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)

Stock code: 1958

ANNUAL REPORT 2018

* For identification purpose only

Contents

Senova Zhidao


绅宝智道

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**
  A5-061, Unit 101, 5th Floor, Building No 1,
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  Shunyi District, Beijing 101300, China

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  1 Matheson Street, Causeway Bay,
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  Mr. Gu Xin[2]
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  Mr. Wang Jianhui[3]
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1 For identification purpose only
2 Resigned from this position on January 29, 2019
3 Appointed on January 29, 2019
4 Resigned from this position on January 29, 2019
5 Appointed on January 29, 2019
6 Resigned from this position on October 23, 2018
7 Appointed on October 23, 2018

Corporate Information

- **AUDITOR (EXTERNAL AUDIT FIRM)**

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  Certified Public Accountants
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- **PRINCIPAL BANKS**

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  Chaoyang District, Beijing, China

- **H SHARE REGISTRAR**

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

- **H SHARE STOCK CODE**
  1958

- **INVESTOR ENQUIRIES**
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  Website: www.baicmotor.com
  E-mail: ir@baicmotor.com

Chairman's Statement

Xu Heyi
Chairman

RMB **151.92** Billion

In 2018, the Group recorded the consolidated revenue of RMB151.92 billion and the net profit of RMB14.27 billion in the year

1.460 Million Units

In 2018, the Beijing Brand, Beijing Benz, Beijing Hyundai and Fujian Benz sold 1.460 million units of vehicles in total

DEAR SHAREHOLDERS,

On behalf of the Board of Directors (the "Board of Directors" or the "Board") of the Company, I am delighted to present the 2018 Annual Report of BAIC Motor Corporation Limited (the "Company", together with its subsidiaries, the "Group").

In 2018, under complicated domestic and international circumstances, China saw an annual GDP growth rate of 6.6%[8], its economic operation within reasonable range, and a continuous trend of steady development with sound momentum. With regard to the passenger vehicle industry, affected by factors including the macroeconomic environment, more stringent emission standards, and the excessively large base number at the early stage, the production and sales of passenger vehicles have declined for the first time in recent years. According to the statistics of China Association of Automobile Manufactures ("CAAM"), the sales volume of passenger vehicles in China in 2018 was 23.71 million units, representing a year-on-year decrease of 4.1%. The whole industry suffered negative growth, with a year-on-year decrease in the sales volume of all four vehicle models. In terms of industry trends, there is an obvious trend of industrial transformation and upgrade, with a strong tendency of development in energy passenger vehicles and a rapid growth of the premium vehicle market.

In 2018, facing internal and external challenges including major adjustments of industry policies, greater uncertainty in trade environment, intensified industrial competition and product structure adjustments, the Group focused on "high-quality development" and promoted product structure optimization and upgrade, thus achieving the consolidated revenue of RMB151.92 billion for the year and the net profit of RMB14.27 billion for the year.

8 The GDP growth rate for 2018 was 6.6% as published by the National Bureau of Statistics

Chairman's Statement

In 2018, the Group saw an improvement trend of all business segments, while achieving performance growth: Beijing Benz reported the sales of 485 thousand units of vehicles for the year, representing a year-on-year increase of 14.8%, and was ranked among the top joint-venture luxury brands in terms of growth rate, supporting the Mercedes-Benz brand in achieving record sales volume in China; Beijing Hyundai saw a pick-up on the whole with the sales volume of 790 thousand units for the year, regaining its status as one of the mainstream joint venture vehicle enterprises; Beijing Brand entered the 2.0 era, with an AI product matrix of "double smart stars" established through two new products, namely Zhixing and Zhidao, thus significantly improving its product strength, while the pure electric new energy products became industry-leading once again.

Based on 2018 results of operations, the Board of Directors has recommended payment of an annual dividend of RMB0.19 (inclusive of tax) per share to Shareholders, so as to provide a tangible return to Shareholders.

In 2019, it is expected that the domestic macro economy will remain stable on the whole with unabated downward pressure, which will continuously promote the transformation of the economy to high-quality development. In terms of the passenger vehicle industry, 2019 will be a year of greater uncertainty and profound reform of the industry: the inventory market competition and policy orientation adjustments for the new energy industry accelerate the industry restructuring; the trend of networking, intelligentization, electrification and sharing evolves; vehicle enterprise integration and industry cooperation are further conducted.

In 2019 when opportunities and challenges co-exist, the Group will follow and lead the trend in the industry with a forward-looking strategy and open up new vista for different businesses. The Group will adhere to the working principle of "focus on two ends and improvement in three strengths" (namely the product strength, the brand strength and the marketing strength) and make efforts to promote a positive and rapid development of all businesses of the brands.

In terms of focus on all business operation policies of the brands, in 2019, Beijing Brand will adhere to the "customer-focused and market-oriented" principle and be committed to properly defining commodities and improving product competitiveness, and make efforts to enhance the selling ability; Beijing Benz will continuously promote the implementation of the "achieving excellence in 2020" strategy, further reinforce competitive advantages in the industry and closely follow the development of the premium passenger vehicle industry; Beijing Hyundai will comprehensively promote internal system reforms, strengthen the sales system, optimize the cost structure, improve the brand image and make efforts to promote the achievement of the annual business target. Lastly, I would like to express my heartfelt gratitude to all our staff and partners for their hard work, and to our Shareholders for their long-lasting support.

Chairman

Xu Heyi
March 27, 2019

Summary of Financial and Performance Information

FIVE-YEAR FINANCIAL SUMMARY

Summary of consolidated financial information of the Group for 2014 to 2018 is as follows:

(Unit: RMB million)

Item	For the year ended December 31				
	2018	**2017**	**2016**	**2015**	**2014**
Revenue	**151,920**	134,159	116,199	84,112	56,370
Cost of sales	**(114,913)**	(98,659)	(89,967)	(68,835)	(47,387)
Gross profit	**37,007**	35,500	26,232	15,277	8,983
Selling and distribution expenses	**(10,432)**	(11,920)	(10,603)	(8,002)	(5,646)
General and administrative expenses	**(6,570)**	(5,007)	(4,298)	(4,039)	(3,455)
Other (losses)/gains-net	**623**	(1,055)	189	1,244	1,540
Financial costs-net	**(357)**	(448)	(468)	(416)	(533)
Share of (loss)/profit of investments accounted for using equity method	**904**	(34)	4,217	4,257	5,809
Profit before income tax	**21,175**	17,036	15,269	8,321	6,698
Income tax expense	**(6,904)**	(6,038)	(3,733)	(1,999)	(857)
Profit for the year	**14,271**	10,998	11,536	6,322	5,841
Attributable to					
Equity holders of the Company	**4,429**	2,253	6,367	3,319	4,511
Non-controlling interests	**9,842**	8,745	5,169	3,003	1,330

Total assets, total liabilities and interests attributable to equity holders of the Company	As of December 31				
	2018	**2017**	**2016**	**2015**	**2014**
Total assets	**172,034**	167,403	168,900	127,393	109,859
Total liabilities	**102,796**	107,762	110,867	80,324	67,890
Interests attributable to equity holders of the Company	**48,415**	40,836	40,160	35,010	33,355

FIVE-YEAR PERFORMANCE SUMMARY

The sales volume of vehicles of each passenger vehicle business segment of the Group for 2014 to 2018 is as follows:

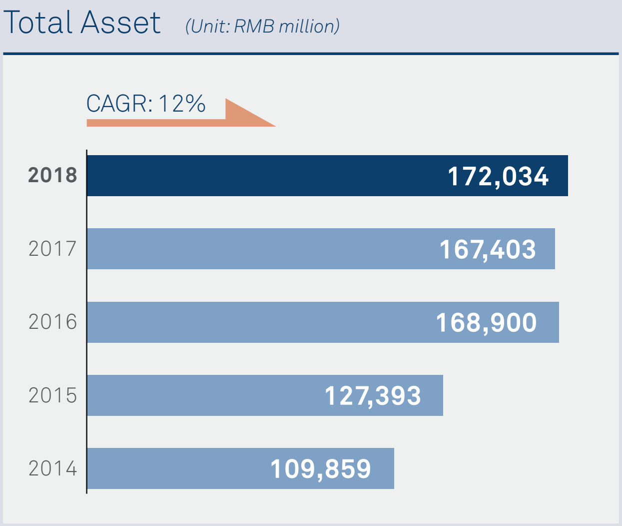
(Unit: unit)

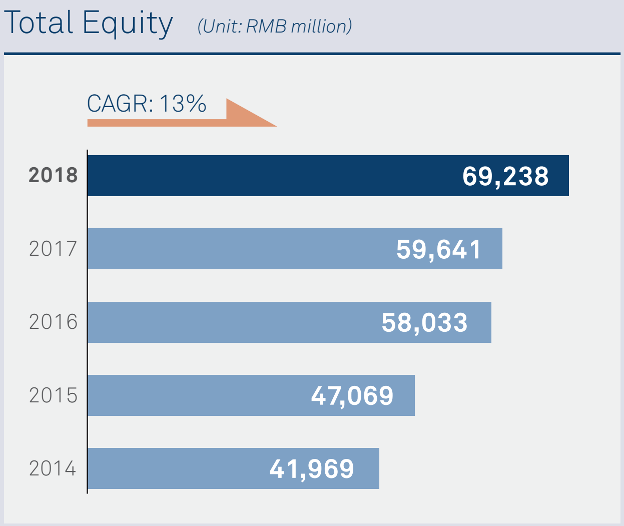
Brand	For the year ended December 31				
	2018	**2017**	**2016**	**2015**	**2014**
Beijing Brand Note 1	**156,159**	235,841	457,082	337,102	309,648
Beijing Benz	**485,006**	422,558	317,069	250,188	145,468
Beijing Hyundai	**790,177**	785,006	1,142,016	1,062,826	1,120,048
Fujian Benz Note 2	**28,616**	22,476	12,568	–	–

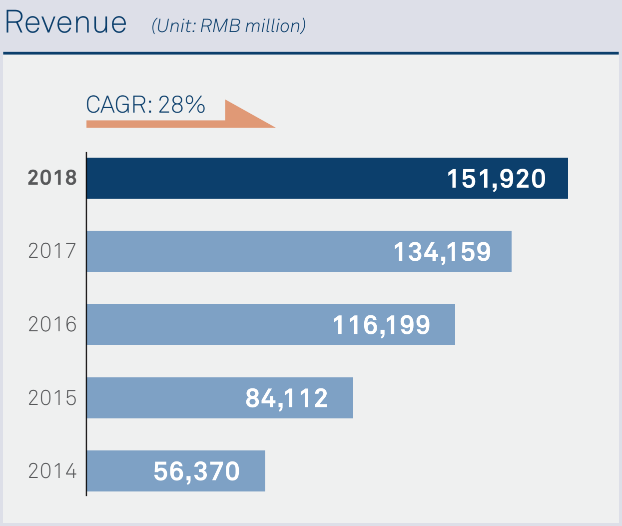
Note 1: In 2018, the Company was promoting work in relation to the disposal of the Wevan brand business and related assets to Beijing Automotive Group Co., Ltd. ("BAIC Group"), the Controlling Shareholder of the Company, and its subsidiaries, and correspondingly reduced the production and sales volume of Wevan brand products. The sales volume of Wevan brand products of the Company was 15 thousand units in 2018 and 87 thousand units in 2017.

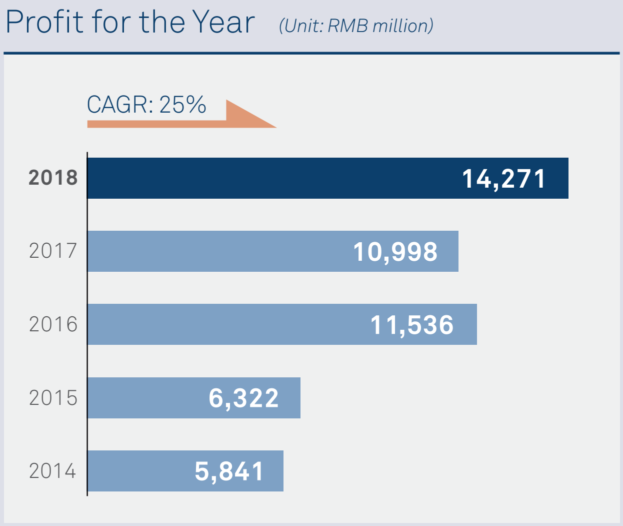
Note 2: The Company completed the change in industrial and administrative registration in respect of the acquisition of 35.0% equity interest in Fujian Benz Automotive Co., Ltd. ("Fujian Benz") on September 18, 2016. In addition, Fujian Motor Industry Group Co. ("FJMOTOR") shall act in concert with the 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 to 2018 is set out here.

Summary of Financial and Performance Information









OVERVIEW

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

The Company completed its H Shares initial public offering and was listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange" or "Hong Kong 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 and after-sale services of passenger vehicles, production of core parts and components of passenger vehicles, car financing and other related businesses. We keep developing industry chains and strengthening our brands.

Passenger vehicles

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

Senova

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

BJ

"BJ" series is a pioneer brand of BAIC which is inherited from the half century long military vehicle with a strong DNA of hard style off-road vehicle. "Pure Cross-Country, Absolutely Boundless" is the brand philosophy of BJ. With the brand vision of "No.1 off-road vehicle brand in China", it aims to create the brand attribute of "pure inheritance, professional skill, military vehicle quality and hard style". In terms of business organization, the Company engages BAIC Group Off-road Vehicle Co., Ltd. (formerly known as the Off-road Vehicle Branch of BAIC Group) to produce main products of "BJ" series, which are sold externally by the Company. For details of the above arrangement, see the section headed "Relationship with BAIC Group" in the Prospectus published on December 9, 2014 of the Company.

New Energy Product

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

In terms of pure electric new energy vehicle, in 2018, it put many pure electric new energy vehicle models based on traditional oil-powered car models on the market. The major vehicle models continue to be industry-leading, with a mileage range in the integrated operating condition reaching 460 km. Meanwhile, the Company started the development of various pure electric vehicle model projects based on the newly launched traditional oil-powered car model platform.

In terms of hybrid electric product, Beijing Brand plans to complete the upgrade from traditional oil-powered products to hybrid electric products by stages, and is committed to realizing the development of new products in comprehensive consideration of gasoline engine, 48V hybrid electric vehicle model, hybrid electric vehicle model and plug-in hybrid electric vehicle model.

Wevan

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

In order to further optimize the product structure, rationalize asset allocation and improve the profitability, the Company continuously promoted the strategic adjustment of Wevan business in 2018: it reduced the production and sales volume of Wevan products in an orderly manner, so as to improve the overall market positioning of products of Beijing Brand; meanwhile, it promoted the work in relation to the disposal of the Wevan business and related assets to BAIC Group, the Controlling Shareholder of the Company, and its subsidiaries.

2. Beijing Benz

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

Beijing Benz currently manufactures and sells five types of Mercedes-Benz vehicles, namely the E-Class sedan, the C-Class sedan, A-Class sedan, GLC SUV and GLA SUV.

Beijing Benz has successfully established the Mercedes-Benz passenger vehicle production base with the highest production volume and the largest area in the world. It has three vehicle model platforms, namely front wheel drive vehicle, rear wheel drive vehicle and electric vehicle, and an engine plant and a power battery factory.

3. Beijing Hyundai

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

Beijing Hyundai has a nation-wide production capacity arrangement of "Five Factories in Three Regions"[9], which forms a nation-wide production and marketing system. In 2018, Beijing Hyundai successfully surpassed the "10 Million Unit Level", with the accumulative production and sales volume in China exceeding 10 million units.

4. Fujian Benz

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

Core parts and components for passenger vehicles

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

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

Beijing Benz commenced to manufacture engines in 2013 and owns the first engine manufacturing base under the Mercedes-Benz brand outside Germany. Its specific product offerings include M270, M274, M276 and M264 engines. It will successively manufacture various types of engines. Beijing Benz has the first power battery factory outside Germany in the global production network of Daimler AG, and will produce various types of new energy power battery products in the future.

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

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

Car financing

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

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

MBLC is an associate of the Company. The Company and Daimler Greater China each holds 35.0% and 65.0% equity interest of MBLC. On April 25, 2018, the Company and Daimler Greater China entered into the capital increase agreement, pursuant to which both parties shall jointly make capital contributions to MBLC by RMB1.5 billion, according to the original shareholding percentages, so as to promote continuous development of its businesses. MBLC's sale-leaseback volume in 2018 increased by more than 20%, which continuously stimulated the sales of Beijing Benz's new models.

BHAF is an associate of the Company. The Company holds 33.0% and 14.0% equity interest of BHAF through its subsidiary, BAIC Investment, and its joint venture, Beijing Hyundai, respectively, while Hyundai Capital Services ("Hyundai Capital") and Hyundai Motor hold the remaining equity interest. In 2018, BHAF was ranked fifth in the industry in terms of the new retail loan contract volume, which further stimulated the sales of Beijing Hyundai's new models; the size of businesses including the inventory financing expanded continuously, showing the stable progress in business diversification.

Other related businesses

During 2018, we conducted research and development of high-end passenger vehicles and light materials, information big data and used car businesses through relevant joint ventures.

CORE COMPETITIVENESS

Amid intense market competition during 2018, the Group maintained stable growth, which attributed to the following core competitiveness:

1. **Highly complementary and competitive business layout**

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

2. Diversified equity structure and good strategic partnership

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

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

3. Experienced management team and core research and development team

The management team has extensive industry and management experience as well as multidisciplinary and compound knowledge system and professional skills. The team members have worked for domestic and foreign leading automobile enterprises, thus accumulated extensive experience in enterprise management. They broaden the international vision rooted in local culture and ensure that the Company is able to formulate efficient and farsighted research and development strategies by grasping the future development trend and technologies of passenger vehicles and the law of industry development.

The core research and development team of the Company consists of 15 professionals who have worked for international and domestic leading automobile and parts and components enterprises, including outstanding talents from Korea, Canada, Japan, United States and other countries. Meanwhile, the Company has 2 experts of the "Thousand Talents Program" and 1 expert of the "Overseas Talent Aggregation Project". The strong research and development ability and extensive research and development experience of the core research and development team provide a strong guarantee for continuous upgrade of products and technical breakthrough of the Company.

4. Geographic advantage of location of headquarters in Beijing

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

5. Advanced manufacturing, techniques, quality and process management

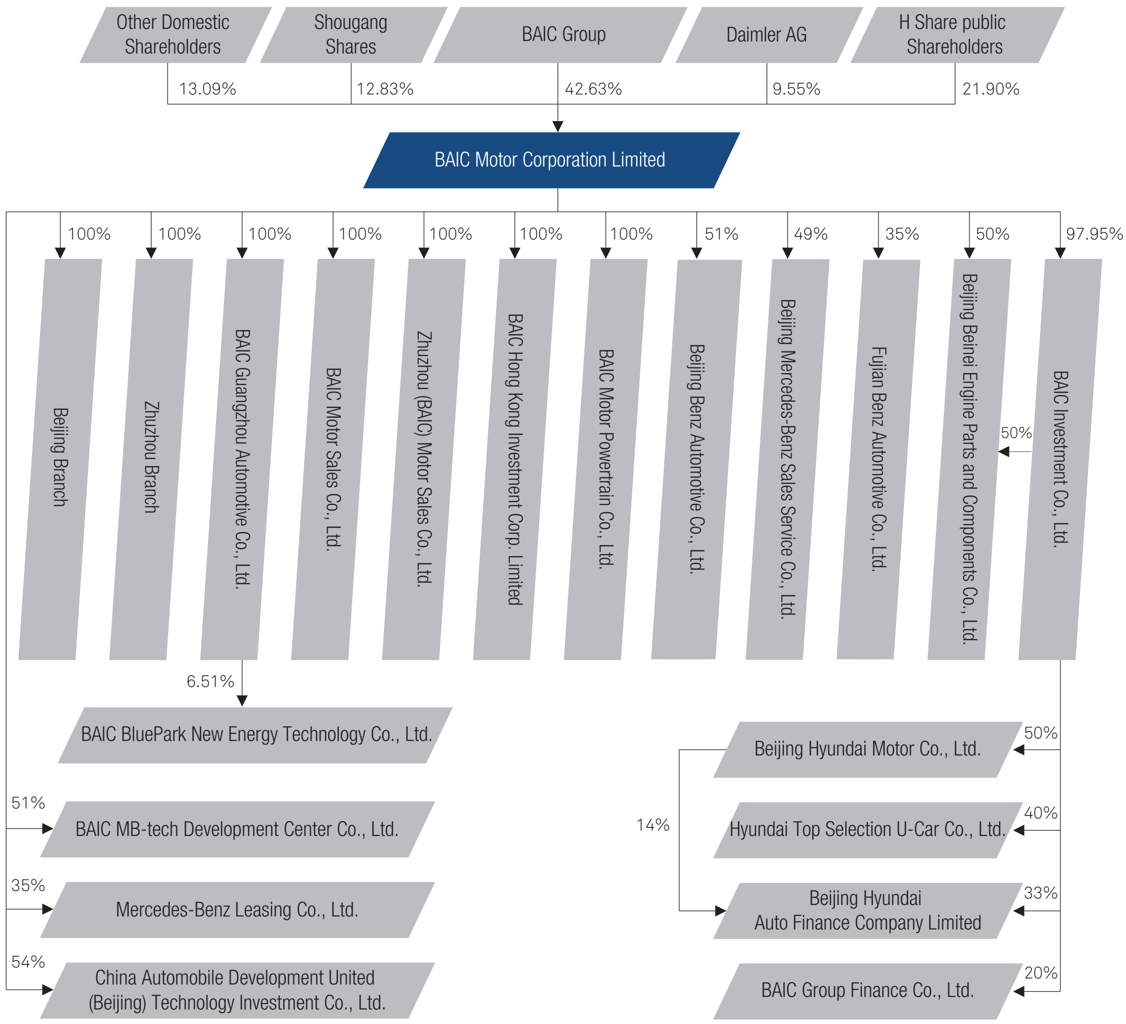
We have specialized production facilities to manufacture and assemble passenger vehicles to improve efficiency and maintain product quality standards, as well as saved unit product cost through production expansion. All of our brand production facilities are equipped with flexible production lines, as 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 42.63% equity interest of the Company as of the Date of Issue of the Report. BAIC Group is one of the top five automobile manufacturing groups in China and ranked 124th in Global Fortune 500 in 2018. BAIC Group has an operating history of 60 years. It has now developed into a comprehensive and modern automobile conglomerate with diversified business portfolio and integrating vehicle research and development and manufacturing, parts and components manufacturing, automobile service trade, education and investment and financing business, as well as incubation of new industries. The Group is a key platform built by BAIC Group for passenger vehicle resource integration and business development.

SIMPLIFIED SHAREHOLDING STRUCTURE

The following chart sets out the major shareholding and investment structure of the Company as at December 31, 2018 (the "end of 2018"):



Note: BAIC BluePark New Energy Technology Co., Ltd. ("BAIC BluePark") conducted a non-public issuance of 138,310,200 A shares, and completed the share registration on January 29, 2019. Upon completion of the issuance, the shareholding interest of BAIC Guangzhou Automotive Co., Ltd. ("BAIC Guangzhou") in BAIC BluePark has been reduced to 6.25%.

THE INDUSTRY DEVELOPMENT OF PASSENGER VEHICLES DURING 2018

According to the data of the CAAM, in 2018, the wholesale sales volume of passenger vehicles for the year reached 23.71 million units, representing a year-on-year decrease of 4.1%, which has been the first negative growth in annual sales volume for many years. For the whole year, affected by various factors including macro economic conditions, the passenger vehicle industry had following characteristics:

In terms of industrial policies, the industrial restructuring and supply-side reform further promoted the reform of the automobile industry; policy changes, including the removal of the restriction on shareholding percentages of foreign investment, cancellation of the preferential treatment on vehicle purchase tax, loosened import policies and a decrease in tariffs on components and parts, the adoption of the dual-credit scheme, the adjustment of subsidy rules for new energy vehicles, and stricter emission environmental protection requirements, bring about both challenges and opportunities for the passenger vehicle market, and the industry is facing a profound reform.

According to the data of the CAAM, in terms of segmented market, the growth rate of SUV changed from a positive number to a negative number, with the sales volume of 9.995 million units for the year, representing a year-on-year decline of 2.5%; the sales volume of sedans for the year was 11.528 million units, representing a year-on-year decrease of 2.7%; MPV and CUV saw the most significant year-on-year decrease of 16.2% and 17.3% respectively in the overall sales volume.

Meanwhile, premium brands maintained an improvement in the sales volume. Major products of domestic premium brands saw a double-digit year-on-year increase in the sales volume, showing the obvious trend of consumption upgrades.

According to the data of CAAM, in terms of series market, the sales volume of Chinese-branded passenger vehicles reached 9.98 million units for the year, representing a year-on-year decrease of 8.0%, and the market share of those vehicles was 42.1%, representing a decrease of 1.8 percentage points as compared with last year. The Chinese-branded vehicles phased out low-end vehicle models and outdated capacities, steadily improved the product quality and gradually optimized research and development procedures, standards and systems. Chinese-branded vehicles also have begun to be sold at a higher price range, with continuous expansion of the product range.

According to the data of the CAAM, new energy passenger vehicles saw a strong growth trend, with the sales volume of 1.053 million units for the year, representing a year-on-year growth of 82.0%. Among which, the sales volume of pure electric passenger vehicles reached 0.788 million units, representing a year-on-year increase of 68.4%. The mileage range of new energy passenger vehicle products was further increased, and there was a tendency towards diversity in the technical routes of products.

BUSINESS OPERATIONS OF THE GROUP IN 2018

Production and sales of brands

In 2018, facing the increasingly severe competition in the industry, four business segments of the Group sold a total of 1.46 million units of vehicles, representing a year-on-year decrease of 0.4%. Performances of the four business segments varied: Affected by increased industry competition and business scope adjustment, Beijing Brand suffered a decline in the sales performance, and was actively promoting the product upgrade, capacity optimization, cost saving and other work; Beijing Hyundai achieved a year-on-year increase in the sales volume, against the backdrop of an overall decline in the industry, thus regaining its status as a mainstream enterprise; Beijing Benz and Fujian Benz continued to maintain a strong development trend and steadily increase their market share.

1. **Beijing Brand**

In 2018, affected by increased industry competition, business scope adjustment and other factors, Beijing Brand stood up to multiple tests and was under performance pressure: in the year, 156 thousand units of passenger vehicles were sold; among which, the sales volume of Senova series was 65 thousand units, representing a year-on-year decrease of 24.1%; the sales volume of BJ series was 31 thousand units, representing a year-on-year decrease of 22.4%; due to strategic adjustment, the sales volume of Wevan series was 15 thousand units, representing a year-on-year decrease of 82.9%; the sales volume of new energy passenger vehicles was 45 thousand units, representing a year-on-year increase of 94.2%. The Group actively promoted the optimization and integration of resources of Beijing Brand, gradually adjusted and reduced the low-end capacity, facilitated the product quality improvement and realized brand repositioning.

