b) Statutory surplus reserve

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

23 BORROWINGS

	As at December 31, 2016 RMB'000	As at December 31, 2015 RMB'000
Non-current		
Unsecured borrowings		
– Bank borrowings	**818,219**	2,959,570
– Corporate bonds (note (a))	**6,990,872**	6,026,508
Total non-current borrowings	**7,809,091**	8,986,078
Current		
Unsecured borrowings		
– Bank borrowings	**18,708,977**	16,124,013
Add: current portion of non-current bank borrowings	**831,220**	1,157,712
Corporate bonds (note (a))	**8,029,427**	3,998,212
Total current borrowings	**27,569,624**	21,279,937
Total borrowings	**35,378,715**	30,266,015

Maturity of borrowings

	As at December 31, 2016 RMB'000	As at December 31, 2015 RMB'000
Within 1 year	**27,569,624**	21,279,937
Between 1 and 2 years	**688,480**	4,291,872
Between 2 and 5 years	**4,622,774**	3,685,146
Over 5 years	**2,497,837**	1,009,060
	35,378,715	30,266,015
Wholly repayable:		
– within 5 years	**32,880,878**	30,266,015
– over 5 years	**2,497,837**	–
	35,378,715	30,266,015

23 BORROWINGS (CONTINUED)

Contractual repricing dates upon interest rate changes

	As at December 31, 2016 RMB'000	As at December 31, 2015 RMB'000
Within 6 months	**18,348,786**	7,319,162
6 to 12 months	**403,600**	11,142,944
	18,752,386	18,462,106

Weighted average annual interest rates

	As at December 31, 2016 RMB'000	As at December 31, 2015 RMB'000
Borrowings	**3.95%**	4.13%
Corporate bonds	**3.66%**	5.08%

Currency denomination

	As at December 31, 2016 RMB'000	As at December 31, 2015 RMB'000
RMB	**33,598,358**	28,607,667
US$	**–**	97,404
Euro	**1,780,357**	1,560,944
	35,378,715	30,266,015

Undrawn facilities at floating rates

	As at December 31, 2016 RMB'000	As at December 31, 2015 RMB'000
Within 1 year	**350,000**	9,015,079
Over 1 year	**22,140,971**	24,375,229
	22,490,971	33,390,308

23 BORROWINGS (CONTINUED)

Notes:

(a) Corporate bonds are analyzed as follows:

Issuer	Issue date	Interest rate per annum	Par value RMB'000	Carrying value RMB'000	Fair value RMB'000	Maturity
At December 31, 2016						
BAIC Investment Co., Ltd. ("BAIC Investment")	**January 29, 2010**	**5.18%**	**1,435,500**	**1,432,476**	**1,435,500**	**7 years**
BAIC Investment	**December 10, 2015**	**3.60%**	**1,500,000**	**1,497,590**	**1,500,000**	**5 years**
BAIC Investment	**March 17, 2016**	**3.15%**	**1,500,000**	**1,497,446**	**1,500,000**	**5 years**
The Company	**August 12, 2014**	**5.40%**	**1,000,000**	**999,386**	**1,000,000**	**3 years**
The Company	**September 10, 2014**	**5.74%**	**400,000**	**399,400**	**400,000**	**7 years**
The Company	**September 22, 2014**	**5.54%**	**300,000**	**299,550**	**300,000**	**7 years**
The Company	**September 22, 2014**	**5.54%**	**300,000**	**299,550**	**300,000**	**7 years**
The Company	**February 12, 2015**	**4.68%**	**500,000**	**499,500**	**500,000**	**5 years**
The Company	**April 22, 2016**	**3.45%**	**2,500,000**	**2,497,837**	**2,500,000**	**7 years**
The Company	**August 12, 2016**	**2.65%**	**2,500,000**	**2,499,015**	**2,500,000**	**270 days**
The Company	**October 12, 2016**	**2.72%**	**2,500,000**	**2,498,549**	**2,500,000**	**270 days**
Beijing Benz	**December 11, 2014**	**5.20%**	**600,000**	**600,000**	**600,000**	**3 years**
				15,020,299	**15,035,500**	
At December 31, 2015						
BAIC Investment	January 29, 2010	5.18%	1,435,500	1,432,478	1,435,500	7 years
BAIC Investment	December 10, 2015	3.60%	1,500,000	1,497,030	1,500,000	5 years
The Company	April 12, 2013	4.96%	1,500,000	1,499,961	1,500,000	3 years
The Company	August 12, 2014	5.40%	1,000,000	999,000	1,000,000	3 years
The Company	September 10, 2014	5.74%	400,000	399,400	400,000	7 years
The Company	September 22, 2014	5.54%	300,000	299,550	300,000	7 years
The Company	September 22, 2014	5.54%	300,000	299,550	300,000	7 years
The Company	February 12, 2015	4.68%	500,000	499,500	500,000	5 years
The Company	November 20, 2015	3.15%	2,500,000	2,498,251	2,500,000	270 days
Beijing Benz	December 11, 2014	5.20%	600,000	600,000	600,000	3 years
				10,024,720	10,035,500	

(b) Balances at December 31, 2016 include borrowings of RMB3,187 million (December 31, 2015: RMB3,213 million) obtained from BAIC Finance, an associate of the Group. The remaining balance of borrowings were obtained from banks.