Although Beijing Brand was under sales volume pressure on the whole, throughout the whole year of 2018, there were highlights of its development:

On one hand, off-road vehicle products outstood. BJ40 PLUS and other vehicle models launched in the year were widely recognized in the market, and Beijing Brand has become the No.1 off-road vehicle brand in China with the increasingly obvious competitive advantages of differentiation. On the other hand, the Senova brand completely entered into the 2.0 era, and significantly improved its product strength with successive launch of Zhixing, Zhidao and other main products. Meanwhile, it continued to lead the rapid development of the new energy industry, with the mileage range of new energy products in the integrated operating condition reaching 460 km.

2. **Beijing Benz**

In 2018, Beijing Benz continued to see a rapid growth, with the sales volume of 485 thousand units of vehicles for the year, representing a year-on-year increase of 14.8%, sustaining the front rank in terms of growth rate among joint venture premium passenger vehicle brands, which supported the Mercedes-Benz brand in making a breakthrough once again in terms of annual sales volume in a single market. In 2018, Beijing Benz contributed to over 70% of the sales of Mercedes-Benz products in China, and continued to steadily increase its market share.

Both the whole vehicle production volume and the engine production volume of Beijing Benz exceeded 2 million in 2018, and Beijing Benz achieved such results in merely two years from the date when its whole vehicle and engine production volumes exceeded 2 million for the first time. Meanwhile, a series of new products, including new-generation C-Class long-wheelbase, GLC SUV long-wheelbase and new A-Class long-wheelbase vehicles, were successively and successfully put into production.

With increase in the production and sales volume, Beijing Benz made efforts to improve the product strength and promote quality improvement. The GLA SUV model was once again ranked first in terms of quality of new vehicles in J.D.Power[10] Compact Premium SUV Ratings in 2018.

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

In 2018, the MFA vehicle factory of Beijing Benz was established and went into production, while Engine Factory 2 was constructed in an orderly manner. As a result, the vehicle and engine production capacity was further expanded. Meanwhile, Beijing Benz actively developed the new momentum and steadily promoted the new energy strategy. The new premium vehicle production base and the power battery factory were constructed smoothly. The first Mercedes-Benz pure electric vehicle product was planned to be launched in 2019, and Beijing Benz will become an important production base of pure electric vehicles of Daimler AG in China.

3. **Beijing Hyundai**

In 2018, Beijing Hyundai actively carried out adjustment, with efforts for new vehicle models and marketing improvement, and sold a total of 790 thousand units, representing a year-on-year increase of 0.7%. Against the backdrop of an overall decline in the industry, Beijing Hyundai saw an increase in the sales volume, regaining its status as a mainstream vehicle enterprise, and boasting over ten million users.

In 2018, driven by the new service brand philosophy of "Enjoying Considerate Services (享你未想)" and "Quality and Intelligent (質現代 • 智未來)", Beijing Hyundai proactively followed the industry development trend and the customers' consumption habits, focused on products and services, and emphasized on the creation of "3 series + 3 technologies" matrix product layout which consisted of the basic car series, performance car series and new energy car series, as well as the electric drive technology, intelligent technology and networking technology.

In 2018, Beijing Hyundai improved the brand image through launching ENCINO and LA FESTA (both of which are performance cars); meanwhile, it had EV, HEV and PHEV new energy series of products; the TMED hybrid power system incorporated into the new Sonata plug-in hybrid vehicle model was on the "Ward's 10 Best Engines"[11] list, which reflected its powerful technical strength.

4. **Fujian Benz**

Fujian Benz maintained a strong development trend, with the sales volume of 29 thousand units in 2018, representing a year-on-year increase of 27.3%. Mercedes-Benz V-Class, New Vito and other vehicle models were widely recognized in the market, with the sales volumes growing at a rate much larger than those of their respective market segments.

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.

11 "Ward's 10 Best Engines", also known as the world's 10 best engines, is a list released by Ward's Auto World, a U.S. authoritative magazine, as well as the most influential engine award

In 2018, the Group transferred the production base of Beijing Branch and other certain assets to Beijing Benz, so as to optimize capacity allocation of the Group, enable Beijing Benz to rapidly expand its capacity and make greater efforts for arrangement in the new energy field; immediately thereafter, the Company announced that the Company and Daimler AG would jointly invest over RMB11.9 billion to construct a new premium vehicle production base of the Benz brand based on the original production base of Beijing Branch. Meanwhile, such base will produce new energy electric vehicle models. Currently, such base has been established and constructed in an orderly manner.

In 2018, the MFA factory of Beijing Benz was established and went into production in full; the power battery factory project was implemented in an orderly manner; as a result, the arrangement in the industry was further perfected, which laid a foundation for subsequent development in the new energy field.

Beijing Hyundai has formed the operational arrangement of "Five Factories in Three Regions", with the production and marketing system approaching perfection.

Sales network

The Group always attaches great importance to the interests of customers, strives to optimize its product-service system, and is devoted to enabling product distributors and customers to receive timely, efficient, accurate and high-quality service guarantee. All brands have independent marketing channels.

In 2018, Beijing Brand strengthened efforts in widening penetration of the sales network and the development of satellite stores, and was committed to increasing the coverage of business districts; Beijing Hyundai improved the hardware conditions of channels and actively maintained the sound development of the network system through assistance and rectification, based on maintaining the stability of existing channels; Beijing Benz continuously promoted the distributor network improvement project, and together with distributors, facilitated the upgrade of the hardware and software for network operations to meet challenges from new models in the future, while focusing on the operational ability and the profitability of the channels in the network.

Research and development

The Group believes that our research and development capability is critical to the future development. During 2018, our various brands all vigorously boosted construction of research and development system and capacity.

The Beijing Brand achieved results in terms of innovation of research and development management, and new vehicle model research and development. Senova Zhixing, the new SUV, and Senova Zhidao, the new mid- to high-end sedan, which were produced on the M-trix2.0 platform, reflected the research and development progress of the Senova brand in terms of styling, perceived quality, intelligentization, networking and other aspects; the Senova brand made significant progress in electrification, with industry-leading new energy vehicle models including EX5 and EU5 as main products developed in 2018; meanwhile, the Senova brand developed the strategic cooperation agreements with Xiaomi, Baidu, IFLYTEK, Bosch and other intelligence technology companies, so as to comprehensively promote the implementation of the "NOVA-PLS" intelligent strategy.

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

In 2018, Beijing Hyundai installed on 8 new and facelifted vehicle models, an intelligent networking system and various active safety systems based on the Baidu platform, so as to create the intelligent networking vehicle model series of Beijing Hyundai. In terms of new energy vehicle models, it successfully put Sonata 9 plug-in hybrid vehicle model on the market and promoted the development of ENCINO pure electric SUV, LA FESTA pure electric sedan and Elantra plug-in hybrid vehicle models, so as to create a perfect new energy vehicle model series of Beijing Hyundai.

Joint venture cooperation and industrial chain extension

During 2018, the Group made a breakthrough in capital operation and industry cooperation, with further broadening of the scope of cooperation, extension of the industrial chain, expansion of the business market and enhancement of its competitiveness.

1. **Strategic investment in BAIC BluePark**

   On January 22, 2018, BAIC Guangzhou, BAIC Group, Daimler Greater China, Bohai Automotive Systems Co., Ltd. ("Bohai Automotive"), Beijing Shougang Lvjie Venture Capital Co., Ltd. ("Shougang Lvjie") and other shareholders of Beijing Electric Vehicle Co., Ltd. ("Beijing Electric Vehicle" or "BJEV") entered into the Agreement on Asset Swap and Acquisition of Assets by Issuance of Shares with Chengdu QianFeng Electronics Co., Ltd. ("QianFeng"), pursuant to which, BAIC Guangzhou agreed to dispose of 8.15% equity interest in BJEV to QianFeng in exchange for new A shares to be issued to BAIC Guangzhou by QianFeng. Upon completion of the transaction, BAIC Guangzhou would hold 6.51% equity interest in QianFeng.

   On August 8, 2018, at the twenty-ninth meeting of the eighth session of the board of directors of QianFeng, it was resolved to change the Chinese name of QianFeng to "BAIC BluePark New Energy Technology Co., Ltd.".

   On September 27, 2018, trading in shares of BAIC BluePark on the Shanghai Stock Exchange was resumed.

2. **Increase in the scale of production of premium passenger vehicles of Beijing Benz**

   On February 23, 2018, the Company and Beijing Benz signed the Asset Transfer Agreement, pursuant to which the Company transferred to Beijing Benz the production base located in Shunyi District, Beijing of Beijing Branch of the Company. Immediately after that, the Company announced that it would, together with Daimler AG, invest over RMB11.9 billion to build a new premium vehicle production base of Beijing Benz. The factory will produce many types of Mercedes-Benz products including new energy electric vehicle models in China and have a complete premium vehicle manufacturing system, thus further improving the overall production capacity of Beijing Benz.

3. Capital contribution to MBLC

The Company and Daimler Greater China entered into the Capital Increase Agreement on April 25, 2018, pursuant to which both parties shall contribute an aggregate amount of RMB1,500 million to MBLC in proportion to their respective shareholding in MBLC. Of which, the Company will contribute RMB525 million, representing 35.0% equity interest upon completion of capital increase.

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

4. Establishment of BH Leasing

On December 29, 2018, the Company, Hyundai Capital and Hyundai Motor Group (China) Ltd. ("Hyundai China") signed the Joint Venture and Capital Contribution Agreement of BH Leasing Co., Ltd. and will cooperate in the automobile leasing and finance lease field. The registered capital of BH Leasing Co., Ltd. ("BH Leasing") was RMB0.3 billion, which was owned as to 50%, 40% and 10% by the Company, Hyundai Capital and Hyundai China, respectively.

5. Transfer of assets to the Off-road Vehicle Branch of BAIC Group

On October 30, 2018, Beijing Branch of the Company and the Off-road Vehicle Branch (currently known as "BAIC Group Off-road Vehicle Co., Ltd.") of BAIC Group, the sole Controlling Shareholder of the Company, entered into the Asset Transfer Agreement, pursuant to which Beijing Branch of the Company agreed to dispose of, and the Off-road Vehicle Branch of BAIC Group agreed to purchase, the assets to be transferred by Beijing Branch of the Company at a consideration of approximately RMB85.2 million.

6. Disposal of assets to Changhe Automotive

In 2018, the Company had continuously promoted the asset integration of Wevan business. On December 29, 2018, the Company, Zhuzhou (BAIC) Motor Sales Co., Ltd. ("Zhuzhou Sales"), a wholly-owned subsidiary of the Company, and Jiangxi Changhe Automotive Co., Ltd. ("Changhe Automotive") entered into the Asset Transfer Agreement, pursuant to which the Company and Zhuzhou Sales agreed to dispose of, and Changhe Automotive agreed to purchase, the target assets at a consideration of approximately RMB531.7 million.

The target assets included fixed assets, production equipment, projects under construction, development expenses, intangible assets and other assets held by Huanghua Branch, Wevan Business Unit, Zhuzhou Branch of the Company and Zhuzhou Sales.

With gradual exit of the Wevan business, the Company has set out a clear strategic positioning of focusing the limited resources on the mid- to high-end passenger vehicle business, which will improve the financial condition and profitability of the Company and will be beneficial to a sustainable development of the Company.

PROSPECT FOR THE DEVELOPMENT OF PASSENGER VEHICLE INDUSTRY IN 2019

According to the prediction of the State Information Center: In 2019, internal and external economic environment will be complicated, severe and uncertain, and it is expected that the GDP growth will remain at 6.3%. In terms of the passenger vehicle industry, affected by the law of industry development, the macro-economic situation, industry policies and market factors, it is expected by CAAM that in 2019, the sales volume of passenger vehicles for the year will be 23.7 million units, which is generally equal to that in 2018, and the overall market will remain at a low level, while the integration between enterprises will be intensified.

In addition, the State Information Center and relevant authorities consider that the main trend of the macro economy and the development of the automobile industry in 2019 will be as follows:

1. **Long-term potential decline in the growth rate**

   In 2019, in China, the passenger vehicle ownership per 1,000 people will continue to increase and is expected to exceed 150, and the market will be at the late stage of popularization of cars; the number of cars owned by car buyers aged between 25 and 55 (the main group) has reached a relatively high level. Therefore, the potential growth rate of the passenger vehicle market in the future will further decline.

2. **Unabated downward pressure on the macro economy**

   Due to the influence of internal and external factors, it is expected that "countercyclical adjustment" will be the general keynote of all macro policies in 2019, and the problem of economic structure difference will be alleviated to some extent. Enterprise and consumer confidence are expected to be stable, and the support of the macro environment for the vehicle market is expected to be improved.

3. **Industrial policies' focus on structural adjustment**

   It is expected that in 2019, stimulus measures for automobile consumption will focus on four aspects, namely reasonable consumption, green consumption, trading-up and rural consumption. Subsidy policies for new energy will continue to promote the development of the industry for a more high-energy density and higher mileage range; hydrogen as energy source and other new technical routes are expected to be supported by policies, which will facilitate continuous upgrade of the industrial structure.

4. **In-depth cooperation and interaction among vehicle enterprises**

   Market competition, technology iteration and upgrade will promote the in-depth cooperation among major vehicle enterprises; further development of networking and intelligentization will promote the in-depth integration of internet, artificial intelligence, driverless technology and other industry-leading enterprises with traditional OEM; the industry cooperation based on car financing, finance lease and other aftermarket fields will take place continuously, which will bring about new sources of growth for the industry.

OPERATIONAL STRATEGY OF THE GROUP FOR 2019

Overall operational strategy

Facing opportunities and challenges in 2019, the Group will focus on the high-quality development, comprehensively improve the product strength and the brand strength of Beijing Brand, and continuously deepen the joint venture cooperation. It has developed the strategy of differentiated operations for business segments.

Operational strategy of Beijing Brand

In 2019, Beijing Brand will adhere to the principle of "customer-focused and market-oriented" and be committed to properly defining its product; meanwhile, it will make efforts to develop 2.0 models and improve product competitiveness, so as to ensure the success of strategic vehicle models; it will use key products to reverse the trend in the market and improve the selling ability.

Focus on two ends

It refers to: closely focusing on electrification and intelligent networking, guidance by customer demands, being oriented towards the implementation of new technologies, and realizing the independent development of products to overcome difficulties; allocating resources for actions in the early stage, reinforcing the terminal market power, and achieving a breakthrough in public praise, sales ability and other key fields, through the channel model reform and a series of new measures.

Improvement in three strengths

It refers to: building a bridge between research and development and marketing, and between the products and the market, and promoting the coordinated improvement in the brand strength, the product strength and the marketing strength, with brands as the core and through rationalizing the relationship and reshaping the system.

Operational strategy of Beijing Benz

In 2019, Beijing Benz will continue to further promote the implementation of the "achieving excellence in 2020" strategy, and proactively take actions to comprehensively build a "digitalized, flexible and green" intelligent factory, so as to reinforce competitive advantages in the industry and continue to lead the rapid development of domestic premium vehicles.

Operational strategy of Beijing Hyundai

In 2019, Beijing Hyundai will comprehensively promote internal system reforms, take efforts in four important aspects including sales system reinforcement, brand image improvement, cost structure optimization and vitality stimulation, and launch various new vehicle models with intelligent networking technologies; meanwhile, it will develop and launch new energy vehicles, using the leading new energy technologies of Hyundai Motor.

Operational strategy of Fujian Benz

In 2019, Fujian Benz will continuously carry out innovation and sustainable development and make efforts to realize the goal of "becoming the respectable leader in traveling solutions in the new era".

REVENUE AND NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

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. The revenue of the Group increased from RMB134,158.5 million for the year ended December 31, 2017 (the "2017") to RMB151,920.4 million in 2018, representing a year-on-year increase of 13.2%, mainly attributable to the increase in revenue from Beijing Benz.

Revenue associated with Beijing Benz increased from RMB116,772.9 million in 2017 to RMB135,415.2 million in 2018, representing a year-on-year increase of 16.0%, mainly attributable to (i) a year-on-year increase of 14.8% in sales volume of Beijing Benz; and (ii) the further increase in the proportion of sales volume of models with relatively higher selling prices.

Revenue associated with Beijing Brand decreased from RMB17,385.6 million in 2017 to RMB16,505.2 million in 2018, representing a year-on-year decrease of 5.1%, mainly attributable to (i) a year-on-year decrease in sales volume of Beijing Brand; (ii) the additional promotion offered to the market in order to cope with impacts such as the slowdown in growth of domestic passenger vehicle industry, the adjustment of preferential policy for vehicle purchase tax and the decrease in the new energy subsidies policy; and (iii) the product structure adjustment with an increase in the proportion of the sales volume of vehicle models with relatively higher selling price, leading to the decrease in the revenue per vehicle less than the sales volume decrease.

The Group's net profit attributable to equity holders of the Company increased from RMB2,252.8 million in 2017 to RMB4,429.5 million in 2018, representing a year-on-year increase of 96.6%; the basic earnings per share increased from RMB0.30 in 2017 to RMB0.55 in 2018, representing a year-on-year increase of 83.3%.

GROSS PROFIT

The Group's gross profit increased from RMB35,499.3 million in 2017 to RMB37,006.6 million in 2018, representing a year-on-year increase of 4.2%, mainly attributable to the increase in the gross profit of Beijing Benz.

The gross profit of Beijing Benz increased from RMB38,179.0 million in 2017 to RMB40,522.9 million in 2018, representing a year-on-year increase of 6.1%; the gross profit margin decreased from 32.7% in 2017 to 29.9% in 2018, mainly due to the re-classification of part of the transportation expense from the selling and distribution expenses to the cost of sales according to the new revenue standard.

The gross profit of Beijing Brand decreased from RMB-2,679.7 million in 2017 to RMB-3,516.2 million in 2018, mainly attributable to (i) a year-on-year decrease in sales volume of Beijing Brand; (ii) the additional promotion offered to the market in order to cope with impacts such as the slowdown in growth of domestic passenger vehicle industry, the adjustment of preferential policy for vehicle purchase tax and the decrease in the new energy subsidies policy; (iii) the impact of the strategic adjustment for the Wevan business; and (iv) the re-classification of part of the transportation expense from the selling and distribution expenses to the cost of sales according to the new revenue standard.

WORKING CAPITAL AND FINANCIAL RESOURCES

The Group usually satisfied its daily working capital requirements through self-owned cash and borrowings. The Group's net cash generated from operating activities increased from RMB19,502.8 million in 2017 to RMB21,733.4 million in 2018, representing a year-on-year increase of 11.4%, mainly attributable to an increase in the net cash generated from operating activities of Beijing Benz.

As at December 31, 2018, the Group had cash and cash equivalents of RMB35,389.9 million, notes receivable of RMB4,321.8 million, notes payable of RMB8,886.7 million, outstanding borrowings of RMB23,863.2 million, unused bank credit lines of RMB23,718.8 million, and commitments for capital expenditure of RMB10,540.9 million. The above outstanding borrowings included RMB1,982.8 million equivalents of Euro borrowings as at the end of 2018.

CAPITAL STRUCTURE

The Group maintained a reasonable combination of equity and liability to ensure an effective capital structure.

The Group's asset-liability ratio (total liabilities/total assets) decreased from 64.4% on December 31, 2017 (the "end of 2017") to 59.8% at the end of 2018, representing a year-on-year decrease of 4.6 percentage points, mainly due to (i) an increase in the assets of Beijing Benz; and (ii) a decrease in the liabilities of Beijing Brand.

The Group's net gearing ratio ((total borrowings less cash and cash equivalents)/(total equity plus the total borrowings less cash and cash equivalents)) decreased from -9.5% at the end of 2017 to -20.0% at the end of 2018, representing a year-on-year decrease of 10.5 percentage points, mainly attributable to (i) a decrease in the total borrowings; and (ii) the extent of decrease in the total borrowings exceeding the extent of decrease in cash and cash equivalents.

As at the end of 2018, the total outstanding borrowings was RMB23,863.2 million, including short term borrowings of RMB8,956.0 million in aggregate and long-term borrowings of RMB14,907.3 million in aggregate. The Group will promptly repay the aforesaid borrowings at maturity.

As at the end of 2018, none of the Group's debt covenants in effect includes any agreement on the obligations to be performed by Controlling Shareholders. In the meantime, the Group has also strictly followed all the terms and conditions in its debt covenants, and no default has taken place.

SIGNIFICANT INVESTMENTS

Total capital expenditures of the Group decreased from RMB8,739.5 million in 2017 to RMB6,414.1 million in 2018, representing a year-on-year decrease of 26.6%. Among which, capital expenditures of Beijing Benz increased from RMB5,604.4 million in 2017 to RMB10,644.0 million in 2018, which included the consideration for the acquisition of the transferred assets of Beijing Branch of the Company by Beijing Benz. Capital expenditures of Beijing Brand decreased from RMB3,135.0 million in 2017 to RMB968.3 million in 2018, mainly due to the fact that the investment in capacity is drawing to an end.

Total research and development expenses of the Group decreased from RMB2,788.3 million in 2017 to RMB2,402.9 million in 2018, representing a year-on-year decrease of 13.8%, the majority of which were incurred by the Group for its product research and development activities expenses. Based on accounting standards and the Group's accounting policy, expenses of the aforesaid research and development complied with capitalization conditions and had been capitalized accordingly.

MATERIAL ACQUISITIONS AND DISPOSALS

On January 22, 2018, BAIC Guangzhou, BAIC Group, Daimler Greater China, Bohai Automotive, Shougang Lvjie and other shareholders of BJEV entered into the Agreement on Asset Swap and Acquisition of Assets by Issuance of Shares with QianFeng, pursuant to which BAIC Guangzhou agreed to dispose of 8.15% equity interest in BJEV to QianFeng in exchange for new A shares to be issued to BAIC Guangzhou by QianFeng. Upon completion of the transaction, BAIC Guangzhou will hold 6.51% equity interest in QianFeng.

On February 23, 2018, the Company and Beijing Benz signed the Asset Transfer Agreement, pursuant to which the Company agreed to dispose of, and Beijing Benz agreed to acquire the assets to be transferred by Beijing Branch of the Company, at a consideration of approximately RMB5,837 million.

On April 25, 2018, the Company and Daimler Greater China entered into the Capital Increase agreement, pursuant to which the Company and Daimler Greater China shall contribute an aggregate of RMB1.5 billion to MBLC in proportion to their respective shareholding in MBLC, among which the Company shall contribute RMB525 million. Upon completion of the capital increase, the Company continues to hold 35.0% equity interest in MBLC.

On October 30, 2018, Beijing Branch of the Company and the Off-road Vehicle Branch (currently known as "BAIC Group Off-road Vehicle Co., Ltd.") of BAIC Group, the sole Controlling Shareholder of the Company, entered into the Asset Transfer Agreement, pursuant to which Beijing Branch of the Company agreed to dispose of, and the Off-road Vehicle Branch of BAIC Group agreed to purchase the assets to be transferred by Beijing Branch of the Company, at a consideration of approximately RMB85.2 million.

On December 29, 2018, the Company, Zhuzhou Sales, a wholly-owned subsidiary of the Company, and Changhe Automotive entered into the Asset Transfer Agreement, pursuant to which the Company and Zhuzhou Sales agreed to dispose of, and Changhe Automotive agreed to purchase the target assets to be disposed of by the Company and Zhuzhou Sales, at a consideration of approximately RMB531.7 million.

For details of the aforesaid cooperation matters, please refer to relevant announcements of the Company dated January 22, 2018, February 23, 2018, April 25, 2018, October 30, 2018 and December 29, 2018, respectively.

FOREIGN EXCHANGE LOSSES[12]

The Group's foreign exchange loss (mainly from the businesses of Beijing Benz) decreased from RMB1,366.0 million in 2017 to RMB685.5 million in 2018, mainly due to (i) the effective control on the foreign exchange rate risks due to the judgment in foreign exchange forward contracts; and (ii) the decrease in exchange losses from Euro-denominated payments as a result of the rise in the exchange rate of RMB against Euro.

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

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.

EMPLOYEE AND REMUNERATION POLICIES

The Group's staff decreased from 22,844 at the end of 2017 to 20,431 at the end of 2018. The staff costs incurred by the Group decreased from RMB5,232.2 million in 2017 to RMB5,087.6 million in 2018, representing a year-on-year decrease of 2.8%, mainly due to (i) the further improvement in the production and management efficiency and the decrease in the number of employees; and (ii) the influence of the decrease in the number of employees, partially offset by the increase in the average staff cost resulting from, among others, the longer labor hours and the increase in the annual average wage in the society.

12 Foreign exchange losses include foreign exchange forward contracts at fair value through profit or loss

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

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

PLEDGE OF ASSETS

As at the end of 2018, the Group had pledged notes receivable of RMB2,786.0 million.

CONTINGENT LIABILITIES

As at the end of 2018, the Group had no material contingent liabilities.

PRINCIPAL RISKS AND UNCERTAINTIES

1. Risks relating to macro-economic volatility

Macro-economic performance will have significant impact on consumer demands for automobiles, and therefore will affect the Group's operating performance. In 2018, China saw an annual GDP growth of 6.6%, with downward pressure on the economy. If China's economic growth continues to slow down, the buyer power of residents will be affected, leading to a decrease in the customer demand for the Group's products, thus adversely affecting the Group's financial position, results of operations and prospects. The Group will continuously pay attention to China's macroeconomic situation, and take measures in due course to respond to fluctuations in the economic environment.

2. Risk of increased market competition

The Group operates in a highly competitive industry with fierce market competition. According to the statistics of CAAM, the sales volume of passenger vehicles in China in 2018 was 23.71 million units, representing a year-on-year decrease of 4.1%, which has been the first year-on-year decrease in recent years, and domestic control policies were more unfavourable to the private economy, which affected the demands of the major group in the vehicle market for vehicles. Meanwhile, enterprises in the industry continuously improve their core competitiveness through the increase in research and development investment, industry integration and otherwise, and comprehensively compete on product, price, marketing, quality, cost and otherwise, thus the market competition increases. If the Group fails to take appropriate measures to maintain and improve its market position, its future results of operations will be adversely affected. The Group will continue to pay attention to the market conditions and take measures in due course to maintain and improve its market position.

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

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

4. Risks relating to emission and environmental protection policies

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

5. Risks relating to adjustment to the purchase tax relief policy for passenger vehicles

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

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

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

北京汽车 BAIC MOTOR

SENOVA Concept OffSpace

SENOVA ALL NEW D50

SENOVA ZHIXING

SENOVA ZHIDAO

北京®

BJ40 PLUS

BJ20

BJ40

BJ80

Mercedes-Benz
北京奔驰

A-Class L Sport Sedan

C-Class L Sport Sedan

E-Class L Sedan

EQC SUV

北京现代
NEW THINKING.
NEW POSSIBILITIES.

SANTAFE

TUCSON

LA FESTA

SONATA PHEV

The Board of Directors hereby presents the report of the Board of Directors to the Shareholders and 2018 audited consolidated financial statements of the Group as prepared in accordance with the International Financial Reporting Standards (the "IFRSs").

COMPANY PROFILE AND INITIAL PUBLIC OFFERING

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

PRINCIPAL BUSINESS

Please refer to the section headed "MAJOR BUSINESS OPERATIONS" on pages 11 to 14 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 11 to 25 and "Management Discussion and Analysis" on pages 26 to 30 in this report for details regarding the business conditions, main risks and uncertainties faced by the Group in 2018, and the prospect of 2019. In addition, please refer to page 33, pages 35 to 36, pages 36 to 37 and page 35 respectively in this report for events after balance sheet date, information regarding the Group's environmental performance and policies, the compliance with the relevant laws and regulations that have a significant impact on the Group and the Group's relations with employees, suppliers and customers in 2018.

OUTLOOK

Please refer to the section headed "OPERATIONAL STRATEGY OF THE GROUP FOR 2019" on page 25 of "Company Profile and Business Overview" in this report for details.

PERFORMANCE

The 2018 annual results and the financial position at the end of 2018 of the Company and the Group are set out on pages 102 to 176 of the audited consolidated financial statements in this report.

PROPERTY

Changes of property, plant and equipment of the Group in 2018 are set out in Note 7 to the audited consolidated financial statements.

SHARE CAPITAL

As of the Date of Issue of the Report, the total share capital of the Company is RMB8,015,338,182 and is divided into 8,015,338,182 Shares, at par value of RMB1.0 per Share (comprising 5,494,647,500 Domestic Shares and 2,520,690,682 H Shares).

TAXATION

The tax position of the Group for 2018 is set out in Note 34 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 40 to the audited consolidated financial statements.

DISTRIBUTABLE RESERVES

The details of the change in the reserves of the Company and the Group for 2018 are set forth in Note 42 to the audited consolidated financial statements, and in the consolidated statement of changes in equity on pages 106 to 107, respectively, among which the information of the reserve distributable to Shareholders is set forth in Note 42 to the audited consolidated financial statements.

PROFIT DISTRIBUTION

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

The Board proposed that the Company distributes an annual dividend for the year 2018 of RMB0.19 per share (tax inclusive). In case of any change in the total share capital of the Company due to the issue of additional shares, placing and buy-back of shares and otherwise, the Company will, according to the actual conditions upon completion of the aforesaid work and the total share capital upon the completion of the issue of additional shares, placing and buy-back of shares and otherwise, adjust the total amount to be actually distributed, subject to the consideration and approval of the 2018 profit distribution plan at the general meeting of the Company and an unchanged cash dividend of RMB0.19 per share. The proposal will be submitted to the Company's 2018 annual general meeting (the "2018 Annual General Meeting") for consideration and approval. The expected date of distribution will be no later than September 13, 2019.

For the details of the distribution of annual dividends by the Company, please refer to the circular for the 2018 Annual General Meeting to be despatched by the Company in due course.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

The Company and the Group did not purchase, redeem or sell any of the Company's listed securities in 2018.

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 2018, the Company's usage of the proceeds from the initial public offering is consistent with those as set forth in the chapter headed "Future Plans and Use of Proceeds" in the Prospectus.

Placing of H Shares

In order to continuously improve the product structure and the profitability to better reward the shareholders, on April 25, 2018, the Company and the placing agent entered into a placing agreement with regard to placing of H Shares of the Company, pursuant to which, the placing agent shall place a total of 420,000,000 new H Shares of the Company at a price of HK$7.89 per H Share (the "Placing").

The aggregate nominal value of the aforementioned H Shares under the Placing was RMB420,000,000, and the net proceeds (after deducting all applicable costs and expenses, including commission and professional fee) were approximately HK$3,266.3 million. According to the announcement of the Company dated April 25, 2018 (the "Placing Announcement"), the placing proceeds were intended to be used for general corporate purposes including replenishment of the working capital of the Company. The Placing was completed on May 3, 2018.

The placees for the Placing were 33 institutional investors. So far as is known to the directors of the Company (the "Directors"), none of the placees became substantial Shareholders of the Company immediately following completion of the Placing.

As at the end of 2018, all of the net proceeds were utilized. The net proceeds were used for the proposed purposes set out in the Placing Announcement.

The following table sets out the actual use of the net proceeds as at the end of 2018:

	Amount actually used as at December 31, 2018 (HK$ million)
Purchase of raw materials for production	2,240.7
Management expenses for daily operations	967.4
Other general operation and development purposes	58.2
Total	**3,266.3**

MAJOR CLIENTS AND SUPPLIERS

Major clients

The transaction amount of the top five clients of the Group in 2018 accounted for 4.9% of the Group's total revenue in 2018. The transaction amount of the single largest client of the Group accounted for 1.9% of the Group's total revenue in 2018.

Major suppliers

The transaction amount of the top five suppliers of the Group in 2018 accounted for approximately 55.6% of the Group's cost of raw materials used in the cost of sales in the year. The transaction amount of the single largest supplier of the Group accounted for approximately 32.6% of the Group's cost of raw materials used in the cost of sales in the year.

RELATIONS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group provides competitive remuneration portfolio to attract and incentivize employees. The Group reviews the employees' remuneration portfolio on a regular basis and makes necessary adjustment in order to be in line with the market standard. The Group also understands that it is of great importance to maintain good relations with suppliers and customers for the realization of the short-term and long-term goals. For the purpose of maintaining the competitiveness of brands and the leading position, the Group is committed to providing consistently premium products and services to customers. In 2018, the Group had no material and significant dispute with suppliers and customers.

ENVIRONMENTAL PERFORMANCE AND POLICIES

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

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

In 2018, the Group strictly complied with relevant laws, regulations and China's environmental policies, and established corresponding compliance operation mechanisms. It prepared and begun to formulate the environmental, social and governance report of the Company according to the Environmental, Social and Governance Reporting Guide issued by the Stock Exchange. Such report is proposed to be published in or before July 2019.

COMPLIANCE WITH LAWS AND REGULATIONS

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

Laws and regulations that have a significant impact on the operation of the Group include but are not limited to the Company Law, the Regulation of the People's Republic of China on the Administration of Company Registration, the Securities Law of the People's Republic of China, the Law of the People's Republic of China on Chinese-Foreign Equity Joint Ventures, the Contract Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Regulation on the Administration on Recall of Defective Auto Products, the Provisions on the Liability for the Repair, Replacement and Return of Household Automotive Products, the Trademark Law of the People's Republic of China, the Patent Law of the People's Republic of China and the Product Quality Law of the People's Republic of China. In case of violation of the aforesaid laws and regulations, the Group may be subject to corresponding civil legal liabilities and administrative penalties imposed by competent authorities, or corresponding criminal liabilities if such violation constitutes a crime.

The operation of the Group has always complied with national and local laws and regulations. The Group upholds honesty and integrity, and performs its social responsibility. In 2018, there was no material litigation or dispute against the Group.

The Group has always been adhering to putting power under institutional checks (以制度管權), continuously improving and strengthening the Company's employee management system construction. In 2018, the Group further deepened and perfected the management system matching with the governance requirements of listed companies, and further facilitated the system which is easy to comply with, operate and implement. Meanwhile, the Group continues to enforce the policies such as the State-owned Enterprise Implementing Three Importance and One Largeness Policy-making System and the Requirements of Practice Integrity for State-owned Enterprises Leaderships.

The Company and its employees have been exercising their best endeavours to strictly follow the applicable rules, laws and industry standards. The Directors are not aware of any breach of laws or regulations which have a significant impact on the Group in 2018, nor are they aware of any litigation or cases of corruption, bribery, extortion, fraud and money laundering involving the Group in 2018.

BANK LOANS AND OTHER BORROWINGS

The details for bank loans and other borrowings of the Group at the end of 2018 are set forth in Note 24 to the audited consolidated financial statements.

DONATIONS

In 2018, the total amount of donations made by the Group was RMB78.1 million.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The basic information of the Directors, Supervisors and senior management is set out in the chapter headed "Directors, Supervisors and Senior Management" on pages 82 to 92 of this report.

The Company has received, from each of the independent non-executive Directors, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules, and each of the independent non-executive Director has confirmed his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent individuals pursuant to Rule 3.13 of the Listing Rules.

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, 2018 to the Latest Practicable Date:

Directors and Supervisors

On June 12, 2018, Mr. Guo Xianpeng resigned as a non-executive Director and member of the Strategy Committee of the Board (the "Strategy Committee") due to other job assignment; Ms. Wang Jing resigned as a non-executive Director and member of the Remuneration Committee of the Board (the "Remuneration Committee"). For details, please refer to the announcement of the Company dated June 12, 2018.

On June 29, 2018, the Company convened the 2017 annual general meeting. Ms. Shang Yuanxian, Mr. Yan Xiaolei, Mr. Xie Wei, Ms. Jiao Ruifang and Mr. Lei Hai were appointed as non-executive Directors at the meeting, with their term of office from June 29, 2018 to the expiry date of the term of office for the third session of the Board. Upon the appointment of Ms. Shang Yuanxian, Mr. Yan Xiaolei and Mr. Lei Hai becoming effective, Mr. Zhang Xiyong, Mr. Zhang Jianyong and Mr. Zhu Baocheng ceased to act as non-executive Directors due to other work arrangements. Meanwhile, Ms. Shang Yuanxian was appointed as a member of the Strategy Committee and the Nomination Committee of the Board (the "Nomination Committee"); Mr. Yan Xiaolei was appointed as a member of the Strategy Committee and the Audit Committee of the Board of the Company (the "Audit Committee"); Mr. Lei Hai and Mr. Xie Wei were appointed as members of the Strategy Committee; Ms. Jiao Ruifang was appointed as a member of the Remuneration Committee, with their term of office commencing from June 29, 2018. Following the appointment of Ms. Shang Yuanxian, Mr. Yan Xiaolei and Mr. Lei Hai, Mr. Zhang Xiyong ceased to act as a member of each of the Strategy Committee and the Nomination Committee; Mr. Zhang Jianyong ceased to act as a member of each of the Strategy Committee and the Audit Committee; and Mr. Zhu Baocheng ceased to act as a member of the Strategy Committee. For details, please refer to the announcement of the Company dated June 29, 2018.

On December 28, 2018, the Company convened the second extraordinary general meeting of 2018. Mr. Meng Meng was appointed as a shareholder representative Supervisor at the meeting, for a term of office commenced on December 28, 2018 and ending on the expiry of the term of office for the third session of the Board of Supervisors of the Company (the "Board of Supervisors"). On the same date, due to other work arrangement, Mr. Jiang Dali ceased to act as a shareholder representative Supervisor. For details, please refer to the announcement of the Company dated December 28, 2018.

On March 19, 2019, the Company convened the fourth meeting of the first session of the employee representative congress. Ms. Li Chengjun was appointed as an employee representative Supervisor at the meeting, for a term of office commenced on March 19, 2019 and ending on the expiry of the term of office for the third session of the Board of Supervisors of the Company. On the same date, Mr. Zhang Guofu ceased to be the employee representative Supervisor. For details, please refer to the announcement of the Company dated March 19, 2019.

Senior management and company secretary

On January 22, 2018, Mr. Xie Wei ceased to serve as the vice president of the Company. On the same date, the Board appointed Mr. Yang Xueguang as the vice president of the Company, with his term of office commenced on January 22, 2018 and ending on the expiry of the term of office for the third session of the Board. Mr. Cai Jianjun ceased to serve as the vice president of the Company on March 22, 2018. On the same date, Mr. Wu Zhoutao was appointed as the vice president of the Company by the Board for a term commenced on March 22, 2018 and ending on the expiry of the term of office for the third session of the Board. Mr. Chen Guixiang ceased to serve as the vice president of the Company on September 12, 2018. Mr. Gu Xin ceased to serve as the secretary to the Board of the Company on January 17, 2019. On the same date, Mr. Wang Jianhui was appointed as the secretary to the Board of the Company. Mr. Gu Xin ceased to serve as the company secretary of the Company on January 29, 2019. On the same date, Mr. Wang Jianhui was appointed as the company secretary of the Company.

Save as disclosed above, from January 1, 2018 up to the Latest Practicable Date, the Company did not newly appoint or remove any Directors, Supervisors and members of senior management.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each Director of the third session of the Board of Directors and each Supervisor of the third session of the Board of Supervisors have entered into a service contract with the Company for a term of three years, or from the date of the latest appointment and up to the term of the fourth session of the Board of Directors or the fourth session of the Board of Supervisors becoming effective (as the case may be and whichever is later). The service contract sets out the main terms, key conditions and relevant rights, obligations and responsibilities of the appointed Directors and Supervisors, with particular emphasis on the duties of the independent non-executive Directors and the executive Directors, and it can be terminated in accordance with the relevant terms in the service contract.

In 2018, 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 2018 are set out in Note 43 to the audited consolidated financial statements.

REMUNERATION FOR FIVE INDIVIDUALS WITH THE HIGHEST REMUNERATION

Details for remuneration for five individuals (excluding Directors and Supervisors) with the highest remuneration in the Company in 2018 are set forth in Note 32 to the audited consolidated financial statements.

MANAGEMENT CONTRACTS

In 2018, 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 45 to 60 in this report, none of the Company or any of its subsidiaries entered into any contracts of significance with the Controlling Shareholder or any of its subsidiaries other than the Group, nor was there any contracts of significance between the Group and the Controlling Shareholder or any of its subsidiaries other than the Group in relation to provision of services in 2018.

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

In 2018, save as disclosed in this report, none of the Directors or Supervisors or their connected entities directly or indirectly has material interest in any contracts, transactions or arrangements, which are significant to the businesses of the Group and entered into by the Company or any of its subsidiaries.

RIGHTS AND INTERESTS OF DIRECTORS ON COMPETING BUSINESSES

In 2018, 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 businesses of the Company, either directly or indirectly.

DIRECTORS AND SUPERVISORS SERVING IN COMPETING BUSINESSES

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

Name	Main Positions in the Group	Main Positions in Beijing Automotive Group Co., Ltd. and Its Connected Companies
Mr. Xu Heyi	• Chairman of the Board and non-executive Director of the Company • Chairman of the board of directors of Beijing Benz Automotive Co., Ltd. • Chairman of the board of directors of Fujian Benz Automotive Co., Ltd.	• Chairman of the board of directors of Beijing Automotive Group Co., Ltd. • Chairman of the board of directors of Beijing Electric Vehicle Co., Ltd. • Chairman of the board of directors of BAIC BluePark New Energy Technology Co., Ltd.
Mr. Zhang Xiyong Note 1	• Non-executive Director of the Company	• Director and general manager of Beijing Automotive Group Co., Ltd. • Chairman of the board of directors of Beiqi Foton Motor Co., Ltd.
Mr. Zhang Jianyong Note 2	• Non-executive Director of the Company • Director of Beijing Benz Automotive Co., Ltd.	• Deputy general manager of Beijing Automotive Group Co., Ltd. • Director of Beiqi Foton Motor Co., Ltd. • Chairman of the board of directors of BAIC Group Finance Co., Ltd. • Executive director of BAIC Group Industrial Investment Co., Ltd. • Director of Bank of Jiujiang
Ms. Shang Yuanxian Note 3	• Non-executive Director of the Company	• Director of Beiqi Foton Motor Co., Ltd. • Director of Bohai Automotive Systems Co., Ltd. • Secretary to the board of directors and director of the office under the board of directors of Beijing Automotive Group Co., Ltd.

Name	Main Positions in the Group	Main Positions in Beijing Automotive Group Co., Ltd. and Its Connected Companies
Mr. Yan Xiaolei Note 4	• Non-executive Director of the Company	• Director of BAIC BluePark New Energy Technology Co., Ltd • Director of BAIC ROCAR Automobile Service & Trade Co., Ltd. • Director of Bohai Automotive System Co., Ltd.
Mr. Xie Wei	• Non-executive Director of the Company	• Secretary to the party committee and head of Beijing Automotive Technology Center Co., Ltd.
Mr. Qiu Yinfu	• Non-executive Director of the Company	• Director of Beiqi Foton Motor Co., Ltd.
Mr. Wang Min	• Supervisor of the Company	• Supervisor of Beijing Automotive Asset Operation Management Co., Ltd. • Supervisor of BAIC International Development Co., Ltd. • Supervisor of BAIC Mobility Co., Ltd. • Supervisor of Beijing Xingdongfang Technology Co., Ltd. (北京興東方科技有限公司)
Mr. Jiang Dali Note 5	• Supervisor of the Company	• Director of Beijing Electric Vehicle Co., Ltd. • Director of Beijing Hainachuan Automobile Components Corporation Limited

Note 1: Mr. Zhang Xiyong ceased to act as a non-executive Director of the Company on June 29, 2018.

Note 2: Mr. Zhang Jianyong ceased to act as a non-executive Director of the Company on June 29, 2018.

Note 3: Ms. Shang Yuanxian was re-appointed as a non-executive Director of the Company on June 29, 2018.

Note 4: Mr. Yan Xiaolei was appointed as a non-executive Director of the Company on June 29, 2018.

Note 5: Mr. Jiang Dali ceased to act as a Supervisor of the Company on December 28, 2018.

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

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

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

At the end of 2018, the interests and short positions of the Directors, Supervisors and senior management of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

Name of Shareholder	Class of Shares	Number of Shares/Underlying Shares Held Note 1	Percentages to Relevant Class of Share Capital (%) Note 2	Percentages to the Total Share Capital (%)
Yan Xiaolei Note 3	H Shares	5,000 (L)	0.0002	0.00006

Note 1: (L) – Long position;

Note 2: The percentage is calculated based on the number of Shares held by relevant persons/the number of relevant classes of Shares of the Company in issue as at the end of 2018;

Note 3: Yan Xiaolei is directly interested in 5,000 H Shares of the Company.

Save as disclosed above, as at the end of the Reporting Period, none of the Directors, Supervisors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations which were required (a) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register as referred to therein; or (c) pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As at the end of 2018, none of the Directors or Supervisors or any of their respective associates was granted by the Company or its subsidiaries any rights to, or had exercised any rights to acquire shares or debentures of the Company or any other body corporate.

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

As at the end of 2018, to the best knowledge of the Directors, the following entities/persons (except for the Directors, Supervisors and senior management) had interests or short positions in the Shares or underlying shares of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 in Part XV of the SFO, or recorded in the register required to be kept under section 336 of the SFO, or who were directly and/or indirectly deemed to have 5% or more interest of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings:

Name of Shareholder	Class of Shares	Number of Shares/ Underlying Shares Held[Note 1]	Percentages to Relevant Class of Share Capital (%)[Note 2]	Percentages to the Total Share Capital (%)
Beijing Automotive Group Co., Ltd.	Domestic Shares	3,416,659,704 (L)	62.18	42.63
Beijing Shougang Company Limited	Domestic Shares	1,028,748,707 (L)	18.72	12.83
Shenzhen Benyuan Jinghong Equity Investment Fund (Limited Partner)	Domestic Shares	342,138,918 (L)	6.23	4.27
Daimler AG	H Shares	765,818,182 (L)	30.38	9.55
Citigroup Inc.	H Shares	273,514,806 (L) 1,643,000 (S) 269,845,941 (P)	10.85 0.06 10.70	3.41 0.02 3.37
BlackRock, Inc.	H Shares	175,422,081 (L) 352,000 (S)	6.96 0.01	2.19 0.004
GIC Private Limited	H Shares	177,339,500 (L)	7.04	2.21

Note 1: (L) – Long position, (S) – Short position, (P) –Lending pool;

Note 2: The percentage is calculated based on the number of Shares held by relevant persons/the number of relevant classes of Shares of the Company in issue as at the end of 2018.

ARRANGEMENTS FOR SHARE PRE-EMPTIVE RIGHT AND SHARE OPTION

In 2018, no arrangement for share pre-emptive right and share option was made by the Company, and there is no specific provision under the PRC laws or the Articles of Association regarding share pre-emptive right.

DEBENTURES ISSUED

The debentures issued by the Group in 2018 are set out below:

On April 10, 2018, the Company issued 2018 renewable corporate bonds (first tranche) in an amount of RMB2,000.0 million with the term of 3+N years and the annual coupon rate of 5.60%, and all proceeds raised after deduction of issue expenses were used for repaying corporate debts.

On April 27, 2018, the Company issued 2018 first tranche of ultra short-term commercial paper in an amount of RMB2,000.0 million with the term of 180 days and the annual coupon rate of 4.20%, and all proceeds were used for replenishment of the working capital of the parent company.

On August 15, 2018, the Company issued 2018 second tranche of ultra short-term commercial paper in an amount of RMB2,000.0 million with the term of 270 days and the annual coupon rate of 3.60%, and all proceeds raised were used for repaying the bank borrowings of the Company.

EQUITY-LINKED AGREEMENTS

In 2018, 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 2018, no permitted indemnity provision (whether made by the Company or otherwise) was made which was or is in force for the benefit of the Directors of the Company or any directors of the associated companies of the Company (if made by the Company).

The Company has liability insurance to protect Directors, Supervisors and senior management against certain relevant lawsuits.

RETIREMENT AND EMPLOYEE BENEFIT SCHEMES

For details of the retirement and employee benefit schemes of the Group, see the chapter headed "Human Resources" on page 93 of this Report.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

For details, see the chapter headed "Corporate Governance Report" on pages 64 to 81 of this Report.

AUDIT COMMITTEE

The Audit Committee has reviewed the Company's and the Group's 2018 annual results, and the audited consolidated financial statements for 2018 prepared in accordance with the IFRSs.

AUDITORS

PricewaterhouseCoopers ("PwC") and PricewaterhouseCoopers Zhong Tian LLP ("PwC Zhong Tian") were appointed as the Company's auditors in relation to the financial statements prepared under the IFRSs and China Accounting Standards, respectively, for the year ended 2018.

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 8 to 10 in 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 2018, 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, or to the knowledge of the Directors, on the Date of Issue of the Report, the public held no less than 21.90% 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, the announcement of the Company on partial exercise of over-allotment option dated January 12, 2015, and the announcement of the Company on completion of the placing of H Shares dated May 3, 2018.

MATERIAL LITIGATION

As at the end of 2018, the Company was not involved in any material litigation or arbitration. To the best knowledge of the Directors, there is also no ongoing or possible material litigation or claim against the Company.

CONNECTED TRANSACTIONS

Fully-exempted continuing connected transactions

Trademark and Technology Licensing Framework Agreement between the Company and BAIC Group

The Company entered into a trademark and technology licensing framework agreement (the "Trademark and Technology Licensing Framework Agreement") with BAIC Group on December 2, 2014 for an initial term commenced on the Listing Date of the Company and expiring on the end of 2016, subject to renewal upon mutual consents by both parties. In order to continue using the licensed trademark of BAIC Group, both parties have renewed the agreement on October 20, 2016, the term of which commenced on January 1, 2017 and will end on December 31, 2019, subject to renewal upon mutual consents by both parties. Pursuant to the agreement, BAIC Group agreed to grant the Group (excluding Beijing Benz) a non-exclusive license for the use of certain registered trademarks ("Licensed Trademarks") and relevant production technologies owned by BAIC Group on a royalty-free basis. Our Group will use the Licensed Trademarks and the production technologies within the scope specified in the Trademark and Technology Licensing Framework Agreement.

BAIC Group is the sole Controlling Shareholder and a Connected Person of the Company. The transaction between the Company and BAIC Group constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

The Trademark and Technology Licensing Framework Agreement was entered into on normal commercial terms and the Group paid the trademark licensing fee of RMB0 and the technology licensing fee of RMB0 to BAIC Group in 2018. The applicable annual ratio calculated pursuant to Chapter 14A of the Listing Rules was less than 0.1%. Pursuant to Rule 14A.76 of the Listing Rules, the aforesaid continuing connected transaction is exempted from reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Non-exempt continuing connected transactions

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

   Beijing Benz, a non-wholly owned subsidiary of the Company entered into a trademark licensing agreement (the "Trademark Licensing Agreement") with BAIC Group on February 28, 2013, with regard to its company name of "Beijing Benz", the production and assembly of its existing vehicle models, and the agreement will remain effective within the term of the joint venture agreement of Beijing Benz. The trademark licensing arrangement is a part of the joint venture agreement between the Company and Daimler AG in respect of Beijing Benz.

   Pursuant to the agreement, Beijing Benz has the non-exclusive license granted by BAIC Group to use the "Beijing" trademark in the Company's name, and the manufacturing and assembly of passenger vehicles, and Beijing Benz shall regularly pay the trademark licensing fee to BAIC Group. The trademark licensing fee payable to BAIC Group is determined with reference to an agreed percentage of the net revenue generated by each vehicle. The annual caps of the trademark licensing fee paid by Beijing Benz to BAIC Group under the Trademark Licensing Agreement for the three financial years ending December 31, 2019 were RMB555.4 million, RMB744.5 million and RMB900.8 million respectively. In 2018, the actual trademark licensing fee paid by Beijing Benz to BAIC Group under the above agreement was RMB573.2 million.

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

   The Company entered into a property and facility leasing framework agreement (the "Property and Facility Leasing Framework Agreement") with BAIC Group on December 2, 2014, with the term from the Listing Date of the Company to the end of 2016, subject to renewal through mutual consents by both parties. Both parties renewed the Property and Facility Leasing Framework Agreement on October 20, 2016, with a term from January 1, 2017 to December 31, 2019, subject to renewal through mutual consents by both parties. Pursuant to the agreement, the Company and/or its subsidiaries will lease properties and facilities from BAIC Group and/or its associates for manufacturing specific passenger vehicles. The rent payable under the agreement shall be agreed based on arm's length negotiation between the parties to the agreement with reference to the local market price, in compliance with relevant rules and regulations of the PRC; individual agreements shall be entered into, which shall specify the specific terms and conditions (including property rents, payment methods and other usage fees), in respect of relevant leased properties and facilities.

   The annual caps of total rent per annum payable to BAIC Group and/or its associates in terms of properties and facilities leasing under the Property and Facility Leasing Framework Agreement for the three financial years ending December 31, 2019 were RMB377.8 million, RMB396.7 million and RMB416.5 million. In 2018, the actual rent of property and facility leasing paid by the Group to BAIC Group and/or its associates was RMB277.0 million.

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

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

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

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

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

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

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

BAIC Group, the Controlling Shareholder and a Connected Person of the Company, holds 56.00% equity interest in BAIC Finance, an associate of BAIC Group, therefore, BAIC Finance is also a Connected Person of the Company. The transactions under the Financial Services Framework Agreement between the Company and BAIC Finance constitute the connected transactions of the Company, pursuant to Chapter 14A of the Listing Rules.

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

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

Item	Annual cap for the year ended December 31 (RMB million)		
	2017	2018	2019
Maximum daily balance of deposits placed by the Group with BAIC Finance	12,500.0	16,000.0	16,000.0
Interest income from deposits placed by the Group with BAIC Finance	193.2	292.8	292.8

For 2018, the actual maximum daily balance of deposits placed by the Group with BAIC Finance was RMB12,478.0 million, and the actual interest income from deposits placed by the Group with BAIC Finance was RMB210.5 million.