24 PROVISIONS

Warranties

	As at December 31,	
	2016	2015
	RMB'000	RMB'000
Current	**1,495,672**	535,888
Non-current	**2,067,044**	1,610,287
Total	**3,562,716**	2,146,175

Movements of warranties for each of the years ended December 31, 2016 and 2015 are as follows:

	For the year ended December 31,	
	2016	2015
	RMB'000	RMB'000
At January 1	**2,146,175**	1,688,764
Additions	**2,146,354**	922,393
Amortization of discount on non-current provisions (Note 31)	**48,092**	99,481
Payments	**(777,905)**	(564,463)
At December 31	**3,562,716**	2,146,175

25 DEFERRED INCOME

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

Movements of deferred income for each of the year ended December 31, 2016 and 2015 are as follows:

	For the year ended December 31,	
	2016	2015
	RMB'000	RMB'000
At January 1	**1,260,294**	672,609
Additions	**1,083,477**	625,141
Amortization	**(322,014)**	(37,456)
At December 31	**2,021,757**	1,260,294

26 ACCOUNTS PAYABLE

	As at December 31, 2016 RMB'000	2015 RMB'000
Trade payables	**31,975,338**	19,277,708
Notes payable	**9,916,906**	2,104,626
	41,892,244	21,382,334

Aging analysis of trade payables is as follows:

	As at December 31, 2016 RMB'000	2015 RMB'000
Current to 1 year	**31,939,550**	19,236,145
1 year to 2 years	**25,678**	38,357
2 years to 3 years	**8,033**	2,770
over 3 years	**2,077**	436
	31,975,338	19,277,708

27 OTHER PAYABLES

	As at December 31, 2016 RMB'000	2015 RMB'000
Sales discounts and rebates	**7,713,850**	5,777,975
Payables for property, plant and equipment and intangible assets	**3,618,402**	4,679,073
Payables for services and materials	**2,454,066**	1,821,974
Payables for technology usage fee	**2,111,727**	1,787,093
Payables for advertising and promotion	**2,090,552**	1,842,403
Other taxes payables	**1,373,248**	923,561
Payables for wages, salaries and other employee benefits	**939,156**	896,294
Dividends payable	**902,670**	1,470,000
Payables for transportation and warehouse expenses	**644,113**	662,256
Payables for outsourcing labor cost	**637,010**	516,213
Payables for investments	**485,582**	–
Deposits payable	**483,739**	219,147
Interests payable	**296,937**	227,330
Payables for pre-delivery inspection expenses	**173,067**	141,896
Others	**489,327**	236,755
	24,413,446	21,201,970

28 OTHER GAINS, NET

	For the year ended December 31,	
	2016	2015
	RMB'000	RMB'000
Government grants	**302,178**	1,121,755
Gain from sales of scrap materials	**41,770**	113,616
Gain on measuring existing interests upon business combination of a subsidiary (Note 37)	**8,864**	–
Loss on disposal of property, plant and equipment and intangible assets	**(3,886)**	(49,760)
Net foreign exchange (losses)/gains, including forward foreign exchange contracts with fair value through profit or loss	**(85,628)**	90,170
Others	**(74,183)**	(32,171)
	189,115	1,243,610

29 EXPENSES BY NATURE

	For the year ended December 31,	
	2016	2015
	RMB'000	RMB'000
Raw materials used	**81,439,363**	58,984,147
Depreciation and amortization (Note 7(c),8(c),9(d))	**4,937,132**	3,786,988
Employee benefit costs (Note 30)	**4,825,777**	4,557,648
Service fees and charges	**3,950,713**	3,198,658
Tax and levies	**3,256,123**	2,777,971
Advertising and promotion	**2,681,166**	2,387,070
Warranty expenses	**2,099,758**	969,658
Transportation and warehouse expenses	**1,970,788**	1,440,073
Utilities	**644,483**	565,338
Outsourcing labour cost	**571,341**	442,355
Office and travel expenses	**394,603**	319,793
Provision for impairment of assets	**314,953**	198,074
Software license fee	**237,327**	70,263
Operating lease expenses	**175,736**	144,801
Auditor's remuneration		
– audit services	**9,365**	11,427
– non-audit services	**–**	–
Changes in inventories of finished goods and work-in-progress	**(3,468,801)**	629,384
Others	**828,018**	392,601
Total cost of sales, selling and distribution expenses, and general and administrative expenses	**104,867,845**	80,876,249