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

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

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

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

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

For 2018, the actual amount of purchasing products and services under the Products and Services Purchasing Framework Agreement were RMB27,185.9 million and RMB3,215.5 million respectively.

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

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

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

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

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

For 2018, the actual amount of Provision of Products and Provision of Services under the Sales of Products and Provision of Services Framework Agreement were RMB16,877.9 million and RMB13.1 million respectively.

6. Continuing connected transactions in relation to Daimler AG and its associates

In 2018, the Group has entered into a number of continuing connected transactions with Daimler AG and its associates. In view of factors including protection of trade secrets and avoidance of unnecessary burden and losses to the business and operation of the Group, the Stock Exchange, at the time of Listing of the Company, has granted the Company an exemption from strict compliance with the written agreement and/or annual cap, announcements, annual reporting and/or independent Shareholders' approval requirements under the Listing Rules in respect of certain transactions with Daimler AG, as follows:

Nature of transaction	Transaction summary and pricing policy	Exemption granted
Sales of vehicles by Beijing Benz 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/or its associates are reasonable and competitive in the market. • **Transaction amount**: Not applicable.	Signing of written agreement, annual cap, annual reporting, announcement and independent Shareholders' approval

Nature of transaction	Transaction summary and pricing policy	Exemption granted
Provision of the right to use intellectual property rights (including trademarks and technologies) by Daimler AG and its associates to Beijing Benz	• **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
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

Nature of transaction	Transaction summary and pricing policy	Exemption granted
Beijing Benz provides Daimler AG and its associates with services, parts and accessories	• **Transaction summary:** Beijing Benz sold components and spare parts and provided aftersales referral services to Daimler AG and its associates. • **Pricing policy**: In relation to the aforesaid transactions, the Group will take into account the market prices of the relevant parts, components and services offered by other suppliers to Daimler AG and its associates to ensure that the prices Beijing Benz 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

The Company completed the issue of 420,000,000 new H Shares on May 3, 2018. Prior to the completion of the Placing, Daimler AG holds 10.08% equity interest in the Company and is a substantial Shareholder of the Company, and Daimler AG and its associates are Connected Persons of the Company. The transactions between the Group and Daimler AG and its associates constitute connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. Upon the completion of the Placing, Daimler AG holds 49% equity interest in Beijing Benz, a significant subsidiary of the Company, thus Daimler AG and its associates are Connected Persons of the Company at the subsidiary level. Pursuant to Chapter 14A of the Listing Rules, the transactions between the Group and Daimler AG and its associates still constitute connected transactions of the Company.

The annual caps in relation to the continuing connected transactions arising from the sale of vehicles by Beijing Benz to Daimler AG and its associates for the three financial years ended December 31, 2019 are RMB170.0 million, RMB170.0 million and RMB170.0 million respectively. In 2018, the actual amount of this transaction was RMB103.5 million.

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

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

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

The annual caps of the continuing connected transactions in which the Company purchased automobile parts, components and materials from Daimler AG under the General Product Supply Series Agreements for the three financial years ending December 31, 2019 are RMB434.1 million, RMB1,924.8 million and RMB574.0 million respectively. In 2018, the actual amount of transactions under such agreements was RMB1,396.8 million.

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

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

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

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

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

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

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

In 2018, the actual amount in relation to the entrusted R&D technical services between the Company and its subsidiaries (exclusive of BAIC MBtech) and BAIC MBtech was RMB58.3 million; the actual amount in relation to the entrusted R&D technical services between the Company and its subsidiaries (exclusive of BAIC MBtech) and MBtech was RMB0.5 million; the actual amount in relation to the entrusted R&D technical services between BAIC MBtech and MBtech was RMB0 million.

On the date of the agreement, Daimler AG, a substantial Shareholder and a Connected Person of the Company, held 35% equity interest in MBtech and MBtech was an associate of Daimler AG, therefore MBtech was a Connected Person of the Company. The transactions between the Company and MBtech and the transactions between BAIC MBtech, a subsidiary of the Company, and MBtech constituted connected transactions of the Company under Chapter 14A of the Listing Rules. In addition, since the Company and MBtech, a Connected Person of the Company, held 51% and 49% equity interests in BAIC MBtech respectively, BAIC MBtech was a connected subsidiary of the Company. The transactions between the Company and BAIC MBtech also constituted connected transactions under Chapter 14A of the Listing Rules.

Upon completion of Placing of new H Shares of the Company on May 3, 2018, BAIC MBtech ceased to be a connected subsidiary of the Company. In September 2018, Daimler AG transferred its 35% equity interest in MBtech to AKKA TECHNOLOGIES SA, and upon the completion of the transfer, MBtech became a wholly-own subsidiary of AKKA TECHNOLOGIES SA, and MBtech ceased to be a Connected Person of the Company.

Independent non-executive Directors' review and confirmation

Independent non-executive Directors of the Company have reviewed the aforesaid continuing connected transactions and have confirmed that in 2018, they have been entered into: in the ordinary and usual course of the Group's business; on normal commercial or better terms; with the terms no less favorable to the Company than those offered to or by (as the case may be) independent third parties, if those available for comparison are insufficient to determine whether the terms of such transaction is normal commercial terms; and in accordance with relevant agreements whose conditions are fair and reasonable and in the interest of the Shareholders of the Company as a whole.

Auditor's letter

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

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

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

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

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

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

The Company confirmed that the entering into and implementation of specific agreements in relation to the above continuing connected transactions for 2018 has complied with the pricing principles of these continuing connected transactions.

Non-continuing connected transactions

1. **Disposal of 8.15% equity interest in BJEV by BAIC Guangzhou to QianFeng, and subscription for the new A shares of QianFeng by BAIC Guangzhou**

   In order to promote the asset securitisation process of BJEV, on January 22, 2018, BAIC Guangzhou (a wholly-owned subsidiary of the Company), BAIC Group, Daimler Greater China, Bohai Automotive, Shougang Lvjie and other shareholders of BJEV, entered into the Agreement on Asset Swap and Acquisition of Assets by Issuance of Shares with QianFeng, pursuant to which, BAIC Guangzhou agreed to dispose of its 8.15% equity interest in BJEV (a non wholly-owned subsidiary of BAIC Group) to QianFeng with a consideration of 62,409,505 (subject to the approval by the CSRC) new A shares to be issued to it by QianFeng; meanwhile, QianFeng agreed to swap all of its assets and liabilities for equivalent parts of the 29.12% equity interest held by BAIC Group in BJEV, and issue 698,675,677 (subject to the approval by the CSRC) new A shares to acquire the balance of the equity interest held by BAIC Group in BJEV, and the equity interest in BJEV respectively held by Daimler Greater China, Bohai Automotive, Shougang Lvjie and Other Shareholders of BJEV. Upon completion of the transaction, BJEV will become a wholly-owned subsidiary of QianFeng, and QianFeng will become a non wholly-owned subsidiary of BAIC Group, while BAIC Guangzhou will hold 6.51% equity interest in QianFeng.

   On the date of the agreement, BAIC Group, the Controlling Shareholder and a Connected Person of the Company, indirectly held 41.13% equity interest of QianFeng, therefore QianFeng was an associate of BAIC Group as well as a Connected Person of the Company. The disposal of 8.15% equity interest of BJEV by BAIC Guangzhou, a wholly-owned subsidiary of the Company to QianFeng and the subscription for the new A shares of QianFeng by BAIC Guangzhou constituted a connected transaction of the Company.

   For details of the aforesaid transaction, please refer to the announcement of the Company dated January 22, 2018.

2. **Disposal of assets by the Company to Beijing Benz**

   In order to further strengthen the profitability of Beijing Benz, optimize the capacity allocation in the Group, further enhance the strategic cooperation with Daimler AG, raise the level of cooperation between the Group and the foreign advanced automobile industries, and further improve the brand recognition and international influence of the Group in the automobile market, on February 23, 2018, the Company and Beijing Benz, a non wholly-owned subsidiary of the Company, entered into the Asset Transfer Agreement, pursuant to which the Company agreed to dispose of, and Beijing Benz agreed to purchase, the transferred assets of the Beijing Branch of the Company at a consideration of RMB5,836,765,124.01 (subject to the valuation determined in the appraisal report issued by the PRC Appraiser to be approved by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality).

   On the date of the agreement, Daimler AG was the substantial Shareholder as well as a Connected Person of the Company. Since Daimler AG also directly and indirectly held 49% equity interest of Beijing Benz, a non-wholly owned subsidiary of the Company, Beijing Benz was a connected subsidiary of the Company pursuant to Chapter 14A of the Listing Rules. Therefore, the transaction contemplated under the Asset Transfer Agreement between the Company and Beijing Benz constituted a connected transaction of the Company, pursuant to Chapter 14A of the Listing Rules.

   For details of the aforesaid transaction, please refer to the announcement of the Company dated February 23, 2018.

3. **Additional capital contribution of the Company to MBLC**

   In order to satisfy the need of enterprise development and meet the supervision requirements of the Ministry of Commerce, on April 25, 2018, the Company and Daimler Greater China entered into the Capital Increase Agreement, pursuant to which, the Company and Daimler Greater China agreed to contribute an aggregate amount of RMB1,500,000,000 to MBLC in proportion to their respective shareholding in MBLC. Of which, Daimler Greater China will contribute RMB975,000,000, representing 65% of the amount under the capital increase, while the Company will contribute RMB525,000,000, representing 35% of the amount under the capital increase. Upon completion of the capital increase, the registered capital of MBLC will be increased from RMB2,097,538,461.54 to RMB3,597,538,461.54.

   On the date of the agreement, Daimler AG was the substantial Shareholder as well as a Connected Person of the Company. Meanwhile, since Daimler AG held 100% equity interest in Daimler Greater China, and Daimler Greater China held 65% equity interest in MBLC, Daimler Greater China and MBLC were associates of Daimler AG. Therefore, Daimler Greater China and MBLC were Connected Persons of the Company pursuant to Chapter 14A of the Listing Rules. The contribution to the newly increased registered capital of MBLC by the Company constituted a connected transaction of the Company.

   For details of the aforesaid transaction, please refer to the announcement of the Company dated April 25, 2018.

4. **Disposal of assets by the Company to the Off-road Vehicle Branch of BAIC Group**

   In order to achieve a rational allocation and efficient use of the Company's existing production capacity and enhance the overall economic benefits of the Group, the Beijing Branch of the Company and the Off-road Vehicle Branch of BAIC Group, the sole Controlling Shareholder of the Company entered into an asset transfer agreement on October 30, 2018, pursuant to which the Beijing Branch of the Company agreed to dispose of, and the Off-road Vehicle Branch of BAIC Group agreed to acquire the assets to be transferred by Beijing Branch of the Company, at a consideration of RMB85,185,389.87.

   For details of the aforesaid transaction, please refer to the announcement of the Company dated October 30, 2018.

5. Involving in the establishment of BAIC IT Company by the Company

In order to enhance the competitiveness of informatization businesses, the Company entered into a capital contribution agreement with BAIC Group, BJEV, BAIC ROCAR Automobile Services & Trade Co., Ltd. ("BAIC ROCAR") and BAIC Mobility Co., Ltd. ("BAIC Mobility") with regard to the establishment of BAIC Langu Information Technology Co., Ltd. ("BAIC IT Company"), on October 30, 2018. Pursuant to the capital contribution agreement, the total registered capital of BAIC IT Company is RMB330 million, of which RMB50 million, RMB130 million, RMB50 million, RMB50 million, RMB50 million shall be respectively contributed by the Company, BAIC Group, BJEV, BAIC ROCAR and BAIC Mobility, which respectively hold 15.15%, 39.40%, 15.15%, 15.15% and 15.15% equity interest of BAIC IT Company.

On the date of the agreement, since BAIC Group, the sole Controlling Shareholder of the Company, directly and indirectly held 33.93% equity interest in BAIC BluePark, BAIC BluePark is an associate of BAIC Group, and BAIC BluePark and BJEV, its subsidiary, were Connected Persons of the Company. In addition, since BAIC Group held 60% equity interest in BAIC ROCAR and 80% equity interest in BAIC Mobility respectively and directly, BAIC ROCAR and BAIC Mobility were associates of BAIC Group as well as Connected Persons of the Company. The establishment of BAIC IT Company by the Company, BAIC Group, BJEV, BAIC ROCAR and BAIC Mobility constituted a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

Upon the establishment, BAIC IT Company will become a subsidiary of BAIC Group. For details of the aforesaid transaction, please refer to the announcement of the Company dated October 30, 2018.

6. Disposal of assets by the Company to Changhe Automotive

In order to further define the Company's strategic positioning of focusing high-end passenger vehicle businesses and improve the financial condition and profitability, the Company, Zhuzhou Sales, a wholly-owned subsidiary of the Company, and Changhe Automotive entered into an asset transfer agreement on December 29, 2018, pursuant to which the Company and Zhuzhou Sales agreed to dispose of, and Changhe Automotive agreed to purchase the target assets of the Company and Zhuzhou Sales, at a consideration of RMB531,650,985.32.

On the date of the agreement, since BAIC Group, the Controlling Shareholder and a Connected Person of the Company, held 76.68% equity interest of Changhe Automotive, Changhe Automotive was an associate of BAIC Group as well as a Connected Person of the Company. Pursuant to Chapter 14A of the Listing Rules, the transaction contemplated under the asset transfer agreement between the Company, Zhuzhou Sales and Changhe Automotive constituted a connected transaction of the Company.

For details of the aforesaid transaction, please refer to the announcement of the Company dated December 29, 2018.

Save as disclosed above, none of the related party transactions or continuing related party transactions set out in Note 39 to the financial statements fall within the meaning of discloseable connected transactions or continuing connected transactions under the Listing Rules. The connected and continuing connected transactions of the Company are in compliance with the disclosure requirements of Chapter 14A of the Listing Rules.

MODEL CODE

Having made all reasonable enquiries to the Directors and the Supervisors, in the year 2018, they confirmed that they have strictly followed the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. The Company has not adopted a standard lower than that provided by the Model Code in relation to Directors' securities transactions.

ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of 2018 audited consolidated financial statements are consistent with the accounting policies for the preparation of 2017 audited consolidated financial statements.

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

BY ORDER OF THE BOARD
Chairman
Xu Heyi

March 27, 2019

In the year 2018, 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 safeguarding the legitimate rights of the Shareholders, all the Supervisors have duly performed their supervisory duties to effectively monitor and inspect the execution of the duties of the Directors and senior management and the operation and management activities of the Company. In so doing, they have promoted the operational standard and healthy development of the Company.

THE WORK OF THE BOARD OF SUPERVISORS

Convening meetings of the Board of Supervisors

In the year 2018, a total of four meetings of the Board of Supervisors were held, at which the Work Report of the Board of Supervisors for 2017, the 2017 Annual Report, 2018 Interim Report, financial statements for the first quarter and the third quarter of 2018 were considered and approved, and the supervision and management work measures of the Board of Supervisors were formulated.

Changes of members of the Board of Supervisors

Pursuant to the Articles of Association, Mr. Meng Meng was elected as a shareholder representative Supervisor as considered and approved at the second extraordinary general meeting of 2018, for a term of office commenced on December 28, 2018 and ending on the expiry of the term of office for the third session of the Board of Supervisors, and Mr. Jiang Dali ceased to act as a shareholder representative Supervisor.

On March 19, 2019, at the fourth meeting of the first session of the employee representative congress of the Company, Ms. Li Chengjun was elected as the employee representative Supervisor for a term ending on the expiry of the term of office for the third session of the Board of Supervisors, and Mr. Zhang Guofu ceased to serve as the employee representative Supervisor.

Participating in the general meetings and attending the Board meetings

Pursuant to the Articles of Association and the Rules of Procedure of the Board of Supervisors, members of the Board of Supervisors attended the 2017 annual general meeting, the 2018 first domestic shareholders class meeting, the 2018 first H shareholders class meeting, the first and second extraordinary general meetings of 2018, and attended the Board meetings held on site. The Board of Supervisors also appointed certain Supervisors to act as the scrutinizers of the general meetings and Board meetings to ensure compliance with meeting procedures and the legitimacy and compliance of voting on the resolutions in the meetings, and reviewed the meeting resolutions and relevant materials of the Board meetings held in the form of communication.

By attending the general meetings and the Board meeting and reviewing relevant meeting materials, members of the Board of Supervisors enhanced their understanding of deliberation of the general meetings and Board meetings of the Company, as well as the decision-making process of the Board. They have also enhanced their understanding of the financial position, connected transactions and production and operation of the Company, the supervision of the performance of the duties of the Directors and senior management, decision on significant matters, standardization and effectiveness of operation and management activities; and in a timely manner, have informed the Company of possible risks and problems in production, operation, financial management and internal control, and have put forward reasonable suggestions on major operating decisions and financial risk control of the Company, and enhanced supervision of the Company for lawful operation. In so doing, they have played a positive role in promoting the Company's standardized governance and improving the operational efficiency of the Company.

Status of supervision

In 2018, members of the Board of Supervisors carried out in-depth investigation into the enterprises to understand the corporate strategies, the implementation of management principles, corporate operation management, team construction and the financial position, and conducted onsite investigations into the Zhuzhou Branch, Beijing Benz Factory, the Second Factory and Chongqing Factory of Beijing Hyundai, to understand the production and operation conditions and product quality management of the enterprises, and put forward suggestions on management improvement of the company. At the same time, members of the Board of Supervisors carried out supervision and examination on the key entities affecting the achievement of business operation objectives, conducted investigations in BAIC Motor Sales Co., Ltd. and Benz Sales and conducted in-depth investigations into the proprietary brand, joint venture brands and 4S stores of benchmarking enterprises in the industry. They heard opinions and suggestions of certain distributors on operation policies and sales of the company, and exchanged opinions with frontline employees, heard reports of frontline sales employees and distributors on market demands for vehicle models, intelligent application, selling price and other related information, and put forward relevant opinions and suggestions on marketing management.

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

In the year 2018, the Board of Directors made scientific decisions in compliance with 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 members of senior management devoted to their duties and performed their duties faithfully and conscientiously implemented the decisions made by the Board of Directors, and ensured high standards of operation and prudent management of the Company. The Company continuously improved and effectively implemented the internal control systems according to its actual conditions, requirements of laws and regulations. The internal control systems complied with relevant national laws, regulations and actual requirements of the Company and played a relatively good role in preventing and controlling risks for the operation and management of the Company. The Company has established internal joint supervision mechanisms including discipline inspection, internal audit and compliance management to effectively promote, prevent and resolve the Company's operational risks, and to realize a deep and broad compliance operation.

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 under the Board of Directors for the year, and monitored the financial position, risk management and internal audits of the Company. The Board of Supervisors carefully read the 2018 financial budget report of the Company, reviewed the standard unqualified auditor's reports 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 2018 financial report meets the requirements of the relevant accounting standards and regulations; and it gives a true and fair view of the Company's financial position and business performance; and the information reflecting the Company's operation is truthful, legitimate and complete without false information, misleading representation or material omissions.

In 2018, in response to the application of "intelligentization, networking, electrification and sharing" in vehicle development, the Company accelerated the transformation and upgrade, and launched the Product 2.0 under the proprietary brand. In terms of management efficiency improvement, the Company actively boosted the reconstruction of business processes, stimulated enterprises, and further improved the core system capacity. However, the Company was still under great pressure in operation and heavy workload in innovation, transformation, quality and efficiency improvement, so it was necessary to accelerate reform and innovation to create competitive edge of the Company through high-quality development, focus on market demands, grasp the new trend and change of automobile industry development, further promote strategic transformation, continuously carry out innovation in terms of research and development management, product planning and operation management as well as mechanism construction, and continuously improve the corporate operation quality and governance level, so as to reward investors with more excellent results.

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

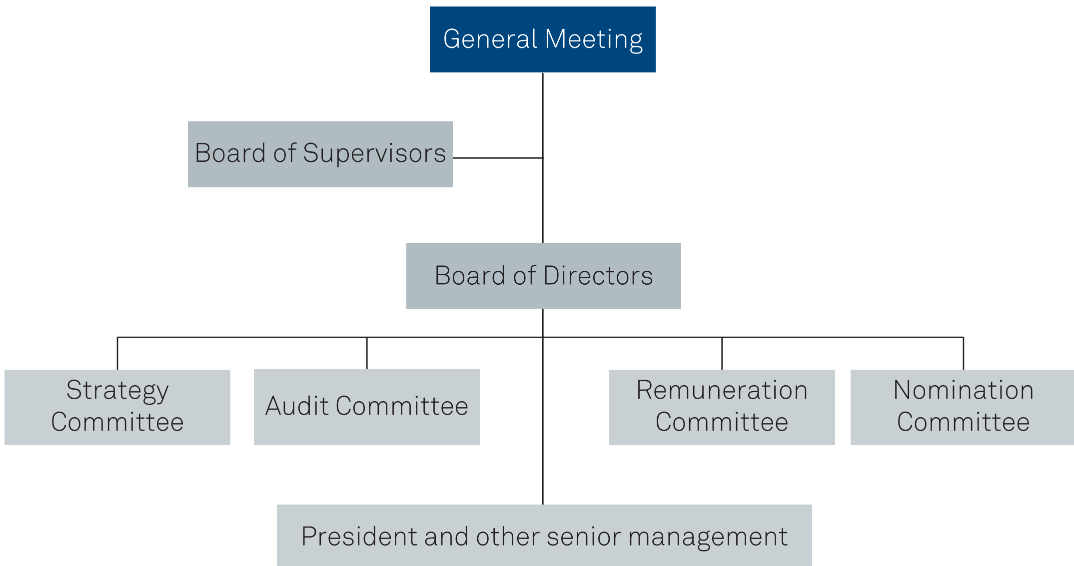
By order of the Board of Supervisors
Chairman of the Board of Supervisors
Gu Zhangfei

March 25, 2019

CORPORATE GOVERNANCE PRACTICE

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

The governance structure of the Company is as follows:



The Directors of the Company as a whole believe that in 2018, the Group had complied with all the code provisions under the Corporate Governance Code for all significant manners.

GENERAL MEETING

Responsibility

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

In 2018, the Company held five general meetings, including the 2017 annual general meeting, the 2018 first domestic shareholders class meeting, the 2018 first H shareholders class meeting and the first and second extraordinary general meetings of 2018. Attendance of Directors at general meetings in 2018 is as follows:

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

Note 1: On June 29, 2018, Ms. Shang Yuanxian, Mr. Yan Xiaolei, Mr. Xie Wei, Ms. Jiao Ruifang and Mr. Lei Hai were appointed as non-executive Directors at the meeting. From June 29, 2018 to the end of 2018, the Company held a total of one general meeting. On June 29, 2018, Mr. Zhang Xiyong, Mr. Zhang Jianyong and Mr. Zhu Baocheng ceased to act as non-executive Directors due to other work arrangements.

Note 2: Mr. Guo Xianpeng and Ms. Wang Jing ceased to act as non-executive Directors on June 12, 2018 due to other work arrangements.

Substantial Shareholders

BAIC Group is the Controlling Shareholder of the Company and as at the Date of Issue of the Report, BAIC Group holds 42.63% of the Shares of the Company. During 2018, BAIC Group did not circumvent the general meeting to make direct or indirect intervention in the Company's decision making and business operation.

For 2018, information on other substantial Shareholders and data on the personnel with a voting right of 5.0% or above at the general meeting (classes of Shares by Domestic Share and H Share) are set out in the chapter headed "Report of the Board of Directors" on pages 33 to 60 of this report.

BOARD OF DIRECTORS

Responsibility

Pursuant to the Articles of Association, the Company established the Board of Directors which is accountable to the general meeting. The Board of Directors comprises 15 Directors, including one executive Director, nine non-executive Directors and five independent non-executive Directors. The Directors are elected at the general meeting for a three-year term of office, and are eligible for re-election and re-appointment upon expiry of the term. The Board of Directors determines key resolution plans of the Company, and reviews and monitors the Company's business operation. The Board of Directors has authorized the Company's senior management to oversee the day-to-day management of the Company, with operational authority and responsibility. In order to facilitate the Board of Directors to deliberate specific matters of the Company, the Board has set up four Special Committees, namely the Strategy Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board of Directors has delegated various responsibilities to the Special Committees within their scope of duties.

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

Composition of the Board of Directors

As of the Date of Issue of the Report, the Board of Directors comprised fifteen members, and the biographical details of the Directors are listed in the chapter headed "Directors, Supervisors and Senior Management" on pages 82 to 92 in this report. In the year of 2018, the Board of Directors complied at all time with the Rule 3.10(1) and Rule 3.10(2) of the Listing Rules regarding the appointment of at least three independent non-executive Directors (specifically, at least one of the independent non-executive Directors shall possess appropriate professional qualification or expertise relating to accounting or financial management), and the Rule 3.10A of the Listing Rules regarding the appointment of one-third of the Board members to be independent non-executive Directors.

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

As the independent non-executive Directors have declared their independence pursuant to Rule 3.13 of the Listing Rules, the Company believes that the above personnel are independent persons. The independent non-executive Directors are invited to be the committee members of the Strategy Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee. In 2018, the independent non-executive Directors did not raise any objection to the Board resolutions and other matters not deliberated by the Board of Directors.

In the year 2018, none of the Directors, Supervisors and senior management has any financial, business or family relationships or any relationships in other material aspects with each other or with the Company for which disclosure may be required.

Performance and continuing professional development

All the newly appointed Directors have received the necessary job performance training and relevant materials of the Company to ensure that they have an appropriate understanding of the Company's operation, business and their corresponding responsibilities as required by the relevant regulations, laws, rules and ordinances. The Company also arranged research activities and seminars for the Directors regularly to help them understand the Company's latest business development, and the laws, regulations and latest news at the regulatory level on a timely basis. Meanwhile, the Company also updated 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 2018 is as follows:

Name	Training Received Note
Mr. Xu Heyi	A/B/C/D
Ms. Shang Yuanxian	A/B/C/D
Mr. Yan Xiaolei	A/B/C/D
Mr. Zhang Xiyong	A/B/C/D
Mr. Zhang Jianyong	A/B/C/D
Mr. Chen Hongliang	A/B/C/D
Mr. Xie Wei	A/B/C/D
Mr. Qiu Yinfu	A/B/C/D
Mr. Hubertus Troska	A/B/C/D
Mr. Bodo Uebber	A/B/C/D
Ms. Jiao Ruifang	A/B/C/D
Mr. Lei Hai	A/B/C/D
Mr. Guo Xianpeng	A/B/C/D
Ms. Wang Jing	A/B/C/D
Mr. Zhu Baocheng	A/B/C/D
Mr. Ge Songlin	A/B/C/D
Mr. Wong Lung Tak Patrick	A/B/C/D
Mr. Bao Robert Xiaochen	A/B/C/D
Mr. Zhao Fuquan	A/B/C/D
Mr. Liu Kaixiang	A/B/C/D

Note:

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

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

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

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

Appointment, re-election and re-appointment of Directors

The appointment, re-election and re-appointment and removal procedures and requirements of Directors are set forth in the Articles of Association. The Nomination Committee under the Board of the Company 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. The third session of the Board of Directors was established on April 21, 2017. Each of the Directors has entered into a service contract with the Company for a term of three years, or from the date of the latest appointment (as the case may be and whichever is later) and up to the term of office of the fourth session of the Board of Directors becoming effective. The service contract sets out the main terms, key conditions and relevant rights, obligations and responsibilities of the appointed Directors, with particular emphasis on the duties of the independent non-executive Directors and the executive Directors, and it can be terminated in accordance with the relevant terms in the service contract. None of the Directors has signed with the Company a service contract that cannot be terminated by the Company within a year without compensation (other than statutory compensation).

Board meeting

Pursuant to the Articles of Association, the Board of Directors shall hold at least four regular meetings each year, which shall be convened by the chairman. A 14-day advance written notice along with relevant materials to the issues to be considered shall be served to all Directors, in order to help the Directors with an opportunity to attend the meetings and fully understand all relevant issues to be considered so as to ensure effective decision-making of the Board.

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

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

During 2018, the Board held twelve meetings. The main matters considered are as follows:

Name of Board Meeting	Time	Main Matters Considered
13th Board meeting of the third session of the Board	January 22, 2018	Appointment and Removal of Relevant Senior Management of the Company
14th Board meeting of the third session of the Board	February 9, 2018	Asset Restructuring of Beijing Branch Capital Increase to Beijing Benz
15th Board meeting of the third session of the Board	March 22, 2018	2017 Financial Report (draft) 2017 Profits Distribution Plan (draft) 2017 Annual Report and 2017 Annual Results Announcement 2017 Report of the Board of Directors Re-appointment of International Auditor and Domestic Auditor General Mandate for the Issuance of Onshore and Offshore Debt Financing Instruments General Mandate for the Issuance of Shares General Mandate for the Repurchase of Shares Nomination of Directors
16th Board meeting of the third session of the Board	April 25, 2018	Capital Increase to MBLC
17th Board meeting of the third session of the Board	April 29, 2018	2018 First Quarter Financial Statements
18th Board meeting of the third session of the Board	May 15, 2018	Amendments to the Articles of Association
19th Board meeting of the third session of the Board	June 29, 2018	Election of Members of the Strategy Committee, Audit Committee, Remuneration Committee and Nomination Committee
20th Board meeting of the third session of the Board	July 20, 2018	2017 Environmental, Social and Governance Report
21th Board meeting of the third session of the Board	August 28, 2018	2018 Interim Report
22th Board meeting of the third session of the Board	September 12, 2018	Investment for Establishment of BAIC Group Big Data Cloud Platform Company (北汽集團大數據雲平台公司)
23th Board meeting of the third session of the Board	October 22, 2018	2018 Third Quarter Financial Statements
24th Board meeting of the third session of the Board	November 12, 2018	Amendments to the Articles of Association

Attendance of the Directors at Board meetings in 2018 is as follows:

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

Note 1: On June 29, 2018, Ms. Shang Yuanxian, Mr. Yan Xiaolei, Mr. Xie Wei, Ms. Jiao Ruifang and Mr. Lei Hai were appointed as non-executive Directors at the meeting. From June 29, 2018 to the end of 2018, the Company held a total of five Board meetings. On June 29, 2018, Mr. Zhang Xiyong, Mr. Zhang Jianyong and Mr. Zhu Baocheng ceased to act as non-executive Directors due to other work arrangements.

Note 2: Mr. Guo Xianpeng and Ms. Wang Jing ceased to act as non-executive Directors on June 12, 2018, due to other work arrangements.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code in Appendix 10 to the Listing Rules as the code of conduct for dealing in securities by the Directors and Supervisors. Having made all reasonable enquiries to all Directors, Supervisors and senior management, they have confirmed that they complied with the Model Code in 2018.

AUTHORIZATION OF THE BOARD OF DIRECTORS

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

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

FUNCTIONS OF CORPORATE GOVERNANCE

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

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

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

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

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

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

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Board of Directors has established a Remuneration Committee with the responsibilities including confirming and reviewing the remuneration policies and proposals of the Directors and senior management. In 2018, 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. 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 2018 are set forth in Note 43 to the audited consolidated financial statements.

The remuneration paid by the Company to the senior management (including one Director) in 2018 is as follows:

Remuneration Range (RMB)	Number of Candidates
1,500,001-2,000,000	3
Below 1,500,000	9

Note: Including three members of senior management resigned before December 31, 2018.

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 2018.

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 2018, Mr. Xu Heyi served as the chairman of the Company. Mr. Chen Hongliang acted as the president (chief executive). The Company has clearly defined the responsibilities of the chairman and the president and the detailed definitions are provided in the Articles of Association.

SPECIAL COMMITTEES OF THE BOARD OF DIRECTORS

Strategy Committee

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

As at the end of 2018, the Strategy Committee comprised ten members, namely Mr. Xu Heyi (chairman), Ms. Shang Yuanxian, Mr. Yan Xiaolei, Mr. Chen Hongliang, Mr. Xie Wei, Mr. Qiu Yinfu, Mr. Hubertus Troska, Mr. Lei Hai, Mr. Ge Songlin and Mr. Zhao Fuquan, among which two were independent non-executive Directors, seven were non-executive Directors and one was an executive Director.

Mr. Guo Xianpeng ceased to act as a member of the Strategy Committee on June 12, 2018.

Ms. Shang Yuanxian, Mr. Lei Hai, Mr. Yan Xiaolei and Mr. Xie Wei were appointed as members of the Strategy Committee on June 29, 2018. Mr. Zhang Xiyong, Mr. Zhang Jianyong and Mr. Zhu Baocheng ceased to serve as members of the Strategy Committee on June 29, 2018.

During 2018, the Strategy Committee held a total of four meetings. Attendance of the committee members is as follows:

No.	Name	Position	Number of Meetings Attended	Attendance Rate
1	Xu Heyi	Chairman	4/4	100%
2	Shang Yuanxian Note 1	Committee member	2/2	100%
3	Yan Xiaolei Note 1	Committee member	2/2	100%
4	Zhang Xiyong Note 1	Committee member	2/2	100%
5	Zhang Jianyong Note 1	Committee member	2/2	100%
6	Chen Hongliang Note 1	Committee member	4/4	100%
7	Xie Wei Note 1	Committee member	2/2	100%
8	Qiu Yinfu	Committee member	4/4	100%
9	Hubertus Troska	Committee member	4/4	100%
10	Lei Hai Note 1	Committee member	2/2	100%
11	Guo Xianpeng Note 2	Committee member	2/2	100%
12	Zhu Baocheng Note 1	Committee member	2/2	100%
13	Ge Songlin	Committee member	4/4	100%
14	Zhao Fuquan	Committee member	4/4	100%

Note 1: Mr. Zhang Xiyong, Mr. Zhang Jianyong and Mr. Zhu Baocheng ceased to serve as members of the Strategy Committee on June 29, 2018. The Strategy Committee held two meetings from June 29, 2018 when Ms. Shang Yuanxian, Mr. Yan Xiaolei, Mr. Xie Wei and Mr. Lei Hai were appointed as members of the Strategy Committee to the end of 2018.

Note 2: Mr. Guo Xianpeng ceased to act as a member of the Strategy Committee on June 12, 2018.

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. The 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 at the end of 2018, the Audit Committee comprised three members, namely Mr. Wong Lung Tak Patrick (chairman), Mr. Yan Xiaolei and Mr. Liu Kaixiang, among which two were independent non-executive Directors and one was a non-executive Director.

During 2018, the Audit Committee held a total of four 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 were in line with the recommendation and suggestion made by the Audit Committee on selection, appointment, resignation or removal of external auditors.

Meanwhile, the Audit Committee has reviewed the Group's first and third quarter's financial statements, the interim results and annual results for the financial year of 2018, 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.

Mr. Yan Xiaolei was appointed as a member of the Audit Committee on June 29, 2018. Mr. Zhang Jianyong ceased to serve as a member of the Audit Committee on June 29, 2018.

During 2018, the Audit Committee held a total of four meetings, and attendance of the committee members is as follows:

No.	Name	Position	Number of Meetings Attended	Attendance Rate
1	Wong Lung Tak Patrick	Chairman	4/4	100%
2	Zhang Jianyong Note 1	Committee member	2/2	100%
3	Yan Xiaolei Note 2	Committee member	2/2	100%
4	Liu Kaixiang	Committee member	4/4	100%

Note 1: Mr. Zhang Jianyong ceased to serve as a member of the Audit Committee on June 29, 2018.

Note 2: The Audit Committee held two meetings from June 29, 2018 when Mr. Yan Xiaolei was appointed as a member of the Audit Committee to the end of 2018.

Remuneration Committee

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

As at the end of 2018, the Remuneration Committee comprised five members, namely Mr. Bao Robert Xiaochen (chairman), Mr. Chen Hongliang, Ms. Jiao Ruifang, Mr. Wong Lung Tak Patrick and Mr. Liu Kaixiang, among which three were independent non-executive Directors, one was a non-executive Director and one was an executive Director.

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

Ms. Wang Jing ceased to act as a member of the Remuneration Committee on June 12, 2018. Ms. Jiao Ruifang was appointed as a member of the Remuneration Committee on June 29, 2018.

During 2018, the Remuneration Committee held a total of one meeting, considering and discussing relevant employee incentive schemes. Attendance of the committee members is as follows:

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

Note 1: The Remuneration Committee held one meeting from June 29, 2018 when Ms. Jiao Ruifang was appointed as a member of the Remuneration Committee to the end of 2018.

Note 2: Ms. Wang Jing ceased to act as a member of the Remuneration Committee on June 12, 2018.

Nomination Committee

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

As at the end of 2018, the Nomination Committee comprised five members, namely Mr. Xu Heyi (chairman), Ms. Shang Yuanxian, Mr. Ge Songlin, Mr. Bao Robert Xiaochen and Mr. Zhao Fuquan, among which three were independent non-executive Directors and two were non-executive Directors.

Ms. Shang Yuanxian was appointed as a member of the Nomination Committee on June 29, 2018. Mr. Zhang Xiyong ceased to serve as a member of the Nomination Committee on June 29, 2018.

During 2018, the Nomination Committee held a total of three meetings, putting forward opinions and suggestions to the Board and the Board of Supervisors on the change of Directors, Supervisors and senior management. Attendance of the committee members is as follow:

No.	Name	Position	Number of Meetings Attended	Attendance Rate
1	Xu Heyi	Chairman	3/3	100%
2	Shang Yuanxian Note 1	Committee member	0/0	0%
3	Zhang Xiyong Note 2	Committee member	3/3	100%
4	Ge Songlin	Committee member	3/3	100%
5	Bao Robert Xiaochen	Committee member	3/3	100%
6	Zhao Fuquan	Committee member	3/3	100%

Note 1: The Nomination Committee did not hold any meeting from June 29, 2018 when Ms. Shang Yuanxian was appointed as a member of the Nomination Committee to the end of 2018.

Note 2: Mr. Zhang Xiyong ceased to serve as a member of the Nomination Committee on June 29, 2018.

BOARD DIVERSITY POLICY

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

The Nomination Committee shall consider and adopt the composition of Board of Directors in accordance with the above measurement standard. By taking into account the Directors' skills and experience and their suitability to the Company, the Nomination Committee believes that the Company's existing Board structure in 2018 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 2018 financial statements for the Group so as to present a true and fair view of the Group's production and operational condition, and of the business performance and cash flow of the Company.

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

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

The results of the Company and the Group for the year 2018, and the financial positions of the Group at the end of 2018 are set out in the audited consolidated financial statements in this report on pages 102 to 176.

COMPANY SECRETARY

Mr. Gu Xin served as the secretary to the Board of the Company (with effect from August 28, 2017) and the company secretary (with effect from September 20, 2017), responsible for advising the Board of Directors on corporate governance, ensuring compliance with policies and procedures of the Board of Directors, relevant laws and regulations. In order to maintain good corporate governance and ensure compliance with the Listing Rules and applicable laws in Hong Kong, the Company appointed Ms. Mok Ming Wai, the director of TMF Hong Kong Limited (a company secretary service provider), as the company secretary assistant of the Company to assist Mr. Gu Xin (internal contact person) in performing his duties as the company secretary of the Company. Due to job transfer, Ms. Mok Ming Wai ceased to act as the company secretary assistant of the Company on October 23, 2018. The Company appointed Mr. Lee Kwok Fai, the head of corporate secretarial services of TMF Hong Kong Limited, as the company secretary assistant, on October 23, 2018.

In the year 2018, Mr. Gu Xin and Mr. Lee Kwok Fai attended no less than 15 hours of relevant professional training respectively, in compliance with the requirements in Rule 3.29 of the Listing Rules.

Due to job transfer, Mr. Gu Xin ceased to serve as the company secretary of the Company on January 29, 2019. Mr. Wang Jianhui was appointed as the company secretary of the Company, on January 29, 2019.

Mr. Gu Xin ceased to serve as the secretary to the Board of the Company on January 17, 2019. Mr. Wang Jianhui was appointed as the secretary to the Board of the Company on January 17, 2019.

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 2018, the Board of Supervisors has monitored the financial activities and the legality and compliance of the duties carried out by Directors and senior management of the Company. Four meetings were held in total, with attendance rate (including authorizing other Supervisors to attend the meeting) of 100%. The Supervisors also attended the general meetings and Board meetings as non-voting delegates and duly performed the duties of the Board of Supervisors.

Internal control and risk management

Responsibility of the Board

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

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

Risk management and internal control systems

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

The Board of Directors has reviewed the effectiveness of risk management and internal control systems of the Group for 2018 and considered that such systems were effective and adequate.

The Company has set 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 systems of the Company are a set of comprehensive and self-contained risk management system which absorbs the insights from others' strengths. For example, the construction of internal control system uses the five-element COSO[13] framework model and Guidelines for Internal Control jointly issued by five ministries for reference; the establishment of risk database learned from the "Risk Intelligence Map" of a professional risk management organization and the Guidelines for Comprehensive Risk Management issued by State-owned Assets Supervision and Administration Commission of the State Council. The entire risk management and internal control systems have 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, from level to level and sets up the Risk Management Committee, of which the president personally serving as the chairman, each vice president as the risk manager and responsible for the establishment of a set of professional risk management team consisting of risk specialists, risk liaison officers and risk internal trainer. The unit responsible of risk management department is responsible for establishing a set of key risk reporting mechanisms on a monthly basis.

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

The Group conducts a comprehensive self-evaluation work which covers the relevant year for the comprehensive risk management and internal control system once a year, using evaluations to hundreds of indicators from the two dimensions of the design integrity and the running availability to undertake the system assessment. In 2018, the self-evaluation work for risk and internal control involved a total of 609 indicators, consisting of 198 design integrity indicators and 411 running availability indicators. The headquarters evaluation involved 94 design integrity indicators and 192 running availability indicators. The subordinate enterprise evaluation involved 159 design integrity indicators and 357 running availability indicators. The indicators which were involved in both the headquarters evaluation and the subordinate enterprise evaluation included 55 design integrity indicators and 138 running availability indicators. In

13 COSO is abbreviation of the Committee of Sponsoring Organizations of the Treadway Commission. In September 1992, COSO released the Internal Control – Integrated Framework (COSO Report).

respect of the flawed entries discovered during the evaluation, the Company adopts special rectification work, assigns a person of primary responsibility, clarifies the rectification plans, deliverables and schedule requirements, and completes the rectification work within a time limit.

The procedures of processing and releasing inside information

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

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

AUDITORS' REMUNERATION

The Company has appointed PwC and PwC Zhong Tian as the auditors of the Company's 2018 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 2018 paid or payable to the above Company's auditors, for audit and audit-related services amounted to RMB8.7 million and there was no non-audit services fee.

COMMUNICATION WITH THE SHAREHOLDERS AND INVESTOR RELATIONS

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

INFORMATION DISCLOSURE

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

In 2018, the Company released a total of 85 announcements in accordance with the Listing Rules. All announcements of the Company were published on the websites of the Stock Exchange and the Company. For details, please visit www.hkex.com.hk and www.baicmotor.com.

COMMUNICATION WITH INVESTORS

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

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

SHAREHOLDERS' RIGHTS

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

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

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

ARTICLES OF ASSOCIATION

Several amendments to the Articles of Association of the Company were considered and approved at the 2017 annual general meeting on June 29, 2018. The amended Articles of Association of the Company has been published on the websites of the Stock Exchange and the Company on April 2, 2019 for public access.

Several amendments to the Articles of Association of the Company were considered and approved at the 2018 second extraordinary general meeting of the Company on December 28, 2018. The aforesaid amendments to the Articles of Association are subject to the approval of the commerce authority.

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 61, 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, the chairman of the board of directors of BAIC BluePark (stock code: 600733.SH), and also serves as the chairman of the board of directors of Beijing Benz, the chairman of the board of directors of Fujian Benz, the chairman of the board of directors of Beijing Electric Vehicle. Mr. Xu also serves as a representative of the 18th National Congress of the Communist Party of China and the 19th National Congress of the Communist Party of China, a representative of the 12th National People's Congress, a member of the 11th Beijing Municipal Committee, a standing member of the 12th Beijing Municipal Committee of the Chinese People's Political Consultative Conference, a member of the 13th National Committee of Chinese People's Political Consultative Conference, a member of the 13th Beijing Municipal Committee of the Chinese People's Political Consultative Conference and the deputy chairman of CAAM, among others.

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

Mr. Xu was appointed as the chairman and non-executive Director of the Company on September 20, 2010.

Ms. Shang Yuanxian (尚元賢), aged 53, holds a bachelor's degree in economics, and is a certified public accountant as well as a senior accountant. **Currently, she serves as a non-executive Director**, and the secretary to the Board of Directors and office director of the Board of Directors of BAIC Group.

Ms. Shang Yuanxian previously served as the director and deputy head of the auditing department of the Auditing Firm of Shizuishan City of Ningxia, the manager of the Auditing Department of SHINEWING CPA Limited (信永中和會計師事務所), the deputy manager and manager of the auditing department and the manager of the financial department of China Huan Dao (Group) Ltd. (中國寰島(集團)公司), the deputy manager and head of the state-owned assets management department in BAIC Holding, the head of the state-owned assets management department, the head of the capital operation department, the supervisor of capital operation and the head of the capital operation department, and the office director of the board of directors of BAIC Group. Ms. Shang Yuanxian currently serves as director of Beiqi Foton Motor Co., Ltd. (北汽福田汽車股份有限公司) ("Foton") (stock code: 600166.SH), director of Bohai Automotive (stock code: 600960.SH) and the secretary to the board of directors and the director of the office under the board of directors of BAIC Group.

Ms. Shang was appointed as a non-executive Director of the Company on June 29, 2018.

Mr. Yan Xiaolei (閆小雷), aged 43, holds a doctoral degree and is a senior economist, chartered financial analyst (CFA) and certified public accountant (CPA). He **currently serves as a non-executive Director of the Company**, the securities and finance director at BAIC Group, director of BAIC BluePark (a subsidiary of BAIC Group) (stock code: 600733.SH), director of each of BAIC ROCAR and Bohai Automotive (stock code: 600960.SH); postgraduate tutor of each of Chinese Academy of Fiscal Sciences and Central University of Finance and Economics.

Mr. Yan Xiaolei previously worked in the Company.

Mr. Yan Xiaolei was appointed as a non-executive Director of the Company on June 29, 2018.

Mr. Chen Hongliang (陳宏良), aged 54, holds a master's degree in engineering and is a researcher-level senior engineer. **At present, he works as an executive Director, president and the deputy secretary of the party committee of the Company**, a director of Beijing Benz, a director of MBLC, the chairman of the board of directors in BAIC Hong Kong Investment Corp. Limited ("BAIC Hong Kong"), a standing director of CAAM, a standing director of Beijing Association of Automobile Manufacturers (北京汽車行業協會), a standing director of Beijing Automobile Economic Research Association (北京汽車經濟研究會) and the vice president of Beijing Federation of Industrial Economics.

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

Mr. Chen was appointed as an executive Director of the Company on June 23, 2017.

Mr. Xie Wei (謝偉), aged 48, holds a doctoral degree in management. He **currently serves as a non-executive Director of the Company**, the secretary to the party committee and the president of Beijing Automotive Technology Center Co., Ltd. (北京汽車研究總院有限公司).

Mr. Xie Wei successively served as the senior manager of production planning section and the acting general manager of logistics department of Beijing Benz, the head of human resources department of Beijing Automotive Technology Center Co., Ltd., the head of human resources department, a member of the party committee and the head of management office of Beijing Hyundai, and a member of the party committee and vice president of the Company.

Mr. Xie was appointed as a non-executive Director of the Company on June 29, 2018.

Mr. Qiu Yinfu (邱銀富), aged 51, 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 and Beijing Shougang Company Limited ("Shougang Shares"), and the secretary of the party committee and the chairman of the board of directors of Shougang Jingtang United Iron and Steel Company Limited and a director of Foton.

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

Mr. Qiu was appointed as a non-executive Director of the Company on June 24, 2013.

Mr. Hubertus Troska, aged 59, German, holds a bachelor's degree in English language and literature. **At present, Mr. Troska is a non-executive Director of the Company**, the deputy chairman of the board of directors and director of Beijing Benz. He is also a member of the management committee of Daimler AG, responsible for its businesses in Greater China, and serves as the chairman and chief executive officer of Daimler Greater China.

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

Mr. Hubertus Troska was appointed as a non-executive Director of the Company on November 18, 2013.

Mr. Bodo Uebber, aged 59, German, holds a master's degree in industrial economics. At present, **Mr. Uebber is a non-executive Director of the Company** and a member of the management committee of Daimler AG.

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

Mr. Bodo Uebber was appointed as a non-executive Director of the Company on November 18, 2013.

Ms. Jiao Ruifang (焦瑞芳), aged 41, holds a master's degree in business administration. Ms. Jiao **currently serves as a non-executive Director of the Company** and the deputy general manager of the equity management department of Beijing State-owned Capital Operation and Management Center ("BSCOMC").

Ms. Jiao Ruifang successively served as the head of strategic investments of Beijing Jingcheng Machinery Electric Company Limited (北京京城機電控股有限責任公司), the director of secretariat office of the board of directors and the secretary to the board of directors of Beiren Printing Machinery Holdings Limited (北人印刷機械股份有限公司), the secretary to the board of directors of Beijing Jingcheng Machinery Electric Company Limited, the deputy general manager of Beijing Tianhai Industry Co., Ltd. (北京天海工業有限公司), the deputy general manager of the first division of investment management and the deputy general manager of the equity management division of BSCOMC.

Ms. Jiao was appointed as a non-executive Director of the Company on June 29, 2018.

Mr. Lei Hai (雷 海), aged 50, holds an MBA degree. **Mr. Lei currently acts as a non-executive Director of the Company** and the deputy head of the industrial investment department of Beijing Energy Holding Co., Ltd. (北京能源集團有限責任公司). Mr. Lei Hai has more than twenty years of experience in corporate management. He previously served as the project manager of the venture capital investment department of Beijing International Power Development and Investment Corporation (北京國際電力開發投資公司), the project manager of the department of technology industrial investment of Beijing Energy Investment Holding Co., Ltd. (北京能源投資(集團)有限公司), the project manager of the preparation office and the manager of the general affairs department of the asset management branch of Beijing Energy Investment Holding Co., Ltd., and the chief of the second project office and the assistant to director of the industrial management department of Beijing Energy Investment Holding Co., Ltd..

Mr. Lei was appointed as a non-executive Director of the Company on June 29, 2018.

Mr. Ge Songlin (葛松林), aged 63, 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 automobile industry department of the Ministry of Machine-Building 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-Building Industry. He also served successively as editor-in-chief of the academic journal Automotive Engineering, part-time professor at Hefei University of Technology, part-time professor at Jiangsu University, part-time professor at Changsha University of Science and Technology and a member of the academic committee of Shanghai Jiaotong University from 2012 to 2016.

Mr. Ge was appointed as an independent non-executive Director of the Company on April 21, 2017.

Mr. Wong Lung Tak Patrick (黃龍德), aged 71, holds a doctoral degree in science of commerce, a fellow member of the Association of Chartered Certified Accountants and certified tax adviser of the Taxation Institute of Hong Kong. **At present, Mr. Wong is an independent non-executive Director of the Company** and also the chief practicing director of Patrick Wong C.P.A. Limited.

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

Currently, Mr. Wong also serves as an independent non-executive director of C C Land Holdings Limited, Galaxy Entertainment Group Limited, Sino Oil and Gas Holdings Limited, Water Oasis Group Limited, Winox Holdings Limited and Li Bao Ge Group Limited. Mr. Wong served as an independent non-executive director of Real Nutriceutical Group Limited from March 28, 2008 to October 12, 2017, independent non-executive director of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (formerly known as Guangzhou Pharmaceutical Company Limited) from June 28, 2010 to May 9, 2017, an independent non-executive director of Munsun Capital Group Limited (formerly known as China Precious Metal Resources Holdings Co., Ltd.) from June 19, 2004 to October 3, 2016.

Mr. Wong was appointed as an independent non-executive Director of the Company on December 2, 2014.

Directors, Supervisors and Senior Management

Mr. Bao Robert Xiaochen (包曉晨), aged 52, American, holds a bachelor's degree in engineering, MSc, MBA. **At present, Mr. Bao is an independent non-executive Director of the Company** and is the director and general manager of Meihe (China) Management Consultancy Co., Ltd.

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

Mr. Bao was appointed as an independent non-executive Director of the Company on December 2, 2014.

Mr. Zhao Fuquan (趙福全), aged 55, holds a doctoral degree in engineering. **At present, Mr. Zhao is an independent non-executive Director of the Company**, a professor and doctoral supervisor of the department of automotive engineering, the head of the Automotive Industry and Strategy Research Institute in Tsinghua University and an independent director of China Automotive Engineering Research Institute Co., Ltd.

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

Mr. Zhao was appointed as an independent non-executive Director of the Company on December 2, 2014.

Mr. Liu Kaixiang (劉凱湘), aged 54, 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.

Mr. Liu was appointed as an independent non-executive Director of the Company on December 2, 2014.

SUPERVISORS

Mr. Gu Zhangfei (顧章飛), aged 52, holds a bachelor's degree in engineering and an MBA degree and is a senior engineer. **At present, he works as the chairman of the Board of Supervisors**.