30 EMPLOYEE BENEFIT COSTS

	For the year ended December 31, 2016 RMB'000	2015 RMB'000
Wages and salaries	**3,656,544**	3,630,177
Pension scheme and other social security costs	**562,942**	405,682
Housing benefits	**251,876**	210,520
Welfare, medical and other expenses	**354,415**	311,269
	4,825,777	4,557,648

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include no (2015: no) director and no (2015: no) supervisor for the year ended December 31, 2016. Their emoluments are reflected in the analysis shown Note 42. The emoluments payable to these five (2015: five) individuals are as follows:

	For the year ended December 31, 2016 RMB'000	2015 RMB'000
Salaries, allowances and other benefits	**14,516**	13,514
Employer's contribution to pension scheme	**171**	219
	14,687	13,733

The emoluments of the individuals fell within the following bands:

	For the year ended December 31, 2016 Number of individuals	2015 Number of individuals
Emolument bands (in HK dollar)		
HK$0 – HK$1,000,000	**–**	–
HK$1,000,001 – HK$1,500,000	**–**	–
HK$1,500,001 – HK$2,000,000	**–**	–
HK$2,000,001 – HK$2,500,000	**–**	–
HK$2,500,001 – HK$3,000,000	**–**	–
HK$3,000,001 – HK$3,500,000	**5**	5
HK$3,500,001 – HK$4,000,000	**–**	–
HK$4,000,001 – HK$4,500,000	**–**	–
HK$4,500,001 – HK$5,000,000	**–**	–

During the year, there was no emolument paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2015: nil).

31 FINANCE COSTS, NET

	For the year ended December 31,	
	2016	2015
	RMB'000	RMB'000
Finance income		
Interest on bank deposits	**417,905**	348,366
Finance costs		
Interest expense on borrowings	**719,330**	862,154
Interest expense on corporate bonds	**509,226**	375,769
Amortization of discount on non-current provisions (Note 24)	**48,092**	99,481
	1,276,648	1,337,404
Less: amount capitalized in qualifying assets (Notes 7 (b) and 9 (d))	**(390,881)**	(573,463)
	885,767	763,941
Finance costs, net	**467,862**	415,575

32 INCOME TAX EXPENSE

	For the year ended December 31,	
	2016	2015
	RMB'000	RMB'000
Current income tax	**5,060,076**	3,578,698
Deferred income tax (Note 14)	**(1,327,140)**	(1,580,050)
	3,732,936	1,998,648

32 INCOME TAX EXPENSE (CONTINUED)

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

	Period with preferential rate
– Company	2015 to 2017
– Beijing Beinei Engine Parts and Components Co., Ltd.	2015 to 2017
– BAIC Motor Powertrain Co., Ltd.	2016 to 2018

Except for the aforementioned companies and a subsidiary which is subject to Hong Kong profits tax at a rate of 16.5% and one subsidiary in Germany with income tax rate of 32.8%, provision for PRC enterprise income tax is calculated based on the statutory income tax rate of 25% for each of the years ended December 31, 2016 and 2015 on the assessable income of respective Group entities in accordance with relevant PRC enterprise income tax rules and regulations.

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

	For the year ended December 31,	
	2016	2015
	RMB'000	RMB'000
Profit before income tax	**15,269,091**	8,320,657
Tax calculated at the statutory tax rate of 25%	**3,817,273**	2,080,164
Preferential tax rates on profit or loss of certain Group entities, net	**177,050**	79,473
Impact on share of results of joint ventures and associates	**(1,053,272)**	(1,064,124)
Income not subject to tax	**(33,927)**	(37,899)
Expenses not deductible for tax purposes	**83,387**	6,299
Utilization of previously unrecognized tax losses	**(1,454)**	(4,016)
Tax losses/deductible temporary differences for which no deferred tax was recognized	**724,596**	941,229
Additional deduction on research and development expenses	**(102,770)**	(6,681)
Supplementary income tax payment for expenses not deductible	**122,053**	4,203
Tax charge	**3,732,936**	1,998,648

33 EARNINGS PER SHARE

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

	For the year ended December 31,	
	2016	2015
Profit attributable to equity holders of the Company (RMB'000)	**6,366,930**	3,318,601
Weighted average number of ordinary shares in issue (thousands)	**7,595,338**	7,592,228
Earnings per share for profit attributable to equity holders of the Company(RMB)	**0.84**	0.44

During the years ended December 31, 2016 and 2015, there were no potential dilutive ordinary shares and diluted earnings per share was equal to basic earnings per share.

34 DIVIDENDS

	For the year ended December 31,	
	2016	2015
	RMB'000	RMB'000
Proposed final dividend of RMB0.29 per share (2015: RMB0.15 per share) (note (a))	**2,202,648**	1,139,301

Note:

(a) The 2016 final dividend is proposed by the directors at a meeting held on the date of approval of these financial statements, which is not reflected as dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending December 31, 2017.