Mr. Gu Zhangfei has nearly 30 years of experience in enterprise management. He served as the section head, the deputy head of the spare parts division, the head of the raw materials division and assistant to the general manager of Shougang's Beigang Company (首鋼北鋼公司), the deputy head and the head of the spare parts division of the mechanics department in Shougang Corporation (首鋼總公司), the deputy general manager and the general manager of Shougang Corporation Sales Company (首鋼總公司銷售公司) and the deputy general manager of Beijing Shougang Xingang Co., Ltd. (北京首鋼新鋼有限責任公司), the deputy secretary of the party committee, the director and the general manager of Qinhuangdao Shouqin Metal Materials Co., Ltd. (秦皇島首秦金屬材料有限公司), assistant to the general manager of Shougang's Corporation and the deputy secretary of the party committee, the secretary of the discipline inspection commission, the secretary of the party committee and the secretary of the discipline inspection commission of Shougang Jingtang United Iron and Steel Co., Ltd. (首鋼京唐鋼鐵聯合有限責任公司), assistant to the general manager of Shougang's Corporation and the secretary of the party committee and the chairman of board of directors of Beijing Shougang Shareholding Investment Management Co., Ltd. (北京首鋼股權投資管理有限公司) and a full-time deputy director-level supervisor of the Beijing Municipal State-owned Enterprises Supervisory Board.

Mr. Wang Min (王敏), aged 53, holds a master's degree in industrial engineering and is a senior accountant. **At present, Mr. Wang is a shareholder representative Supervisor of the Company.** Mr. Wang is also the dispatched full-time supervisor of BAIC Group.

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

Mr. Wang was appointed as a Supervisor of the Company on December 28, 2016.

Mr. Yao Shun (姚舜), aged 37, holds a bachelor's degree and a master 's degree in material processing engineering and a part-time master's degree in finance and is a middle class steel-rolling engineer. **At present, he works as a shareholder representative Supervisor of the Company** and the deputy secretary of the party committee, the director and the deputy general manager (presiding over work) of China Shougang International Trade Engineering Co., Ltd. (中國首鋼國際貿易工程有限公司).

Mr. Yao Shun has more than 10 years of working experience in relevant business and management. He served as a researcher of the plate and strip department, a specialist of the technology management division, the team head of the general management team of the automobile sheet improvement division, the assistant to director and the deputy director of the automobile sheet improvement division of Shougang Technology Research Institute (首鋼技術研究院), the deputy head of the technology and quality department of Shougang Shares and the deputy general manager of Beijing Shougang Cold-Rolled Sheet Co., Ltd. (北京首鋼冷軋薄板有限公司) ("Shougang Cold-Rolled") and the deputy head of the manufacturing department of Shougang Shares and the deputy general manager and the general manager of Shougang Cold-Rolled, the deputy secretary of the party committee and the general manager of Shougang Cold-Rolled.

Mr. Yao was appointed as a Supervisor of the Company on December 5, 2017.

Mr. Meng Meng (孟猛), aged 45, holds a master's degree in business administration and **currently serves as a shareholder representative Supervisor of the Company** and the deputy general manager of Beijing Industrial Developing Investment Management Co., Ltd. (北京工業發展投資管理有限公司).

Mr. Meng Meng previously served as the division manager of Zhonghongxin Jianyuan Certified Public Accountants Co., Ltd. (中鴻信建元會計師事務所有限責任公司) and Zhonghong Assets Appraisal Co., Ltd. (中鴻資產評估有限責任公司), the deputy director of finance department and legal and internal risk control department of China Network Communications Group Co., Ltd. (中國網絡通信集團有限公司), the director of risk management and legal affairs department of China Network Communications Group Co., Ltd., the director of legal and risk management department and finance department of China United Network Communications Co., Ltd. (中國聯合網絡通信集團有限公司), and the director of financing department and internal audit department of HyalRoute Communication Group Limited (海容通信集團有限公司). He has been serving as the deputy general manager of Beijing Industrial Developing Investment Management Co., Ltd. since January 2018.

Mr. Meng was appointed as a Supervisor of the Company on December 28, 2018.

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

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

Ms. Wang was appointed as an employee representative Supervisor of the Company on December 5, 2017.

Ms. Li Chengjun (李承軍), aged 50, graduated from the Technician Training School of Beijing Second Automobile Factory (北京第二汽車製造廠技工學校) with a major in lathing and Party School of Beijing Municipal Committee of CCP (北京市委黨校) with a major in law and is a senior political officer. **At present, Ms. Li is an employee representative Supervisor**, a committee member of the party committee and secretary to the discipline inspection commission of the Company, as well as a member of the standing committee of the discipline inspection commission of BAIC Group.

Ms. Li has more than 30 years of working experience. She successively served as a worker of Beijing Second Automobile Factory (北京第二汽車製造廠), a promotion officer of Beijing Light Vehicle Co., Ltd. (北京輕型汽車有限公司), the head of the department of party-masses work and the head of the public relation division of Beijing Hyundai, the director of the female workers committee and the vice chairman of the labor union of BAIC Holding, as well as a member of the standing committee of the discipline inspection commission and the vice chairman of the labor union of BAIC Group. Ms. Li served as an employee representative Supervisor of the Company from August 29, 2013 to December 5, 2017 and she has been a committee member of the party committee and secretary to the discipline inspection commission of the Company since January 2017.

Ms. Li was appointed as an employee representative Supervisor of the Company on March 19, 2019.

Mr. Li Shuangshuang (李雙雙), aged 37, **currently works as an employee representative Supervisor of the Company**, the deputy secretary of the party committee, the secretary of the discipline inspection commission and the chairman of the labor union of Beijing Hyundai.

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

Mr. Li was appointed as an employee representative Supervisor of the Company on December 5, 2017.

Mr. Pang Minjing (龐民京), aged 63, holds a bachelor's degree and is a senior lawyer. **At present, Mr. Pang is an independent Supervisor of the Company**.

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

Mr. Pang was appointed as an independent Supervisor of the Company on July 24, 2015.

Mr. Zhan Zhaohui (詹朝暉), aged 49, holds a master's degree and is a certified accountant, certified public assets valuer, certified tax agent, and international certified internal auditor. **At present, Mr. Zhan is an independent Supervisor of the Company**.

Mr. Zhan has more than 20 years of experience in accounting and corporate management. He worked as an assistant to general manager of the lubricant company of the Shaowu Branch of Fujian Province Petroleum Corporation, a project team leader of Environmental Science Institute in Beijing General Research Institute of Mining and Metallurgy, a project manager of Beijing Huaxia Tianhai Certified Public Accountants and Beijing Huarongjian Asset Appraisal Firm, a department manager and a partner of Huaxia Zhongcai (Beijing) Certified Public Accountants, the chairman of the board of directors of Huaxia Jiacheng (Beijing) Asset Appraisal Co. Ltd., a deputy general manager of Beijing Tianyuankai Asset Appraisal Co. Ltd. Since 2013, he has been an expert in the evaluation report review committee of the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality.

Mr. Zhan was appointed as an independent Supervisor of the Company on July 24, 2015.

SENIOR MANAGEMENT AND COMPANY SECRETARY

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

Mr. Chen was appointed as the president of the Company on March 6, 2017.

Mr. Wang Zhang (王璋), aged 55, holds a master's degree in automobile engineering from Tsinghua University, and is a senior engineer (professor level). **At present, Mr. Wang is the vice president of the Company**, and the secretary of the party committee and general manager of BAIC Group Off-road Vehicle Co., Ltd..

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

Mr. Wang was appointed as the vice president of the Company on March 22, 2015.

Mr. Chen Wei (陳巍), aged 49, holds a bachelor's degree in engineering and a EMBA degree and is a senior engineer. **At present, he acts as the vice president of the Company**, the secretary of the party committee and senior executive vice president of Beijing Benz.

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

Mr. Chen was appointed as the vice president of the Company on June 15, 2017.

Mr. Liu Yu (劉宇), aged 42, holds a bachelor's degree in engineering and MBA. **At present, Mr. Liu is the vice president of the Company**, and the secretary of the party committee and standing deputy general manager of Beijing Hyundai.

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

Mr. Liu was appointed as the vice president of the Company on August 24, 2016.

Mr. Huang Wenbing (黃文炳), aged 46, holds a bachelor's degree and is a senior engineer. **At present, he served as the vice president of the Company**, the secretary of the party committee, the director of the production and technology center, the director of the operation center of the automobile research institute, an executive director of BAIC Motor Powertrain Co., Ltd., an executive director of BAIC Guangzhou, an executive director of BEPC, an executive director of BAIC Powertrain System (Zhuzhou) Co., Ltd. (北汽動力系統(株洲)有限公司), the chairman of China Automobile Development United (Beijing) Technology Investment Co., Ltd., the chairman of the board of supervisors in META Engine and New Energy Technology Co., Ltd. (META發動機與新能源技術有限公司), the chairman of Beijing Hyundai Information Technology Co., Ltd. and the chairman of BAIC MBtech Automotive Technology Co., Ltd.

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

Mr. Huang was appointed as the vice president of the Company on March 6, 2017.

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

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

Mr. Wu was appointed as the vice president of the Company on March 22, 2018.

Mr. Li Deren (李德仁), aged 52, holds a bachelor's degree in economics, a master's degree in laws and an MBA degree and is a senior accountant. **At present, he works as the vice president** and the director of the Finance and Economics Center and the Investment and Planning Center of the Company, a director of Beijing Hyundai, a director of Beijing Benz, a director of BAIC Finance, a director of BHAF, a supervisor of Benz Sales, a supervisor of Fujian Benz, a supervisor of BAIC Investment and the deputy chairman of Hyundai Top Selection U-Car.

Mr. Li Deren has over 20 years of experience in finance, audit and business management. He worked as the deputy secretary of the youth league committee of

Hebei Chengde School of Economics and Finance (河北承德財經學校), the deputy chief accountant of Hebei Chengde Iron & Steel Group (河北承德鋼鐵集團), the financial officer of Hebei Chengde Xinxin Vanadium and Titanium Co., Ltd. (河北承德新新釩鈦股份有限公司) (stock code: 600357.SH), the chief financial officer and the audit director of Beijing Jianlong Steel Group (北京建龍鋼鐵集團), the chief financial officer of Beijing Baiduoan Technology Co., Ltd. (北京百多安科技有限公司), the general manager of Shandong Branch of such company, the deputy leader of the project construction team and the deputy general manager of the Beijing Branch of the Company, the deputy director of the finance and economics center of the Company, the head of the research and development and finance department of the center, a member of the party committee, the chief financial officer and the head of the financial management department of Powertrain, the assistant to president of the Company.

Mr. Li was appointed as the vice president of the Company on June 15, 2017.

Mr. Yang Xueguang (楊學光), aged 46, holds a bachelor's degree in engineering and is an engineer. **At present, he serves as the vice president of the Company** and the director of the Quality Center and the Management Center.

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

Mr. Yang was appointed as the vice president of the Company on January 22, 2018.

Mr. Wang Jianhui (王建輝), aged 41, holds a bachelor's degree in metallurgical machinery and an MBA degree. **At present, he serves as the secretary to the Board, the company secretary and the deputy director of the investment and planning center of the Company.**

Mr. Wang Jianhui has extensive experience in corporate governance, investment management and capital operations. Since 2007, he has successively served as the manager of the project management department of BAIC Investment, the manager of the investment management department of the Company, the director of production, the director of integrated management and the deputy general manager of Beijing Bai Das Auto System Co., Ltd., and the professional chief officer of the planning center of the Company.

Mr. Wang was appointed as the secretary to the Board of the Company on January 17, 2019 and the company secretary to the Company on January 29, 2019.

The terms of office of the above senior management expire upon the expiration of the term of office for the third session of the Board of Directors.

PERSONNEL STRUCTURE

As at the end of 2018, the Group had 20,431 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	3,919	10,132	14,051
Technical staff	2,679	1,439	4,118
Sales and marketing personnel	432	31	463
Others	1,032	767	1,799
Total	8,062	12,369	20,431

EMPLOYEE MOTIVATION

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

EMPLOYEE TRAINING

In 2018, the Group established BAIC Motor Business School (北京汽車商學院) and an online learning platform, according to the corporate talent strategy plan. The Business School further enhances the construction of a group-based talent evaluation and development system, under the operational philosophy of focusing on operation, stimulating of vitality, promoting reforms, cooperation and sharing, and with "high, new and special" as the orientation of talent development and product design, which lays a solid foundation for guarantee the career development of employees and the implementation of corporate strategies.

EMPLOYEES' REMUNERATION

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

PENSION PLAN

In 2018, the Group has a total of 87 retired individuals who enjoy the social pension insurance plan granted by the social labour security department of the local government.

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

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 102 to 176, which comprise:

- the consolidated balance sheet as at December 31, 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, 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 judgement, 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 rights 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 Note 9 (Intangible assets) of the consolidated financial statements. The Group launches new vehicle models which require expenditure on the internal research and development projects. Management capitalizes the costs on development projects when the criteria set out in the accounting standard for capitalization of such costs have been met. RMB2,019 million of internal development costs have been capitalized and recorded as addition to intangible assets for the year ended December 31, 2018. 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 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 judgement 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

Impairment assessment of property, plant and equipment, land use rights 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 rights) and Note 9 (Intangible assets) of the consolidated financial statements.

The Group has material balances of property, plant and equipment, land use rights 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, 2018.

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, 2018.

We focused on this area due to the material balances of property, plant and equipment, land use rights and intangible assets related to Beijing Brand passenger vehicle business, and the fact that judgement and assumptions are involved to determine the recoverable amount of this CGU.

How our audit addressed the Key Audit Matter

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; 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 25 (Provisions) 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 25, the Group's warranties provision balance is RMB4,442 million as at December 31, 2018. The key judgement adopted by management as part of this process includes determining the estimated warranty cost per unit of vehicle sold. We focused on this area given the estimates are adjusted from time to time based on facts and circumstances that impact the status of claims and involving the judgement and assumptions.	In assessing the provision for warranties, we obtained an understanding on the management's process to identify and quantify the provisions and inspected related controls. We also tested the provision for warranties attributable to vehicles with significant sales volume as follows: • We tested the mathematical accuracy of the management's calculation of the provision for warranties which is based on the cost-per-unit and sales volume, and traced the volume data in current period to related sales records for each type of vehicle. • We assessed the reasonableness of the cost-per-unit provision estimates of each type of vehicle sold in the year with the Group's data sources that reported warranty costs in the past, and benchmarked the cost-per-unit provision estimates with similar types of vehicle produced and sold by the Group. • In respect of the provision for warranties previously recorded and subsequently settled during the year, we compared the provision amount with the settlement amount and investigated if significant variance exists and the reasonableness of the reassessment of the adequacy of the provision for warranties previously made by the management. We also discussed with management the existence of any indicators of significant product defect occurred during the year and subsequent to the year-end that would significantly affect the estimates of the year end warranty provision. We found the assumptions adopted and judgement 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 of 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 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 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, 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 judgement 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 Peter Man Kam Tsang.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 27, 2019

Consolidated Balance Sheet

As at December 31, 2018

	Note	As at December 31 2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**43,217,822**	42,370,945
Land use rights	8	**7,378,380**	7,462,383
Intangible assets	9	**13,123,352**	13,738,986
Investments accounted for using equity method	11,12	**16,185,648**	14,706,908
Financial assets at fair value through other comprehensive income	13	**1,742,729**	2,355,239
Deferred income tax assets	14	**7,925,601**	7,035,788
Other long-term assets		**701,180**	938,824
		90,274,712	88,609,073
Current assets			
Inventories	15	**18,962,575**	16,875,871
Accounts receivable	16	**21,988,198**	19,882,114
Advances to suppliers	17	**465,988**	563,410
Other receivables and prepayments	18	**4,132,578**	4,102,529
Restricted cash	19	**820,174**	545,073
Cash and cash equivalents	20	**35,389,883**	36,824,906
		81,759,396	78,793,903
Total assets		**172,034,108**	167,402,976

Consolidated Balance Sheet

As at December 31, 2018

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	Note	As at December 31 2018 RMB'000	2017 RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	21	**8,015,338**	7,595,338
Perpetual bond	22	**1,998,160**	–
Other reserves	23	**21,041,578**	18,982,383
Retained earnings		**17,360,387**	14,258,311
		48,415,463	40,836,032
Non-controlling interests		**20,822,318**	18,804,890
Total equity		**69,237,781**	59,640,922
LIABILITIES			
Non-current liabilities			
Borrowings	24	**14,907,282**	13,166,960
Deferred income tax liabilities	14	**758,006**	877,807
Provisions	25	**2,620,030**	2,498,714
Deferred income	26	**4,084,833**	4,157,716
		22,370,151	20,701,197
Current liabilities			
Accounts payable	27	**38,632,933**	35,559,081
Contract liabilities	28	**234,226**	405,371
Other payables and accruals	29	**28,789,066**	27,061,979
Current income tax liabilities		**1,992,153**	3,715,161
Borrowings	24	**8,955,960**	18,478,051
Provisions	25	**1,821,838**	1,841,214
		80,426,176	87,060,857
Total liabilities		**102,796,327**	107,762,054
Total equity and liabilities		**172,034,108**	167,402,976

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 102 to 176 were approved by the Board of Directors on March 27, 2019 and were signed on its behalf.

Xu Heyi, Director

Chen Hongliang, Director

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2018

	Note	For the year ended December 31 2018 RMB'000	2017 RMB'000
Revenue	6	**151,920,390**	134,158,541
Cost of sales	31	**(114,913,751)**	(98,659,286)
Gross profit		**37,006,639**	35,499,255
Selling and distribution expenses	31	**(10,432,043)**	(11,919,545)
General and administrative expenses	31	**(6,569,595)**	(5,006,953)
Other gains/(losses), net	30	**623,048**	(1,054,684)
Operating profit		**20,628,049**	17,518,073
Finance income	33	**760,930**	659,503
Finance costs	33	**(1,117,957)**	(1,107,422)
Finance costs, net		**(357,027)**	(447,919)
Share of profit/(loss) of investments accounted for using equity method		**903,836**	(33,791)
Profit before income tax		**21,174,858**	17,036,363
Income tax expense	34	**(6,903,525)**	(6,038,062)
Profit for the year		**14,271,333**	10,998,301
Profit attributable to:			
Equity holders of the Company		**4,429,465**	2,252,813
Non-controlling interests		**9,841,868**	8,745,488
		14,271,333	10,998,301
Earnings per share for profit attributable to equity holders of the Company for the year			
(expressed in RMB per share)			
Basic and diluted	35	**0.55**	0.30

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2018

	For the year ended December 31	
	2018	2017
	RMB'000	RMB'000
Profit for the year	**14,271,333**	10,998,301
Other Comprehensive Income		
Items that may be reclassified to profit or loss		
Gains on cash flow hedges, net of tax	**32,820**	172,984
Share of other comprehensive loss of investments accounted for using the equity method	**(5,223)**	–
Currency translation differences	**(37)**	(1,175)
Items that will not be reclassified to profit or loss		
Changes in fair value of financial assets at fair value through other comprehensive income	**(517,458)**	538,627
Other comprehensive (loss)/income for the year	**(489,898)**	710,436
Total comprehensive income for the year	**13,781,435**	11,708,737
Attributable to:		
Equity holders of the Company	**3,924,007**	2,878,782
Non-controlling interests	**9,857,428**	8,829,955
	13,781,435	11,708,737

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2018

	Attributable to equity holders of the Company						
	Share capital RMB'000 (Note 21)	Perpetual bond RMB'000 (Note 22)	Other reserve RMB'000 (Note 23)	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at December 31, 2017	7,595,338	–	18,982,383	14,258,311	40,836,032	18,804,890	59,640,922
Change in accounting policy (Note 2(c))	–	–	–	(82,272)	(82,272)	–	(82,272)
Balance at January 1, 2018	7,595,338	–	18,982,383	14,176,039	40,753,760	18,804,890	59,558,650
Profit for the year	–	112,000	–	4,317,465	4,429,465	9,841,868	14,271,333
Other comprehensive (loss)/ income	–	–	(505,458)	–	(505,458)	15,560	(489,898)
Total comprehensive income for the year	–	112,000	(505,458)	4,317,465	3,924,007	9,857,428	13,781,435
Transactions with owners							
Issue of new shares	420,000	–	2,233,069	–	2,653,069	–	2,653,069
Issue of perpetual bond	–	1,998,160	–	–	1,998,160	–	1,998,160
Interest of perpetual bond	–	(112,000)	–	–	(112,000)	–	(112,000)
Appropriation to reserve fund	–	–	331,584	(331,584)	–	–	–
Dividends to non-controlling interest holders of a subsidiary	–	–	–	–	–	(7,840,000)	(7,840,000)
Dividends relating to 2017 declared in June 2018	–	–	–	(801,533)	(801,533)	–	(801,533)
	420,000	1,886,160	2,564,653	(1,133,117)	3,737,696	(7,840,000)	(4,102,304)
Balance at December 31, 2018	8,015,338	1,998,160	21,041,578	17,360,387	48,415,463	20,822,318	69,237,781

Consolidated Statement of Changes in Equity

For the year ended December 31, 2018

	Attributable to equity holders of the Company					
	Share capital RMB'000 (Note 21)	Other reserves RMB'000 (Note 23)	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at January 1, 2017	7,595,338	17,636,248	14,928,521	40,160,107	17,873,214	58,033,321
Profit for the year	–	–	2,252,813	2,252,813	8,745,488	10,998,301
Other comprehensive income	–	625,969	–	625,969	84,467	710,436
Total comprehensive income for the year	–	625,969	2,252,813	2,878,782	8,829,955	11,708,737
Transactions with owners						
Appropriation to reserve fund	–	720,375	(720,375)	–	–	–
Dividends to non-controlling interests holders of subsidiaries	–	–	–	–	(8,616,017)	(8,616,017)
Dividends relating to 2016 declared in June 2017	–	–	(2,202,648)	(2,202,648)	–	(2,202,648)
Contribution from non-controlling interests holders of a subsidiary	–	–	–	–	717,738	717,738
Others	–	(209)	–	(209)	–	(209)
	–	720,166	(2,923,023)	(2,202,857)	(7,898,279)	(10,101,136)
Balance at December 31, 2017	7,595,338	18,982,383	14,258,311	40,836,032	18,804,890	59,640,922

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended December 31, 2018

	Note	For the year ended December 31 2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Cash generated from operations	37(a)	**31,729,349**	26,016,553
Interest paid		**(915,885)**	(957,284)
Interest received		**799,373**	659,504
Income tax paid		**(9,879,444)**	(6,216,010)
Net cash generated from operating activities		**21,733,393**	19,502,763
Cash flows from investing activities			
Purchase of property, plant and equipment		**(6,440,957)**	(6,924,853)
Purchase of land use rights		**(73,172)**	(1,878,200)
Addition of intangible assets		**(2,221,223)**	(2,573,012)
Investments in and loan to investments accounted for using equity method		**(622,718)**	(1,130,843)
Addition of financial assets at fair value through other comprehensive income		**–**	(480,874)
Receipt of government grants for capital expenditures		**4,806**	1,765,394
Proceeds from disposals of property, plant and equipment and intangible assets	37(b)	**337**	23,708
Dividends received from investments accounted for using equity method		**95,601**	3,618,212
(Increase)/decrease of restricted cash		**(275,100)**	1,042,185
Net cash used in investing activities		**(9,532,426)**	(6,538,283)
Cash flows from financing activities			
Issue of new shares		**2,653,069**	–
Issue of perpetual bond		**1,998,160**	–
Proceeds from borrowings		**25,955,746**	29,334,624
Repayments of borrowings		**(33,739,260)**	(33,191,240)
Dividends paid by the Company		**(801,533)**	(2,202,648)
Dividends paid to non-controlling interests holders of subsidiaries		**(9,766,351)**	(6,094,611)
Net cash used in financing activities		**(13,700,169)**	(12,153,875)
Net (decrease)/increase in cash and cash equivalents		**(1,499,202)**	810,605
Cash and cash equivalents at January 1		**36,824,906**	36,063,909
Exchange gains/(losses) on cash and cash equivalents		**64,179**	(49,608)
Cash and cash equivalents at December 31		**35,389,883**	36,824,906

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 GENERAL INFORMATION

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

The address of the Company's registered office is A5-061, Unit 101, 5th Floor, Building No.1, Courtyard No.99, Shuanghe Street, Shunyi District, Beijing, the PRC.

The Company was incorporated in the PRC on September 20, 2010 as a joint stock company with limited liability under Company Law of the PRC. The immediate parent company of the Company is Beijing Automotive Group Co., Ltd. ("BAIC Group"), which is beneficially owned by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality ("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 thousand Yuan ("RMB'000"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on March 27, 2019.

2 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and disclosure requirements of the Hong Kong Companies Ordinance Cap 622.

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative instruments) which are measured at fair value.

(a) New standards, amendments to standards and interpretations adopted by the Group

The Group has applied the following for the first time for their annual reporting period commencing January 1, 2018:

• IFRS 9	Financial Instruments
• IFRS 15	Revenue from Contracts with Customers
• Amendments to IAS 40	Transfers to Investment Property
• Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
• Interpretation 22	Foreign Currency Transactions and Advance Consideration
• Annual Improvements 2014-2016 cycle	

The Group has changed its accounting policies and made certain retrospective adjustments following the adoption of IFRS 9 and IFRS 15. Most of the other amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

(b) New standards, amendments to standards and interpretations not yet adopted

Certain new standards, amendments to standards and interpretations have been published that are not mandatory for December 31, 2018 reporting period and have not been early adopted by the Group. The Group's assessment of the impact of these new standards, amendments to standards and interpretations is set out below.

2 BASIS OF PREPARATION (CONTINUED)

(b) New standards, amendments to standards and interpretations not yet adopted (Continued)

- **IFRS 16 Leases**

  IFRS 16 was issued in January 2016. It 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 the Group's operating leases. As at December 31, 2018, the Group has non-cancellable operating lease commitments of RMB129,893,000, see Note 38(b).

  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 Group will apply the standard from its mandatory adoption date of January 1, 2019.

  There are no other new standards, amendments to standards and interpretations that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

(c) Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" on the Group's financial statements.

- **IFRS 9 Financial instruments – Impact of adoption**

  IFRS 9 replaces the provisions of IAS 39 "Financial Instruments: Recognition and Measurement" that relate to the recognition, classification and measurement of financial assets and financial liabilities, and introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has adopted IFRS 9 as it becomes mandatory on January 1, 2018.

  (i) Classification and measurement

  On January 1, 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

  The Group elected to present in other comprehensive income ("OCI") changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of approximately RMB2,355,239,000 were reclassified from available-for-sale financial assets to financial assets at fair value through other comprehensive income ("FVOCI") and fair value gains of approximately RMB538,627,000 were reclassified from the available-for-sale financial assets reserve to the FVOCI reserve on January 1, 2018.

2 BASIS OF PREPARATION (CONTINUED)

(c) Changes in accounting policies (Continued)

- **IFRS 9 Financial instruments – Impact of adoption (Continued)**

(i) Classification and measurement (Continued)

Non-equity investments held by the Group are classified into one of the following measurement categories:

- Amortized cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest;

- FVOCI (recycling), if the contractual cash flows of the investments comprise solely payments of principal and interests and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognized in OCI, except for the recognition in profit or loss of expected credit losses.