The dividend of approximately RMB1,139,301,000 (RMB0.15 per share) relating to the year ended December 31, 2015 was approved by the shareholders at a meeting held on May 20, 2016 and paid in July 2016.

35 CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Cash generated from operations:

	For the year ended December 31, 2016 RMB'000	2015 RMB'000
Profit before income tax	**15,269,091**	8,320,657
Adjustments for:		
Share of profits of joint ventures	**(3,916,712)**	(4,102,237)
Share of profits of associates	**(299,988)**	(155,108)
Gain on remeasuring existing interest in an associate upon business combination	**(8,864)**	–
Loss on disposal of property, plant and equipment and intangible assets	**3,886**	49,760
Depreciation and amortization	**4,937,132**	3,786,988
Provision for impairment of assets	**314,953**	198,074
Net foreign exchange gain	**(43,291)**	(90,170)
Finance costs, net	**467,862**	415,575
Amortization of deferred income	**(80,951)**	(37,456)
	16,643,118	8,386,083
Changes in working capital:		
– Increase in accounts receivable	**(16,386,735)**	(4,802,837)
– Increase in advances to suppliers, other receivables and prepayments	**1,519,358**	(2,847,825)
– (Increase)/decrease in inventories	**(4,447,140)**	1,022,199
– Increase in accounts payable	**20,220,292**	6,440,081
– Increase in advance from customers, other payables	**3,725,950**	4,479,451
– Increase in provisions	**391,562**	357,930
Cash generated from operations	**21,666,405**	13,035,082

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

	For the year ended December 31, 2016 RMB'000	2015 RMB'000
Net book amount	**24,550**	53,830
Loss on disposal (Note 28)	**(3,886)**	(49,760)
Cash proceeds	**20,664**	4,070

36 COMMITMENTS

(a) Capital commitments

The Group has the following capital commitments for property, plant and equipment not provided for as at December 31, 2016 and 2015 respectively.

	As at December 31,	
	2016	2015
	RMB'000	RMB'000
Contracted but not provided for	**4,571,657**	7,331,424

(b) Operating lease commitments

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

	As at December 31,	
	2016	2015
	RMB'000	RMB'000
Up to 1 year	**134,576**	101,414
1 to 5 years	**36,762**	70,448
	171,338	171,862

37 BUSINESS COMBINATIONS

In September 2016, with one of the investors defaulted its committed capital injection to CADU, which was one of the Group's associates with approximately 45% of equity interests owned by the Group, 9% of equity interests was allocated to the Group on the base of each of remaining shareholder's capital injection. The Group obtained control of CADU which became a subsidiary of the Group since then.

	RMB'000
Consideration of the fair value of 54% equity interest in CADU at acquisition date	52,763
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	7,973
Property, plant and equipment (Note 7)	15,425
Development costs (included in intangibles) (Note 9)	669
Inventories	5,026
Accounts receivable	7,538
Advances to suppliers	27,138
Other receivables	745
Accounts payable	(39,491)
Advances from customers	(1,433)
Borrowings	(20,478)
Total identifiable net assets	3,112
Goodwill (included in intangibles) (Note 9)	94,441
Non-controlling interests	(44,790)
The fair value of 54% equity interest in CADU	52,763

37 BUSINESS COMBINATIONS (CONTINUED)

Notes:

(a) CADU, together with its subsidiary, are primarily engaged in the design, research and development of passenger vehicle models. The Group recognised goodwill approximately RMB94,441,000 which is arisen from CADU's capacities of researching and developing the passenger vehicle of Beijing Brand.

(b) The carrying value of the investment representing the existing 45% equity interests in CADU is approximately RMB43,899,000. Upon the business combination, the Group was allocated the additional 9% equity interests and remeasured the carrying value of their investment with the fair value of 54% equity interests in CADU, and recognized a gain of approximately RMB8,864,000 in the other gains, net.

38 RELATED PARTY TRANSACTIONS

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

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

38 RELATED PARTY TRANSACTIONS (CONTINUED)

In addition to the information disclosed elsewhere in the financial statements, the following transactions were carried out in the ordinary course of the Group's business and were determined based on mutually agreed terms for each of the years ended December 31, 2016 and 2015.

(a) Significant transactions with related parties:

	For the year ended December 31,	
	2016	2015
	RMB'000	RMB'000
Sale of goods, materials and technologies to		
– BAIC Group	**1,562**	2,574
– subsidiaries of BAIC Group	**10,776,617**	6,422,469
– joint ventures	**609,191**	275,757
– associates	**–**	384
– other related companies	**961,010**	568,733
Services provided to		
– BAIC Group	**–**	233
– subsidiaries of BAIC Group	**7,347**	207,077
– associates	**23,530**	23,292
– other related companies	**126,883**	144,589
Purchases of goods and materials from		
– BAIC Group	**–**	81
– subsidiaries of BAIC Group	**22,453,006**	11,080,649
– a joint venture	**12,544**	–
– an associate	**63,318**	2,385
– other related companies	**28,481,169**	28,406,360
Services received from		
– BAIC Group	**355,057**	372,367
– subsidiaries of BAIC Group	**2,969,234**	2,107,506
– joint ventures	**913,843**	638,425
–other related companies	**3,130,559**	2,954,791
Rental expenses paid/payable to		
– subsidiaries of BAIC Group	**148,598**	153,804
– BAIC Group	**31,397**	30,719
Interest income received from		
– an associate	**97,250**	76,264
Interest expenses paid/payable to		
– an associate	**109,898**	98,084
Key management compensations		
– salaries, allowances and other benefits	**16,675**	14,797
– employer's contribution to pension scheme	**706**	805
– discretionary bonuses	**13,011**	6,806

38 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant balances with related parties:

	As at December 31,	
	2016	2015
	RMB'000	RMB'000
Assets		
Other long-term assets		
– subsidiaries of BAIC Group	**58,997**	337,758
Available-for-sale securities		
– one subsidiary of BAIC Group	**532,480**	–
– other related companies	**4,000**	4,000
Accounts receivable		
– BAIC Group	**1,155**	1,839
– subsidiaries of BAIC Group	**4,449,343**	1,319,502
– joint ventures	**79,100**	27,174
– an associate	**304,552**	–
– other related companies	**587,339**	195,746
Advances to suppliers		
– subsidiaries of BAIC Group	**481,767**	792,526
– other related companies	**180,950**	262,020
Other receivables		
– BAIC Group	**27,215**	27,462
– subsidiaries of BAIC Group	**1,641,864**	1,001,991
– a joint venture	**1,140**	1,985
– associates	**24,942**	24,107
– other related companies	**179,024**	187,139
Cash and cash equivalents		
– an associate	**10,873,080**	5,930,713

38 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant balances with related parties: (Continued)

	As at December 31,	
	2016	2015
	RMB'000	RMB'000
Liabilities		
Accounts payable		
– BAIC Group	**63,298**	31,477
– subsidiaries of BAIC Group	**12,412,418**	3,996,945
– an associate	**13,013**	7,981
– other related companies	**7,958,593**	6,688,576
Advances from customers		
– subsidiaries of BAIC Group	**12,361**	28,874
– joint ventures	**237**	–
– an associate	**327**	327
– other related companies	**196**	17
Other payables		
– BAIC Group	**674,738**	511,439
– subsidiaries of BAIC Group	**1,613,560**	1,171,139
– joint ventures	**203,739**	148,568
– an associate	**11,643**	40
– other related companies	**2,256,686**	1,935,501
Dividends payable to		
– other related companies	**902,670**	1,470,000
Borrowings from		
– an associate (note 23(b))	**3,187,440**	3,213,190

39 EVENTS AFTER THE REPORTING PERIOD

On January 20, 2017, BAIC Investment completed the issuance of the first tranche of 2017 corporate bonds, the issuance size was RMB0.8 billion with a term of 7 years and annual interest rate of 4.29%.

40 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Company name	Place and date of establishment/ incorporation	Issued and paid-up capital (million)	Attributable equity interests	Principal activities
Subsidiaries				
BAIC Guangzhou Automotive Co., Ltd.	The PRC August 18, 2000	RMB1,360	100%	Manufacture of passenger vehicles
BAIC Investment Co., Ltd.	The PRC June 28, 2002	RMB3,500	97.95%	Investment holding
Beijing Beinei Engine Parts and Components Co., Ltd.	The PRC September 2, 2003	RMB362	98.98%	Manufacture of auto parts
Beijing Benz Automotive Co., Ltd.	The PRC August 8, 2005	USD2,107	51%	Manufacture and sales of passenger vehicles
BAIC Hong Kong Investment Corp. Limited	Hong Kong Oct 21, 2009	RMB60	100%	Investment holding
BAIC Motor Powertrain Co., Ltd.	The PRC February 9, 2010	RMB1,476	100%	Manufacture of auto engine
BAIC Motor Sales Co., Ltd.	The PRC May 3, 2012	RMB100	100%	Sale of passenger vehicles
Zhuzhou (BAIC) Motor Sales Co., Ltd.	The PRC August 5, 2013	RMB8	100%	Sale of passenger vehicles
China Automobile Development United (Beijing) Technology Investment Co., Ltd.	The PRC December 18, 2013	RMB104	54.0865%	Investment management
Joint Ventures				
Beijing Hyundai Motor Co., Ltd.	The PRC October 16, 2002	USD2,036	50%	Manufacture and sales of passenger vehicles
Beijing Mercedes-Benz Sales Service Co., Ltd.	The PRC December 7,2012	RMB102	49%	Marketing and sales of vehicles
Fujian Benz Automotive Co., Ltd.	The PRC June 8, 2007	Euro 287	35%	Manufacture and sales of passenger vehicles
Associates				
BAIC Group Finance Co., Ltd.	The PRC November 9, 2011	RMB1,500	20%	Auto financing and currency settlement
Beijing Hyundai Auto Finance Co., Ltd.	The PRC June 26, 2012	RMB4,000	33%	Automobile financing services

41 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at December 31,	
	2016	2015
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	**8,729,139**	7,845,291
Land use rights	**1,091,973**	945,751
Intangible assets	**9,598,355**	8,019,330
Investments in subsidiaries	**21,446,864**	20,594,136
Investments in joint ventures	**762,077**	72,091
Investments in associates	**503,068**	379,148
Available-for-sale financial assets	**536,480**	4,000
Other long-term assets	**128,542**	622,103
	42,796,498	38,481,850
Current assets		
Inventories	**717,169**	802,324
Accounts receivable	**13,880,212**	5,592,568
Advances to suppliers	**449,595**	852,227
Other receivables	**17,993,019**	16,485,366
Restricted cash	**1,008,549**	410,535
Cash and cash equivalents	**551,982**	1,602,303
	34,600,526	25,745,323
Total assets	**77,397,024**	64,227,173

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

Balance sheet of the Company (Continued)

		As at December 31, 2016 RMB'000	2015 RMB'000
EQUITY			
Capital and reserves attributable to equity holders			
Share capital		**7,595,338**	7,595,338
Other reserves	note a	**21,874,394**	21,841,298
Retained earnings	note a	**3,654,585**	4,524,798
Total equity		**33,124,317**	33,961,434
LIABILITIES			
Non-current liabilities			
Borrowings		**4,759,837**	4,109,000
Deferred income		**314,472**	146,476
Provisions		**53,315**	–
		5,127,624	4,255,476
Current liabilities			
Accounts payable		**13,209,806**	5,714,402
Advances from customers		**1,375**	17,654
Other payables		**7,936,859**	2,339,953
Borrowings		**17,970,386**	17,938,254
Provisions		**26,657**	–
		39,145,083	26,010,263
Total liabilities		**44,272,707**	30,265,739
Total equity and liabilities		**77,397,024**	64,227,173

The balance sheet of the Company was approved by the Board of Directors on March 23,2017 and was signed on its behalf.

Xu Heyi, Director

Li Feng, Director

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

Notes: Reserve movement of the Company is as set out below:

	Capital reserve RMB'000 (Note 22)	Statutory surplus reserve RMB'000 (Note 22)	Retained earnings RMB'000	Total RMB'000
At January 1, 2016	**20,586,468**	**1,254,830**	**4,524,798**	**26,366,096**
Profit for the year	**–**	**–**	**302,184**	**302,184**
Appropriation to statutory surplus reserve	**–**	**33,096**	**(33,096)**	**–**
Dividends declared/paid (Note 34)	**–**	**–**	**(1,139,301)**	**(1,139,301)**
At December 31, 2016	**20,586,468**	**1,287,926**	**3,654,585**	**25,528,979**
At January 1, 2015	20,060,726	779,082	2,523,791	23,363,599
Profit for the year	–	–	4,755,356	4,755,356
Issuance of new shares (Note 21)	526,113	–	–	526,113
Share issuance costs	(371)	–	–	(371)
Appropriation to statutory surplus reserve	–	475,748	(475,748)	–
Dividends declared/paid (Note 34)	–	–	(2,278,601)	(2,278,601)
At December 31, 2015	20,586,468	1,254,830	4,524,798	26,366,096

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

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

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

For the year ended December 31, 2016

	Emoluments paid or receivable in respect of a person's services as a director					Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs	
	Salaries, allowances and estimated money value of other benefits RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Discretionary bonus [(1)] RMB'000	Housing allowance RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	RMB'000	Total RMB'000
Executive director							
Li Feng (李峰) (Chief Executive)	728	40	550	–	–	–	1,318
Non-executive director							
Xu Heyi (徐和誼)	–	–	–	–	–	–	–
Zhang Xiyong (張夕勇)	–	–	–	–	–	–	–
Qiu Yinfu (邱銀富)	–	–	–	–	–	–	–
Yang Shi (楊實)	–	–	–	–	–	–	–
Hubertus Troska	–	–	–	–	–	–	–
Bodo Uebber	–	–	–	–	–	–	–
Wang Jing (王京)	–	–	–	–	–	–	–
Zhang Jianyong (張建勇) [(2)]	–	–	–	–	–	–	–
Shang Yuanxian (尚元賢) [(3)]	–	–	–	–	–	–	–
Ma Chuanqi (馬傳騏) [(4)]	–	–	–	–	–	–	–
Li Zhili (李志立) [(5)]	–	–	–	–	–	–	–

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

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

For the year ended December 31, 2016 (Continued)