The carrying amounts of these financial assets as at January 1, 2018 have not been impacted by the initial application of IFRS 9.

There is no significant impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have material such liabilities. The de-recognition rules have been transferred from IAS 39 and have not been changed.

(ii) Derivatives and hedging activities

The new hedge accounting rules aligns 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 principle-based approach. However, at this stage the Group does not expect to identify any new hedge relationships. The Group's current hedge relationships are qualified as continuing hedges upon the adoption of IFRS 9. Accordingly, there is no significant impact on the accounting for its hedging relationships.

(iii) Impairment for financial assets

Trade receivables

The Group mainly has trade receivables that are subject to IFRS 9's new expected credit loss model. The contract assets balance is immaterial for each of the periods presented.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses ("ECL") which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

On that basis, an associate of the Company has restated its opening retained earnings at December 31, 2017 previously calculated under IAS 39 upon adoption of IFRS 9. As a result, the Group and the Company have accounted for this corresponding impact by restating the opening balances of investments accounted for using equity method and retained earnings at January 1, 2018 by an amount of RMB82,272,000. Other than this, the impact of the change in impairment methodology is not significant to the Group.

Trade receivables are written off when there is no reasonable expectation of recovery.

2 BASIS OF PREPARATION (CONTINUED)

(c) Changes in accounting policies (Continued)

- **IFRS 9 Financial instruments – Impact of adoption (Continued)**

  (iii) Impairment for financial assets (Continued)

  Other financial assets at amortized cost

  Other financial assets at amortized cost include other receivables. The Group recognizes a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition or the financial instrument is not determined to have low credit risk at the reporting date, in which cases the loss allowance is measured at an amount equal to lifetime ECLs.

  While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

- **IFRS 15 Revenue from Contracts with Customers – Impact of adoption**

  On January 1, 2018, the Group adopted IFRS 15, applying the modified retrospective method to contracts that were not completed as of January 1, 2018. The adoption did not have a material impact on the retained earnings as of January 1, 2018. Results for reporting periods beginning on or after January 1, 2018 are presented under IFRS 15, while prior period amounts are not adjusted and continue to be reported in accordance with the Group's historical accounting standard.

  Management has identified the following areas being affected:

  (i) Multiple performance obligations and contract assets

  Under IFRS 15, the Group's contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates revenues to each performance obligation based on its relative standalone selling price. The Group generally determines standalone selling prices of each distinct performance obligation based on the prices charged to customers when sold on a standalone basis. Where standalone selling price is not directly observable, the Group generally estimates selling prices based on when they are sold to customers of a similar nature and geography. Since the different performance obligations in one contract usually complete in the same short period of time, the new standard does not have a significant impact on its financial statements.

  As to the accounting for costs incurred in fulfilling a contract, the amount of costs which were previously expenses and may need to be recognized as assets under IFRS 15 is not significant to the Group.

  (ii) Transportation costs

  The Group often delivers products via transportation service providers and may thereby charge customers a separate fee for its transportation costs or have it included in the price of products. The Group is considered the principal for the transportation service under such arrangements and determines the transportation service as a separate performance obligation. The transportation costs previously classified as selling and distribution expenses become cost of sales under IFRS 15.

  Such reclassification impact amounted to RMB1,029,886,000 for the year ended December 31, 2018.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Subsidiaries

(a) Consolidation

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

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Subsidiaries (Continued)

(b) Separate financial statements

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

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

(c) Disposal of subsidiaries

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

3.2 Joint arrangements

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Associates

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

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

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount to "Share of result of investments accounted for using equity method" in the profit or loss.

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 profit or loss.

3.4 Segment reporting

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

3.5 Foreign currency translation

(a) Functional and presentation currency

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Foreign currency translation (Continued)

(b) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings are presented in the profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the profit or loss on a net basis within "Other gains/(losses), 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 comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting currency translation differences are recognized in other comprehensive income.

3.6 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 profit or loss 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Property, plant and equipment (Continued)

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/(losses), net" in the profit or loss.

3.7 Land use rights

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

3.8 Intangible assets

(a) Intellectual rights

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

(b) Computer software

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

(c) Research and development costs

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

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

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

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 profit or loss as incurred. Development costs previously recognized as expenses are not recognized as an asset in a subsequent period.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Intangible assets (Continued)

(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.

3.9 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 Investments and other financial assets

(a) Classification

From January 1, 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or in OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Investments and other financial assets (Continued)

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(i) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the profit or loss.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

(ii) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other gains when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in other gains/(losses) in the profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

From January 1, 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group currently has 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.

3.12 Derivatives and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value 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 the cash flows of recognized assets and liabilities and highly probable forecast transactions ("cash flow hedges").

At the inception of the hedging, the Group documents the economic, relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedges items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in Note 29. Movements in the hedging reserve in equity are shown in Note 23. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified 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.

Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss within other gains/(losses).

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss. Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), the deferred hedging gains and losses are included within the initial cost of the asset. The deferred amounts are ultimately recognized in profit or loss as the hedged item affects profit or loss (for example through cost of sales).

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

3.13 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 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.

3.15 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.

3.16 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.

3.17 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.

3.18 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 profit or loss 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.

3.19 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)

3.20 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 and its 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 utilized.

(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)

3.21 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.

3.22 Provision

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

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

3.23 Revenue recognition

The Group manufactures and sells vehicles, auto parts and technologies to its dealers and automotive/spare parts manufacturers. The revenue recognition policies applied by the Group for each of these activities are as follows:

(a) Products

Sales revenue are recognized when control of the products has transferred, being when the risk and reward have been transferred, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

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

Revenue from providing services is recognized in the accounting period in which the services are rendered.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.23 Revenue recognition (Continued)

(c) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

3.24 Dividend income

Dividends are received from financial assets measured at FVPL and at FVOCI (2017: from financial assets at FVPL and available-for-sale financial assets). Dividends are recognized as other gains in profit or loss when the right to receive payment is established.

3.25 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets.

Interest income on financial assets at amortized cost and financial assets at FVOCI (2017: available-for-sale securities, held-to-maturity investments and loans and receivables) calculated using the effective interest method is recognized in the profit or loss as part of other gains.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other gains.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

3.26 Leases

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

3.27 Government grants

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

Government grants relating to costs are deferred and recognized in the profit or loss 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 profit or loss on a straight-line basis over the expected lives of the related assets.

3.28 Dividend distribution

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

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

The Group has international purchase transactions and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro and United States Dollar ("US$"). 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 Euro/US$ weakened by 10% against RMB 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 Eur/US$ denominated assets and liabilities:

	Profit for the year RMB'000
As at and for the year ended December 31, 2018	
Euro	**1,043,333**
US$	**(19,016)**
As at and for the year ended December 31, 2017	
Euro	940,506
US$	(88,624)

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

(ii) Interest rate risk

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

As at December 31, 2018, 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, 2018 would have been approximately RMB64,573,000 (2017: RMB119,190,000) lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(b) Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt instruments, favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

(i) Risk management

As at December 31, 2018, 100% (December 31, 2017: 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.

(ii) Impairment of financial assets

Loss allowance of financial assets are determined on the basis outlined in Note 2(c). As at 31 December 2018 the balance of loss allowance in respect of those collectively assessed trade receivables was RMB125,591,000 based on expected loss rates up to 57% applied on different groupings.

(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, 2018, the Group has net current assets of approximately RMB1,333 million (December 31, 2017: net current liabilities of RMB8,267 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 24 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 31,2018				
Borrowings	**9,752,038**	**6,895,659**	**7,830,877**	**2,678,862**
Accounts payable	**38,632,933**	**–**	**–**	**–**
Other payables	**23,723,651**	**–**	**–**	**–**
At December 31, 2017				
Borrowings	19,729,102	619,873	9,102,253	4,992,903
Accounts payable	35,559,081	–	–	–
Other payables	24,137,326	–	–	–

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, 2018 and 2017, the balance of cash and cash equivalents exceeded the balance of total borrowings.

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 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).

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Fair value estimation (Continued)

- 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 FVOCI (Note 13)				
At December 31, 2018	**1,738,729**	**4,000**	**–**	**1,742,729**
At December 31, 2017	–	2,355,239	–	2,355,239
Liabilities				
Derivative financial instruments (Note 29)				
At December 31, 2018	**–**	**180,391**	**–**	**180,391**
At December 31, 2017	–	304,959	–	304,959

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements 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 judgement 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%.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Impairment of long-lived assets (Continued)

Other key assumptions used for value-in-use calculations in 2018 include 15.40% (2017: 15.64%) 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.

(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 judgement 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

(a) Description of segments and principal activities

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)

(b) Profit and loss disclosures, segment assets and segment liabilities

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

	Passenger vehicles – Beijing Brand RMB'000	Passenger vehicles – Beijing Benz RMB'000	Elimination RMB'000	Total RMB'000
For the year ended December 31, 2018				
Total revenue	16,634,842	135,415,193	(129,645)	151,920,390
Inter-segment revenue	(129,645)	–	129,645	–
Revenue from external customers	16,505,197	135,415,193	–	151,920,390
Timing of revenue recognition				
– At a point in time	16,310,720	134,200,864	–	150,511,584
– Over time	194,477	1,214,329	–	1,408,806
	16,505,197	135,415,193	–	151,920,390
Gross (loss)/profit	(3,516,233)	40,522,872	–	37,006,639
Other profit & loss disclosure:				
Selling and distribution expenses				(10,432,043)
General and administrative expenses				(6,569,595)
Other gains, net				623,048
Finance costs, net				(357,027)
Share of profit of investments accounted for using equity method				903,836
Profit before income tax				21,174,858
Income tax expense				(6,903,525)
Profit for the year				14,271,333
Other information:				
Significant non-cash expenses				
Depreciation and amortization	(3,376,628)	(3,768,322)	–	(7,144,950)
Provisions for impairments on assets	(228,974)	(608,269)	–	(837,243)
As at December 31, 2018				
Total assets	82,185,635	102,975,768	(13,127,295)	172,034,108
Including:				
Investments accounted for using equity method	16,185,648	–	–	16,185,648
Total liabilities	(43,406,394)	(60,298,075)	908,142	(102,796,327)

6 SEGMENT INFORMATION (CONTINUED)

(b) Profit and loss disclosures, segment assets and segment liabilities (Continued)

	Passenger vehicles - Beijing Brand RMB'000	Passenger vehicles - Beijing Benz RMB'000	Elimination RMB'000	Total RMB'000
For the year ended December 31, 2017				
Total revenue	17,502,463	116,772,928	(116,850)	134,158,541
Inter-segment revenue	(116,850)	–	116,850	–
Revenue from external customers	17,385,613	116,772,928	–	134,158,541
Timing of revenue recognition				
– At a point in time	17,090,665	115,743,643	–	132,834,308
– Over time	294,948	1,029,285	–	1,324,233
	17,385,613	116,772,928	–	134,158,541
Gross (loss)/profit	(2,679,696)	38,178,951	–	35,499,255
Other profit & loss disclosure:				
Selling and distribution expenses				(11,919,545)
General and administrative expenses				(5,006,953)
Other losses, net				(1,054,684)
Finance costs, net				(447,919)
Share of loss of investments accounted for using equity method				(33,791)
Profit before income tax				17,036,363
Income tax expense				(6,038,062)
Profit for the year				10,998,301
Other information:				
Significant non-cash expenses				
Depreciation and amortization	(2,579,812)	(3,268,244)	–	(5,848,056)
Provisions for impairments on assets	(122,793)	(73,413)	–	(196,206)
As at December 31, 2017				
Total assets	85,232,084	93,706,055	(11,535,163)	167,402,976
Including:				
Investments accounted for using equity method	14,706,908	–	–	14,706,908
Total liabilities	(52,642,332)	(55,138,746)	19,024	(107,762,054)

6 SEGMENT INFORMATION (CONTINUED)

(b) Profit and loss disclosures, segment assets and segment liabilities (Continued)

There is no customer accounting for 10 percent or more of the Group's revenue for each of the years ended December 31, 2018 and 2017.

The Group is domiciled in the PRC. The percentage of its revenue from external customers residing in the PRC is approximately 99.8% for the year ended December 31, 2018 (2017: 99.9%).

As at December 31, 2018, 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 98.4% (December 31, 2017: 98.2%).

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, 2018	15,581,843	15,119,786	348,694	1,636,990	3,029,876	6,653,756	42,370,945
Additions	–	8,987	607	3,474	850	6,265,731	6,279,649
Transfers upon completion	1,432,065	1,561,847	58,020	751,043	546,159	(4,349,134)	–
Disposals	(283,502)	(8,062)	(710)	(13,314)	(27,907)	–	(333,495)
Depreciation	(749,881)	(2,293,479)	(81,553)	(732,307)	(792,909)	–	(4,650,129)
Impairment	–	(449,148)	–	–	–	–	(449,148)
Net book amount at December 31, 2018	15,980,525	13,939,931	325,058	1,645,886	2,756,069	8,570,353	43,217,822
At December 31, 2018							
Cost	19,107,801	22,739,287	706,818	4,453,764	6,292,343	8,570,353	61,870,366
Accumulated depreciation and impairment	(3,127,276)	(8,799,356)	(381,760)	(2,807,878)	(3,536,274)	-	(18,652,544)
Net book amount	15,980,525	13,939,931	325,058	1,645,886	2,756,069	8,570,353	43,217,822

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

Notes:

(a) There was no property, plant and equipment being pledged as security for borrowings at December 31, 2018 and 2017.

(b) The Group has capitalized borrowing costs amounting to RMB76,375,000 on qualifying assets of property, plant and equipment for the year ended December 31, 2018 (2017: RMB126,119,000). Borrowing costs were capitalized at the weighted average of its borrowing rate of 4.21% during the year (2017: 3.87%).

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

	For the year ended December 31, 2018 RMB'000	2017 RMB'000
Cost of sales	**3,907,546**	3,776,090
Selling and distribution expenses	**8,993**	10,102
General and administrative expenses	**686,429**	290,376
	4,602,968	4,076,568
Transfer to intangible assets – development costs	**47,161**	35,953
	4,650,129	4,112,521

(d) As at December 31, 2018, the Group has not obtained the formal ownership certificates for certain buildings with carrying values of approximately RMB828,877,000 (December 31, 2017: RMB475,232,000). 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,	
	2018	2017
	RMB'000	RMB'000
Cost		
At January 1	**8,091,628**	5,964,875
Additions (note (a))	**83,327**	2,126,753
At December 31	**8,174,955**	8,091,628
Accumulated amortization		
At January 1	**(629,245)**	(482,318)
Amortization	**(167,330)**	(146,927)
At December 31	**(796,575)**	(629,245)
Net book amount		
At December 31	**7,378,380**	7,462,383

Notes:

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

(b) As at December 31, 2018, the Group has not obtained the formal land use rights for certain land use rights with carrying values of approximately RMB1,882,000 (December 31, 2017: RMB1,880,126,000). In the opinion of the directors, the absence of formal title to these land use rights does not impair their values to the Group as the probability of the Group being evicted on the ground of absence of formal title is remote.

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, 2018	**12,496,592**	**340,449**	**901,945**	**13,738,986**
Additions	**2,018,865**	**51,089**	**–**	**2,069,954**
Disposals	**(280,747)**	**(4,478)**	**–**	**(285,225)**
Amortization	**(2,251,047)**	**(149,316)**	**–**	**(2,400,363)**
Net book amount at December 31, 2018	**11,983,663**	**237,744**	**901,945**	**13,123,352**
At December 31, 2018				
Cost	**17,515,881**	**787,138**	**901,945**	**19,204,964**
Accumulated amortization	**(5,532,218)**	**(549,394)**	**–**	**(6,081,612)**
Net book amount	**11,983,663**	**237,744**	**901,945**	**13,123,352**
Net book amount at January 1, 2017	12,164,696	379,474	901,945	13,446,115
Additions	2,363,370	130,402	–	2,493,772
Disposals	(558,965)	–	–	(558,965)
Amortization	(1,472,509)	(169,427)	–	(1,641,936)
Net book amount at December 31, 2017	12,496,592	340,449	901,945	13,738,986
At December 31, 2017				
Cost	15,798,530	741,960	901,945	17,442,435
Accumulated amortization	(3,301,938)	(401,511)	–	(3,703,449)
Net book amount	12,496,592	340,449	901,945	13,738,986

9 INTANGIBLE ASSETS (CONTINUED)

Notes:

(a) The goodwill amounted to RMB807,505,000 acquired in the acquisition of Beijing Benz in 2013 is fully allocated to the CGU of passenger vehicles of Beijing Benz. The recoverable amount of this CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates of 3%.

Other key assumptions used for value-in-use calculations in 2018 include 16.60% (2017: 16.40%) 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 completed in September 2016 is fully allocated to the CGU of passenger vehicles of Beijing Brand.

(c) The Group has capitalized borrowing costs amounting to RMB213,225,000 on qualifying intangible assets for the year ended December 31, 2018 (2017: RMB233,894,000). Borrowing costs were capitalized at the weighted average of its borrowing rate of 4.24% during the year (2017: 3.96%).

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

	For the year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Cost of sales	**2,174,917**	1,603,855
General and administrative expenses	**199,735**	20,706
	2,374,652	1,624,561
Transfer from computer software to development costs	**25,711**	17,375
	2,400,363	1,641,936

10 SUBSIDIARIES

(a) Material non-controlling interests

Set out below is the summarized financial information for a 51% owned subsidiary, Beijing Benz, which has non-controlling interests that are material to the Group. The amounts disclosed below are before inter-company eliminations, and are stated at the basis upon the Group acquired 51% interests in Beijing Benz as according to IFRS 3 "Business Combinations".

(i) Summarized balance sheet

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Non-current assets	**46,841,925**	39,535,504
Current assets	**56,133,843**	54,170,551
Total assets	**102,975,768**	93,706,055
Non-current liabilities	**6,553,099**	6,463,440
Current liabilities	**53,744,976**	48,675,306
Total liabilities	**60,298,075**	55,138,746
Net assets	**42,677,693**	38,567,309
Less: goodwill	**(807,505)**	(807,505)
	41,870,188	37,759,804
The Group's non-controlling interests in Beijing Benz	**20,516,391**	18,502,303

10 SUBSIDIARIES (CONTINUED)

(a) Material non-controlling interests (Continued)

(ii) Summarized statement of comprehensive income

	For the year ended December 31, 2018 RMB'000	2017 RMB'000
Revenue	**135,415,193**	116,772,928
Net profit	**20,077,563**	17,884,052
Other comprehensive income	**32,820**	172,984
Total comprehensive income	**20,110,383**	18,057,036

Below sets out the amounts attributable to non-controlling interests in Beijing Benz in the Group's consolidated statements of comprehensive income:

	For the year ended December 31, 2018 RMB'000	2017 RMB'000
Net profit attributable to non-controlling interests	**9,838,006**	8,763,185
Other comprehensive income attributable to non-controlling interests	**16,082**	84,761
Total comprehensive income attributable to non-controlling interests	**9,854,088**	8,847,946
Contribution from non-controlling interest holders	**–**	717,738
Dividends to non-controlling interest holders	**7,840,000**	8,575,000

(iii) Summarized statement of cash flows

	For the year ended December 31, 2018 RMB'000	2017 RMB'000
Net cash flows generated from operating activities	**26,075,793**	22,311,232
Net cash flows used in investing activities	**(10,213,499)**	(4,855,371)
Net cash flows used in financing activities	**(17,372,755)**	(15,513,242)
Exchange differences on cash and cash equivalents	**(58,472)**	71,744
Net (decrease)/increase in cash and cash equivalents	**(1,568,933)**	2,014,363

(b) The list of the principal subsidiaries at December 31, 2018 is disclosed in Note 41.

11 INVESTMENTS IN JOINT VENTURES

	For the year ended December 31, 2018 RMB'000	2017 RMB'000
At January 1	**11,403,120**	15,143,746
Additional investments (note (a))	**–**	85,263
Transfer from investments in associates (note (b))	**–**	184,428
Share of profit/(loss) for the year:		
– Profit/(loss) before income tax	**657,283**	(606,215)
– Income tax (expense)/credit	**(164,321)**	151,555
	492,962	(454,660)
Dividends received	**(22,088)**	(3,555,657)
At December 31	**11,873,994**	11,403,120

Notes:

(a) This represents a subsequent adjustment of investment cost of RMB85,263,000 to Fujian Benz Automotive Co., Ltd made in 2017.

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

(c) None of the joint ventures are considered individually material as at December 31, 2018.

(d) Individually immaterial 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.

	As at December 31, 2018 RMB'000	2017 RMB'000
Aggregate carrying amount of the net assets	**24,437,120**	23,141,829
Aggregate amount of the Group's share thereon	**11,873,994**	11,403,120
Aggregate total comprehensive income/(loss)	**1,340,797**	(714,414)
Aggregate amount of the Group's share of total comprehensive income/(loss)	**492,962**	(454,660)

(e) The list of the principal joint ventures at December 31, 2018 is disclosed in Note 41.

12 INVESTMENTS IN ASSOCIATES

	For the year ended December 31,	
	2018	2017
	RMB'000	RMB'000
At December 31	**3,303,788**	2,769,905
Impact of adoption of IFRS 9 (Note 2(c))	**(82,272)**	–
At January 1	**3,221,516**	2,769,905
New investments (note (a))	**33,000**	–
Additional investments (note (b), (c), (d))	**725,000**	359,998
Transfer to investments in joint ventures (Note 11 (b))	**–**	(184,428)
Share of profit for the year:		
– Profit before income tax	**547,832**	561,159
– Income tax expense	**(136,958)**	(140,290)
	410,874	420,869
Share of other comprehensive loss for the year	**(5,223)**	–
Share of total comprehensive income for the year	**405,651**	420,869
Dividends received	**(73,513)**	(62,556)
At December 31	**4,311,654**	3,303,788

Notes:

(a) In November 2018, Beiqi Langu Information Technology Co., Ltd ("Beiqi Langu") was established by the Group and other investors. The Group has to subscribe a total of RMB50,000,000 representing 15.15% of its equity interests and paid up RMB33,000,000 up to December 31, 2018. The Group has significant influence over Beiqi Langu through certain representation on its board of directors.

(b) In February 2017, BAIC Automobile SA Proprietary Limited increased its registered capital by RMB64,990,000 with RMB44,998,000 contributed by the Group.

(c) In 2017, Mercedes-Benz Leasing Co., Ltd. ("MBLC") increased its registered capital by RMB900,000,000 with RMB315,000,000 contributed by the Group.

In 2018, MBLC further increased its registered capital by RMB1,500,000,000 with RMB525,000,000 contributed by the Group. The Group continues to hold 35% of equity interests in MBLC upon completion of above capital increase.

(d) In 2018, BAIC Group Finance Co., Ltd. ("BAIC Finance") increased its registered capital by RMB1,000,000,000 with RMB200,000,000 contributed by the Group. A subsidiary of the Company continued to hold 20% of equity interests in BAIC Finance upon completion of this capital increase.

12 INVESTMENTS IN ASSOCIATES (CONTINUED)

Notes: (Continued)

(e) None of the associates are considered individually material as at December 31, 2018.

(f) Individually immaterial associates

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

	As at December 31,	
	2018 RMB'000	2017 RMB'000
Aggregate carrying amount of the net assets	**13,087,363**	11,184,516
Aggregate amount of the Group's share thereon	**4,311,654**	3,303,788
Aggregate total comprehensive income	**1,279,057**	1,323,613
Aggregate amount of the Group's share of total comprehensive income	**405,651**	420,869

(g) The list of the principal associates at December 31, 2018 is disclosed in Note 41.

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	For the year ended December 31,	
	2018 RMB'000	2017* RMB'000
At January 1	**2,355,239**	536,480
Additions (note (a))	**–**	1,185,080
(Decrease)/increase in fair value	**(612,510)**	633,679
At December 31	**1,742,729**	2,355,239

* *These investments were previously classified as available-for-sale financial assets in 2017, see Note 2(c).*

Notes:

(a) On July 20, 2017, the Group entered into a capital increase agreement with Beijing Electric Vehicle Co., Ltd. ("BJEV", a fellow subsidiary of the Group), pursuant to which, the Group subscribed for 223.6 million shares additionally issued by BJEV for a total considerations of RMB1,185,080,000 in cash and assets. Upon completion of this capital increase, the Group held 8.15% of BJEV's total equity interests.

(b) On January 22, 2018, BAIC Guangzhou Automotive Co., Ltd. ("BAIC Guangzhou", a wholly-owned subsidiary of the Company), BAIC Group, Daimler Greater China Ltd., Bohai Automotive System Co., Ltd., Beijing Shougang Lvjie Venture Capital Co., Ltd. and other investors of BJEV, entered into an agreement on asset swap and acquisition of shares to be issued by Chengdu Qianfeng Electronics Co., Ltd. ("QianFeng"), pursuant to which, BAIC Guangzhou agreed to dispose all of its 8.15% equity interests in BJEV to QianFeng in exchange for shares to be issued to BAIC Guangzhou by QianFeng. This transaction was completed in 2018 and as a result BAIC Guangzhou holds 6.51 % equity interests in QianFeng, which was renamed as BAIC BluePark New Energy Technology Co., Ltd.

14 DEFERRED INCOME TAXES

	As at December 31, 2018 RMB'000	2017 RMB'000
Deferred income tax assets:		
– to be recovered after 12 months	**2,205,181**	1,994,223
– to be recovered within 12 months	**5,720,420**	5,041,565
	7,925,601	7,035,788
Deferred income tax liabilities:		
– to be settled after 12 months	**(720,186)**	(740,856)
– to be settled within 12 months	**(37,820)**	(136,951)
	(758,006)	(877,807)

The movements in deferred income tax assets and liabilities are as follows:

Deferred income tax assets	**Provisions for impairment losses** RMB'000	**Accruals** RMB'000	**Others** RMB'000	**Total** RMB'000
At January 1, 2018	**186,514**	**5,539,579**	**1,309,695**	**7,035,788**
Credited/(charged) to statement of comprehensive income	**140,492**	**760,728**	**(11,407)**	**889,813**
At December 31, 2018	**327,006**	**6,300,307**	**1,298,288**	**7,925,601**
At January 1, 2017	213,259	4,744,926	546,201	5,504,386
(Charged)/credited to statement of comprehensive income	(26,745)	794,653	763,494	1,531,402
At December 31, 2017	186,514	5,539,579	1,309,695	7,035,788

14 DEFERRED INCOME TAXES (CONTINUED)

Deferred income tax liabilities	Capitalized interest RMB'000	Valuation surplus upon acquisition of a subsidiary RMB'000	Others RMB'000	Total RMB'000
At January 1, 2018	**(41,899)**	**(740,855)**	**(95,053)**	**(877,807)**
Credited to statement of comprehensive income	**4,079**	**20,669**	**95,053**	**119,801**
At December 31, 2018	**(37,820)**	**(720,186)**	**–**	**(758,006)**
At January 1, 2017	(44,188)	(764,420)	–	(808,608)
Credited/(charged) to statement of comprehensive income	2,289	23,565	(95,053)	(69,199)
At December 31, 2017	(41,899)	(740,855)	(95,053)	(877,807)

Deferred income tax assets are recognized for tax loss carry forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets in respect of losses and deductible temporary differences amounting to RMB22,324,963,000 (December 31, 2017: RMB18,917,452,000) that can be carried forward against future taxable income as at December 31, 2018. The unrecognized tax loss amounting to RMB21,039,161,000 (December 31, 2017: RMB17,627,529,000) can carry forward for utilization in future but are expiring within five years.