	Emoluments paid or receivable in respect of a person's services as a director					Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs	
	Salaries, allowances and estimated money value of other benefits RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Discretionary bonus[1] RMB'000	Housing allowance RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	RMB'000	Total RMB'000
Independent non-executive director							
Fu Yuwu (付于武)	–	–	–	–	120	–	120
Wong Lung Tak Patrick (黃龍德)	–	–	–	–	120	–	120
Bao Robert Xiaochen (包曉晨)	–	–	–	–	120	–	120
Zhao Fuquan (趙福全)	–	–	–	–	120	–	120
Liu Kaixiang (劉凱湘)	–	–	–	–	120	–	120
Supervisor							
Zhang Yuguo (張裕國)	–	–	–	–	–	–	–
Yin Weijie (尹維劼)[6]	–	–	–	–	–	–	–
Zhu Zhenghua (朱正華)	–	–	–	–	–	–	–
Li Chengjun (李承軍)	–	–	–	–	–	–	–
Zhang Guofu (張國富)	734	40	269	–	–	–	1,043
Yu Wei (余威)	–	–	–	–	–	–	–
Wang Jianping (王建平)	–	–	–	–	–	–	–
Pang Minjing (龐民京)	–	–	–	–	120	–	120
Zhan Zhaohui (詹朝暉)	–	–	–	–	120	–	120
Wang Min (王敏)[7]	–	–	–	–	–	–	–

Notes:

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

(2) Appointed in December 2016.

(3) Appointed in December 2016.

(4) Resigned in December 2016.

(5) Resigned in December 2016.

(6) Resigned in December 2016.

(7) Appointed in December 2016.

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

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

For the year ended December 31, 2015

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

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

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

For the year ended December 31, 2015 (Continued)

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

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

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

For the year ended December 31, 2015 (Continued)

Notes:

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

(2) Appointed in June 2015.

(3) Appointed in February 2015.

(4) Appointed in June 2015.

(5) Appointed in June 2015.

(b) During the year ended December 31, 2016, no retirement benefits by a defined benefit pension plan operated by the Group were paid or made, directly or indirectly, to or receivable by a director in respect of his services as a director or other services in connection with the management of the affairs of the Company or its subsidiaries (2015: nil).

(c) During the year ended December 31, 2016, no payments or benefits in respect of termination of director's services were paid or made, directly or indirectly, to or receivable by a director; nor are any payable (2015: nil).

(d) During the year ended December 31, 2016, no consideration was provided to or receivable by third parties for making available director's services (2015: nil).

(e) There are no loans, quasi-loans or other dealings in favour of the director, his controlled bodies corporate and connected entities (2015: nil).

(f) No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2015: nil).

Definitions

"Articles of Association" or "Articles"	the Articles of Association of BAIC Motor Corporation Limited considered and amended at the 2014 annual general meeting of the Company held on June 29, 2015
"at the end of 2015"	December 31, 2015
"at the end of 2016"	December 31, 2016
"Audit Committee"	audit committee of the Board of the Company
"BAIC Finance"	BAIC Group Finance Co., Ltd.
"BAIC Group"	Beijing Automotive Group Co., Ltd.
"BAIC Hong Kong"	BAIC Hong Kong Investment Corp. Limited, a company incorporated in Hong Kong on October 21, 2009, a wholly-owned subsidiary of the Company
"BAIC Holding"	Beijing Automotive Industry Holding Co., Ltd., the predecessor of BAIC Group, a state-owned enterprise incorporated in the PRC on June 30, 1994, which changed its name to BAIC Group on September 28, 2010
"BAIC Investment"	BAIC Investment Co., Ltd., a company incorporated in the PRC on June 28, 2002, a subsidiary of our Company with 97.95% equity interest owned by our Company and the remaining 2.05% owned by BAIC Group
"BAIC SA"	BAIC Automobile SA Proprietary Limited, a private company duly incorporated and registered in accordance with the laws of South Africa. The Company holds 20% interests by BAIC Hong Kong
"Beijing Benz"	Beijing Benz Automotive Co., Ltd. (previously known as Beijing Jeep Motor Co., Ltd. and Beijing Benz-Daimler Chrysler Automotive Co., Ltd.), a company incorporated in the PRC on July 1, 1983, a subsidiary of the Company with 51.0% equity interest owned by our Company, 38.67% owned by Daimler AG and 10.34% owned by Daimler Greater China Ltd.

"Beijing Brand"	When referring to a brand, "Beijing Brand" means the passenger vehicle business of our proprietary brand, including Senova, BJ, Wevan and relevant new energy series business. When referring to a business segment, means the consolidated business of our Company and its subsidiaries (excluding Beijing Benz). Segment profits of Beijing Brand included the share of profits of Beijing Hyundai and other invested enterprises.
"Beijing Electric Vehicle" or "BJEV"	Beijing Electric Vehicle Co., Ltd.
"Beijing Hyundai"	Beijing Hyundai Motor Co., Ltd., a company incorporated in the PRC on October 16, 2002, a joint venture in which BAIC Investment owns 50.0% equity interest with the remaining 50.0% owned by Hyundai Motor
"Benz Sales"	Beijing Mercedes-Benz Sales Service Co., Ltd., a company incorporated in the PRC on December 7, 2012, a joint venture in which the Company owns 49.0% equity interest with the remaining 51.0% owned by Daimler Greater China
"Board of Supervisors"	the board of Supervisors of the Company
"Board" or "Board of Directors"	the board of Directors of the Company
"CAAM"	the China Association of Automobile Manufacturers
"CAGR"	compound annual growth rate
"China Accounting Standards" or "PRC Accounting Standards"	Chinese Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC
"CBRC"	China Banking Regulatory Commission
"Company"	BAIC Motor Corporation Limited
"Company Law"	the Company Law of the PRC, as amended and adopted by the Standing Committee of the Twelfth National People's Congress on December 28, 2013 and effective from March 1, 2014, as amended, supplemented or otherwise modified from time to time

"connected transaction(s)"	has the meaning ascribed thereto in the Listing Rules
"continuing connected transaction(s)"	has the meaning ascribed thereto in the Listing Rules
"Controlling Shareholder"	has the meaning ascribed thereto in the Listing Rules
"Corporate Governance Code"	the Code on Corporate Governance as set forth in Appendix 14 to the Listing Rules
"Daimler AG"	Daimler AG, a company established in Germany in 1886 which is a Shareholder and a Connected Person of the Company
"Daimler Greater China"	Daimler Greater China Ltd.
"Date of Issue of the Report"	March 23, 2017, i.e. the date on which the annual report is submitted to the Board of Directors for approval
"Director(s)"	director(s) of the Company
"Domestic Share(s)"	ordinary shares in the Company's share capital, with a nominal value of RMB1.0 each, which are subscribed for and paid up in Renminbi
"FJMOTOR"	Fujian Motor Industry Group Co.
"Foton"	Beiqi Foton Motor Co., Ltd., an A share listed company (stock code: 600166.SH) incorporated in the PRC on August 28, 1996. According to the 2015 third quarter report of Foton, approximately 27.07% equity interest of Foton was owned by BAIC Group; Foton is a Connected Person of the Company
"Fujian Benz"	Fujian Benz Automotive Co., Ltd.
"general meeting"	the Shareholder's general meeting of the Company
"Group", "our Group" or "We" or "our"	the Company and its subsidiaries

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"H Share(s)"	overseas listed foreign shares in the ordinary share capital of the Company with a nominal value of RMB1.0 each, to be subscribed for and traded in HK dollars and listed and traded on the Stock Exchange
"Hyundai"	the brand of Hyundai Motor Company ("Hyundai Motor") and our joint venture, Beijing Hyundai is endorsed to use the brand.
"Hyundai Motor"	Hyundai Motor Company, a company incorporated in the Republic of Korea and whose shares are listed on the Korea Stock Exchange, which owns a 50.0% equity interest in Beijing Hyundai
"IFRSs"	International Financial Reporting Standards issued by the International Accounting Standards Board
"Latest Practicable Date"	April 21, 2017, being the latest practicable date prior to the printing of the annual report for the purpose of ascertaining the relevant information contained in the annual report
"Listing"	Listing of the H Shares on the Stock Exchange
"Listing Date"	December 19, 2014
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
"Main Board"	the stock market operated by the Stock Exchange (excluding options market), independent of the growth enterprise market of the Stock Exchange and under parallel operation with the growth enterprise market
"MBLC"	Mercedes-Benz Leasing Co., Ltd.
"Mercedes-Benz"	the brand of Daimler AG, and our subsidiary, Beijing Benz, is endorsed to use the brand

"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set forth in Appendix 10 to the Listing Rules
"Nomination Committee"	nomination committee of the Board of the Company
"PBOC"	People's Bank of China
"Prospectus"	the prospectus of the Company dated December 9, 2014
"PwC"	PricewaterhouseCoopers
"PwC Zhong Tian"	PricewaterhouseCoopers Zhong Tian LLP
"Remuneration Committee"	remuneration committee of the Board of the Company
"RMB" or "Renminbi"	the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Share(s)"	Domestic Shares and H Shares
"Shareholder(s)"	holder(s) of the Share(s)
"Shougang Shares"	Beijing Shougang Company Limited, a company incorporated in the PRC on October 15, 1999 and one of the shareholders and a Connected Person of the Company
"Special Committees"	collectively, Strategy Committee, Audit Committee, Remuneration Committee and Nomination Committee
"Stock Exchange" or "Hong Kong Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Strategy Committee"	strategy committee of the Board of the Company

"subsidiary(ies)"	has the meaning ascribed thereto in section 2 of the Company Ordinance
"Supervisor(s)"	supervisor(s) of the Company
"2015" or "The year 2015"	the year ended December 31, 2015
"2016" or "the year 2016" or "this year"	the year ended December 31, 2016

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