15 INVENTORIES

	As at December 31, 2018 RMB'000	2017 RMB'000
Raw materials	**7,363,687**	6,570,107
Work in progress	**715,129**	652,816
Finished goods	**11,165,440**	9,871,571
	19,244,256	17,094,494
Less: provision for impairment (note (a))	**(281,681)**	(218,623)
	18,962,575	16,875,871

Notes:

(a) Provision for impairment is recognized for the amount by which the carrying amount of the inventories exceeds the recoverable amount, and is recorded in cost of sales in the profit or loss.

(b) The cost of inventories recognized as cost of sales for the year ended December 31, 2018 amounted to RMB99,336 million (2017: RMB86,929 million).

(c) As at December 31, 2018 and 2017, no inventories were pledged as collaterals.

16 ACCOUNTS RECEIVABLE

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Trade receivables, gross (note (a))	**17,791,971**	11,670,328
Less: provision for impairment	**(125,591)**	(49,286)
	17,666,380	11,621,042
Notes receivable (note (b))	**4,321,818**	8,261,072
	21,988,198	19,882,114

Notes:

(a) The majority of the Group's sales are on credit. A credit period 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 based on invoice date is as follows:

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Current to 1 year	**12,798,972**	7,766,546
1 to 2 years	**1,758,269**	3,806,594
2 to 3 years	**3,160,637**	83,503
Over 3 years	**74,093**	13,685
	17,791,971	11,670,328

As at December 31, 2018 and 2017, movement on the provision for impairment of trade receivables is as follows:

	2018	2017
	RMB'000	RMB'000
As at January 1	**49,286**	1,037
Provision for impairment recognized during the year	**76,305**	48,249
As at December 31	**125,591**	49,286

(b) Substantially all notes receivable are with maturity period of within six months.

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

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

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

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Pledged notes receivable	**2,786,005**	5,286,310

17 ADVANCES TO SUPPLIERS

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

18 OTHER RECEIVABLES AND PREPAYMENTS

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Deductible value-added tax and prepaid consumption tax	**3,002,272**	3,365,230
Receivable from disposals of property, plant and equipment	**527,761**	139,431
Receivable from sales of raw materials	**575,774**	451,325
Service fees	**82,476**	83,306
Deposits	**16,787**	7,647
Others	**117,798**	189,144
	4,322,868	4,236,083
Less: provision for impairment	**(190,290)**	(133,554)
	4,132,578	4,102,529

As at December 31, 2018 and 2017, movement on the provision for impairment of other receivables is as follows:

	2018	2017
	RMB'000	RMB'000
As at January 1	**133,554**	23,458
Provision for impairment recognized during the year	**56,736**	110,096
As at December 31	**190,290**	133,554

19 RESTRICTED CASH

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Pledged deposits	**820,174**	545,073

Pledged deposits are maintained with banks mainly for issuance of notes payable. They earn interests at annual rates ranging from 0.30% to 1.35% in 2018 (2017: 0.35% to 1.55%).

20 CASH AND CASH EQUIVALENTS

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Cash at bank and on hand	**11,148,878**	11,497,369
Short-term deposits (note (a))	**24,241,005**	25,327,537
	35,389,883	36,824,906

Notes:

(a) As at December 31, 2018, short-term deposits of RMB11,133,499,000 (December 31, 2017: RMB11,072,988,000) were deposited in BAIC Finance (a 20% owned associate of a subsidiary of the Company) which was approved by the China Banking Regulatory Commission as a non-bank financial institution. The remaining 80% equity interests of this associate is owned by BAIC Group. These deposits can be withdrawn on demand.

(b) As at December 31, 2018, approximately 99% (December 31, 2017: 96%) of the Group's cash and cash equivalents are denominated in RMB. The conversion of RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

21 SHARE CAPITAL

	Number of ordinary shares of RMB1 each (thousands)	RMB'000
At January 1, 2017 and January 1, 2018	7,595,338	7,595,338
Additions (note (a))	420,000	420,000
At December 31, 2018	**8,015,338**	**8,015,338**

Note:

(a) On May 3, 2018, the Company completed the placement of 420,000,000 H Shares with nominal value of RMB1.00 at a price of HK$7.89 per share.

22 PERPETUAL BOND

On April 10, 2018, the Company issued perpetual bond with par value of RMB2 billion to qualified investors with direct issuance costs of RMB1,840,000 which are deducted from equity.

The perpetual bond holders are entitled to an interest of 5.6% per annum in the first three years after issuance, and the interest rate will be reset once every three years thereafter. The principal amount has a repayment term of once every three years. Upon each maturity the Company can elect to extend repayment of the bond for another three years indefinitely. The interest payments fall due annually. Unless the Company declares dividend to shareholders or reduces the registered capital within 12 months before the interest due date ("mandatory interest payment event"), the Company can elect to defer the payment of all current or deferred interests to the next anniversary.

23 OTHER RESERVES

	Capital reserve RMB'000 (note (a))	Statutory reserve RMB'000 (note (b))	Cash flow hedges RMB'000	Financial assets at FVOCI RMB'000	Currency translation differences RMB'000	Total RMB'000
At January 1, 2018	**15,742,154**	**2,691,881**	**10,565**	**538,627**	**(844)**	**18,982,383**
Other comprehensive income/(loss)						
Gains on cash flow hedges	**–**	**–**	**16,738**	**–**	**–**	**16,738**
Share of other comprehensive loss of investments accounted for using the equity method	**–**	**–**	**–**	**–**	**(5,223)**	**(5,223)**
Currency translation differences	**–**	**–**		**–**	**485**	**485**
Changes in fair value of financial assets at FVOCI	**–**	**–**	**–**	**(517,458)**	**–**	**(517,458)**
Transactions with owners						
Issue of new shares	**2,233,069**					**2,233,069**
Appropriation to reserve fund	**–**	**331,584**	**–**	**–**	**–**	**331,584**
At December 31, 2018	**17,975,223**	**3,023,465**	**27,303**	**21,169**	**(5,582)**	**21,041,578**
At January 1, 2017	15,742,363	1,971,506	(77,656)	–	35	17,636,248
Other comprehensive income/(loss)						
Gains on cash flow hedges	–	–	88,221	–	–	88,221
Currency translation differences	–	–	–	–	(879)	(879)
Changes in fair value of available-for-sale financial assets	–	–	–	538,627	–	538,627
Transactions with owners						
Appropriation to reserve fund	–	720,375	–	–	–	720,375
Others	(209)	–	–	–	–	(209)
At December 31, 2017	15,742,154	2,691,881	10,565	538,627	(844)	18,982,383

23 OTHER RESERVES (CONTINUED)

Notes:

(a) Capital reserve

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

(b) Statutory reserve

In accordance with the relevant PRC laws and financial regulations, every year the Company is required to transfer 10% of the profit after taxation determined in accordance with the PRC accounting standards to the statutory 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.

24 BORROWINGS

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Non-current		
Borrowings from financial institutions (note (a))	**4,815,733**	3,077,269
Corporate bonds (note (b))	**10,091,549**	10,089,691
	14,907,282	13,166,960
Current		
Borrowings from financial institutions (note (a))	**6,690,287**	15,716,263
Add: current portion of non-current borrowings from financial institutions	**266,480**	762,480
Corporate bonds (note (b))	**1,999,193**	1,999,308
	8,955,960	18,478,051
Total borrowings	**23,863,242**	31,645,011

Maturity of borrowings

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Within 1 year	**8,955,960**	18,478,051
Between 1 and 2 years	**6,163,302**	166,480
Between 2 and 5 years	**6,445,811**	7,400,560
Over 5 years	**2,298,169**	5,599,920
	23,863,242	31,645,011

24 BORROWINGS (CONTINUED)

Contractual repricing dates upon interest rate changes

	As at December 31, 2018 RMB'000	2017 RMB'000
Within 6 months	**7,667,149**	16,520,000
6 to 12 months	**2,067,180**	504,660
	9,734,329	17,024,660

Weighted average annual interest rates

	As at December 31, 2018	2017
Borrowings from financial institutions	**3.54%**	3.71%
Corporate bonds	**4.17%**	3.99%

Currency denomination

	As at December 31, 2018 RMB'000	2017 RMB'000
RMB	**21,880,423**	29,682,159
Euro	**1,982,819**	1,962,852
	23,863,242	31,645,011

Undrawn facilities at floating rates

	As at December 31, 2018 RMB'000	2017 RMB'000
Within 1 year	**18,218,064**	205,000
Over 1 year	**5,500,724**	23,240,275
	23,718,788	23,445,275

Notes:

(a) Balances at December 31, 2018 include borrowings of RMB1,746 million (December 31, 2017: RMB3,616 million) obtained from BAIC Finance, an associate of the Group. The remaining balances were obtained from banks.

24 BORROWINGS (CONTINUED)

Undrawn facilities at floating rates (Continued)

Notes: (Continued)

(b) Corporate bonds are analyzed as follows:

Issuer	Issue date	Interest rate per annum	Par value RMB'000	Carrying value RMB'000	Maturity
At December 31, 2018					
BAIC Investment Co., Ltd. ("BAIC Investment")	**10 December 2015**	**3.60%**	**1,500,000**	**1,498,769**	**5 years**
BAIC Investment	**17 March 2016**	**3.15%**	**1,500,000**	**1,498,618**	**5 years**
BAIC Investment	**20 January 2017**	**4.29%**	**800,000**	**799,564**	**7 years**
The Company	**10 September 2014**	**5.74%**	**400,000**	**399,400**	**7 years**
The Company	**22 September 2014**	**5.54%**	**300,000**	**299,550**	**7 years**
The Company	**22 September 2014**	**5.54%**	**300,000**	**299,550**	**7 years**
The Company	**12 February 2015**	**4.68%**	**500,000**	**499,500**	**5 years**
The Company	**22 April 2016**	**3.45%**	**2,500,000**	**2,498,429**	**7 years**
The Company	**4 July 2017**	**4.72%**	**2,300,000**	**2,298,169**	**7 years**
The Company	**15 August 2018**	**3.60%**	**2,000,000**	**1,999,193**	**270 days**
				12,090,742	
At December 31, 2017					
BAIC Investment	10 December 2015	3.60%	1,500,000	1,498,169	5 years
BAIC Investment	17 March 2016	3.15%	1,500,000	1,498,023	5 years
BAIC Investment	20 January 2017	4.29%	800,000	799,521	7 years
The Company	10 September 2014	5.74%	400,000	399,400	7 years
The Company	22 September 2014	5.54%	300,000	299,550	7 years
The Company	22 September 2014	5.54%	300,000	299,550	7 years
The Company	12 February 2015	4.68%	500,000	499,500	5 years
The Company	22 April 2016	3.45%	2,500,000	2,498,095	7 years
The Company	4 July 2017	4.72%	2,300,000	2,297,883	7 years
The Company	21 July 2017	4.41%	2,000,000	1,999,308	270 days
				12,088,999	

(c) As at December 31, 2018, all borrowings were unsecured except for bank borrowings of RMB100,000,000 (December 31, 2017: RMB200,000,000) which were secured by the Company's equity interest in BAIC Guangzhou.

(d) The fair values of the borrowings are not materially different to their carrying amounts, since the interests payable on these borrowings is either close to that calculated by current interest rate or the borrowings are of a short-term nature.

25 PROVISIONS

Balances represent warranty provisions for vehicles sold.

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Current	**1,821,838**	1,841,214
Non-current	**2,620,030**	2,498,714
Total	**4,441,868**	4,339,928

Movements of warranties for each of the years ended December 31, 2018 and 2017 are as follows:

	For the year ended December 31,	
	2018	2017
	RMB'000	RMB'000
At January 1	**4,339,928**	3,562,716
Additions	**1,071,834**	1,599,957
Amortization of discount on non-current provisions (Note 33)	**202,072**	154,777
Payments	**(1,171,966)**	(977,522)
At December 31	**4,441,868**	4,339,928

26 DEFERRED INCOME

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

Movements of deferred income for each of the year ended December 31, 2018 and 2017 are as follows:

	For the year ended December 31,	
	2018	2017
	RMB'000	RMB'000
At January 1	**4,157,716**	2,021,757
Additions	**899,677**	2,859,360
Amortization	**(972,560)**	(723,401)
At December 31	**4,084,833**	4,157,716

27 ACCOUNTS PAYABLE

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Trade payables	**29,746,240**	26,152,675
Notes payable	**8,886,693**	9,406,406
	38,632,933	35,559,081

Aging analysis of trade payables is as follows:

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Current to 1 year	**29,723,797**	26,073,357
1 year to 2 years	**13,597**	68,632
2 years to 3 years	**2,797**	8,885
Over 3 years	**6,049**	1,801
	29,746,240	26,152,675

28 CONTRACT LIABILITIES

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Advances from customers	**234,226**	405,371

Advances from customers relate to unsatisfied performance obligations at the end of the period and consist primarily of prepayment received from the dealers for sale of vehicles. In view of the short-term duration of the contracts in general, majority of the performance obligations are satisfied in the following reporting period. Revenue recognized in the current period from performance obligations related to prior periods was not material.

	For the year December 31, 2018 RMB '000
Revenue recognized that was included in the contract liabilities balance at the beginning of the year	**403,275**

29 OTHER PAYABLES AND ACCRUALS

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Sales discounts and rebates	**8,856,166**	7,724,930
Other taxes	**3,929,019**	1,869,813
Payable for general operations	**3,430,645**	2,599,870
Payables for property, plant and equipment and intangible assets	**3,130,033**	3,181,802
Payable for services	**2,929,696**	2,876,349
Advertising and promotion	**2,701,719**	2,697,697
Wages, salaries and other employee benefits	**1,136,396**	1,054,840
Payables for transportation and warehouse expenses	**1,123,783**	1,082,664
Dividends payable (note (a))	**645,596**	2,706,338
Interests payable	**266,876**	287,520
Derivative financial instruments (note (b))	**180,391**	304,959
Deposits	**116,936**	195,846
Others	**341,810**	479,351
	28,789,066	27,061,979

Notes:

(a) The dividends payable also includes the interest of perpetual bond amounted to RMB112 million as of December 31, 2018.

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

30 OTHER GAINS/(LOSSES), NET

	For the year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Government grants	**1,313,550**	312,950
Gain from sales of scrap materials	**104,184**	3,720
(Loss)/gain on disposals of property, plant and equipment and intangible assets	**(64,651)**	22,019
Loss on forward foreign exchange contracts with fair value through profit or loss	**(819,266)**	(957,151)
Foreign exchange gains/(losses)	**133,727**	(408,859)
Others	**(44,496)**	(27,363)
	623,048	(1,054,684)

31 EXPENSES BY NATURE

	For the year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Changes in inventories of finished goods and work in progress and raw materials used	**99,687,027**	85,544,688
Service fees and charges	**7,465,758**	5,609,201
Depreciation and amortization (Notes 7, 8, 9)	**7,144,950**	5,848,056
Employee benefit costs (Note 32)	**5,087,637**	5,232,168
Taxes and levies	**4,856,789**	3,856,090
Advertising and promotion	**2,506,611**	2,651,509
Transportation and warehouse expenses	**2,290,503**	2,522,595
Daily operating expenses	**1,428,661**	1,642,331
Provision for impairment of assets	**837,243**	196,206
Warranty expenses	**526,312**	1,379,896
Auditor's remuneration- audit services	**8,745**	8,822
Others	**75,153**	1,094,222
Total cost of sales, selling and distribution expenses, and general and administrative expenses	**131,915,389**	115,585,784

32 EMPLOYEE BENEFIT COSTS

	For the year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Wages and salaries	**3,679,351**	3,819,112
Pension scheme and other social security costs	**561,562**	625,954
Welfare, medical and other expenses	**549,895**	497,532
Housing benefits	**296,829**	289,570
	5,087,637	5,232,168

32 EMPLOYEE BENEFIT COSTS (CONTINUED)

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group did not include any director (2017: Nil) or supervisor (2017: Nil) for the year ended December 31, 2018. The directors' and supervisors' emoluments are reflected in the analysis shown in Note 43. The emoluments payable to the five (2017: five) highest paid individuals are as follows:

	For the year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Salaries, allowances and other benefits	**15,827**	15,220
Employer's contribution to pension scheme	**284**	147
	16,111	15,367

The emoluments of the individuals fell within the following bands:

	For the year ended December 31,	
	2018	2017
	Number of individuals	Number of individuals
Emolument band (in HK dollar)		
HK$3,000,001 – HK$3,500,000	**5**	5

During the year, there was no emolument paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2017: Nil).

33 FINANCE COSTS, NET

	For the year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Finance income		
Interest on deposits in financial institutions	**760,930**	659,503
Finance costs		
Interest expense on borrowings from financial institutions	**690,377**	783,894
Interest expense on corporate bonds	**515,108**	528,764
Amortization of discount on non-current provisions (Note 25)	**202,072**	154,777
	1,407,557	1,467,435
Less: amounts capitalized in qualifying assets (Notes 7(b), 9(c))	**(289,600)**	(360,013)
	1,117,957	1,107,422
Finance costs, net	**357,027**	447,919

34 INCOME TAX EXPENSE

	For the year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Current income tax	**7,829,027**	7,603,125
Deferred income tax credit	**(925,502)**	(1,565,063)
	6,903,525	6,038,062

According to the New and High-Technology Enterprise Certificate issued by relevant government regulatory bodies, certain entities of the Group were recognized as new and high-technology enterprises with preferential income tax rate of 15%.

Except for the aforementioned companies and certain overseas subsidiaries in Hong Kong and Germany which are subject to statutory income tax rates in respective tax jurisdictions, provision for income tax is calculated based on the statutory income tax rate of 25% for each of the years ended December 31, 2018 and 2017 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,	
	2018	2017
	RMB'000	RMB'000
Profit before income tax	**21,174,858**	17,036,363
Tax calculated at the statutory tax rate of 25%	**5,293,715**	4,259,091
Preferential tax rates on profit or loss	**506,123**	415,899
Impact on share of results of investments accounted for using equity method	**(225,959)**	8,448
Income not subject to tax	**(3,274)**	(3,042)
Expenses not deductible for tax purposes	**148,697**	43,250
Tax losses/deductible temporary differences for which no deferred tax was recognized	**1,223,727**	1,345,855
Additional deduction on research and development expenses	**(40,351)**	(31,439)
Others	**847**	–
Tax charge	**6,903,525**	6,038,062

35 EARNINGS PER SHARE

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

	For the year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Profit attributable to ordinary shareholders of the Company (note (a))	**4,317,465**	2,252,813
Weighted average number of ordinary shares in issue (thousands)	**7,875,338**	7,595,338
Earnings per share for profit attributable to ordinary shareholders of the Company (RMB)	**0.55**	0.30

Notes:

(a) For the year ended December 31, 2018, the profit attributable to equity holders of the Company amounted to RMB4,429,465,000, including the profit attributable to ordinary shareholders and perpetual bond holders of approximately RMB4,317,465,000 and RMB112,000,000, respectively.

(b) During the years ended December 31, 2018 and 2017, there were no potential dilutive ordinary shares and diluted earnings per share was equal to basic earnings per share.

36 DIVIDENDS

	For the year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Proposed final dividend of RMB0.19 per share (2017: RMB0.10 per share) (note (a))	**1,522,914**	801,533

Note:

(a) The 2018 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, 2019.

The final dividend of approximately RMB801,533,000 (RMB0.10 per share) relating to the year ended December 31, 2017 was approved by the shareholders at the annual general meeting held in June 2018 and paid in August 2018.

37 CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Cash generated from operations

	For the year ended December 31, 2018 RMB'000	2017 RMB'000
Profit before income tax	**21,174,858**	17,036,363
Adjustments for:		
Share of (profit)/loss of investments accounted for using equity method	**(903,836)**	33,791
Loss/(gain) on disposals of property, plant and equipment and intangible assets	**64,651**	(22,019)
Depreciation and amortization	**7,144,950**	5,848,056
Provision for impairment of assets	**837,243**	196,206
Foreign exchange (gains)/losses	**(64,179)**	167,976
Finance costs, net	**357,027**	447,919
Amortization of deferred income	**(289,964)**	(272,781)
	28,320,750	23,435,511
Changes in working capital:		
– Inventories	**(2,341,973)**	(2,521,510)
– Accounts receivable	**(2,182,389)**	5,708,365
– Advances to suppliers, other receivables and prepayments	**1,017,552**	4,944,113
– Accounts payable	**2,958,537**	(6,625,388)
– Contract liabilities, other payables and accruals	**4,057,005**	1,023,611
– Provisions	**(100,133)**	51,851
Cash generated from operations	**31,729,349**	26,016,553

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

	For the year ended December 31, 2018 RMB'000	2017 RMB'000
Net book amounts disposed	**618,720**	657,653
(Loss)/gain on disposals	**(64,651)**	22,019
Non-cash considerations	**(553,732)**	(655,964)
Cash proceeds	**337**	23,708

37 CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(c) Debt reconciliation

The following sets out an analysis and the movements in cash and cash equivalents and liabilities arising from financing activities for each of the periods presented.

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Cash and cash equivalents	**35,389,883**	36,824,906
Borrowings – repayable within one year	**(8,955,960)**	(18,478,051)
Borrowings – repayable after one year	**(14,907,282)**	(13,166,960)
	11,526,641	5,179,895
Cash and cash equivalents	**35,389,883**	36,824,906
Gross debt – fixed interest rates	**(14,828,913)**	(14,411,087)
Gross debt – variable interest rates	**(9,034,329)**	(17,233,924)
	11,526,641	5,179,895

	Liabilities arising from financing activities			
	Cash and cash equivalents	**Borrowings due within 1 year**	**Borrowings due after 1 year**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2018	**36,824,906**	**(18,478,051)**	**(13,166,960)**	**5,179,895**
Cash flows	**(1,499,202)**	**9,522,327**	**(1,799,957)**	**6,223,168**
Foreign exchange adjustments	**64,179**	**(236)**	**59,635**	**123,578**
As at 31 December 2018	**35,389,883**	**(8,955,960)**	**(14,907,282)**	**11,526,641**
As at 1 January 2017	36,063,909	(27,569,624)	(7,809,091)	685,194
Cash flows	810,605	9,002,670	(5,389,562)	4,423,713
Foreign exchange adjustments	(49,608)	88,903	31,693	70,988
As at 31 December 2017	36,824,906	(18,478,051)	(13,166,960)	5,179,895

38 COMMITMENTS

(a) Capital commitments

The Group has the following capital commitments for property, plant and equipment not provided for as at December 31, 2018 and 2017 respectively.

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Contracted but not provided for	**10,540,926**	4,690,950
Authorized but not contracted for	**3,703,094**	2,079,143

(b) Operating lease commitments

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

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Up to 1 year	**121,930**	131,075
1 to 5 years	**7,963**	35,072
	129,893	166,147

39 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The immediate parent company of the Company is BAIC Group, a company beneficially owned by SASAC Beijing which also owns a significant portion of the productive assets and entities in the PRC (collectively referred as the "government-related entities"). In accordance with IAS 24 "Related Party Disclosures", government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by SASAC Beijing are regarded as related parties of the Group. On that basis, related parties include BAIC Group, other entities and corporations in which BAIC Group is able to control or exercise significant influence, and key management personnel of the Company and BAIC Group, as well as their close family members. For the purpose of the related party transaction disclosures, management believes that meaningful information relating to related party transactions has been adequately disclosed.

In addition to the information disclosed elsewhere in the financial statements, the following transactions were carried out in the ordinary course of the Group's business and were determined based on mutually agreed terms for each of the years ended December 31, 2018 and 2017.

39 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant transactions with related parties

	For the year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Sale of goods and materials, property, plant and equipment and intangible assets to		
– immediate parent company	**–**	127
– fellow subsidiaries	**16,955,101**	12,906,942
– joint ventures	**1,028,128**	948,256
– other related companies	**1,535,598**	952,817
Services provided to		
– immediate parent company	**192**	–
– fellow subsidiaries	**12,942**	3,617
– other related companies	**206,279**	182,906
Purchases of goods and materials from		
– fellow subsidiaries	**13,961,508**	18,532,029
– a joint venture	**4,043**	10,109
– an associate	**–**	21,355
– other related companies	**45,856,330**	37,791,279
Services received from		
– immediate parent company	**632,778**	518,953
– fellow subsidiaries	**2,582,728**	2,691,044
– joint ventures	**1,400,746**	1,198,221
– other related companies	**4,687,229**	4,476,285
Rental expenses to		
– fellow subsidiaries	**277,044**	162,848
Interest income from		
– an associate	**210,542**	134,781
Interest expenses to		
– an associate	**101,795**	126,393
Key management compensations		
– salaries, allowances and other benefits	**10,102**	11,978
– employer's contributions to pension schemes	**869**	740
– discretionary bonuses	**7,101**	4,637

39 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant balances with related parties

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Assets		
Financial assets at FVOCI		
– a fellow subsidiary	**1,738,729**	2,351,239
Trade receivables		
– immediate parent company	**–**	846
– fellow subsidiaries	**3,060,276**	1,827,040
– joint ventures	**142,948**	146,443
– an associate	**134,080**	214,066
– other related companies	**506,832**	381,451
Notes receivables		
– fellow subsidiaries	**942,870**	485,160
– joint ventures	**31,575**	–
– other related companies	**5,550**	3,980
Advances to suppliers		
– fellow subsidiaries	**197,678**	284,912
– other related companies	**85,757**	126,747
Other receivables		
– fellow subsidiaries	**827,455**	252,762
– a joint venture	**1,344**	1,224
– an associate	**64,718**	–
– other related companies	**216,903**	317,639
Cash and cash equivalents		
– an associate (Note 20(a))	**11,133,499**	11,072,988

39 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant balances with related parties (Continued)

	As at December 31, 2018 RMB'000	2017 RMB'000
Liabilities		
Trade payables		
– immediate parent company	–	4,964
– fellow subsidiaries	**6,033,645**	5,059,992
– a joint venture	**257**	686
– an associate	–	21,691
– other related companies	**12,836,316**	10,305,554
Notes payable		
– fellow subsidiaries	**5,829,054**	6,711,922
– joint ventures	**716**	–
– other related companies	**65,908**	90,291
Contract liabilities		
– fellow subsidiaries	**17,187**	22,513
– an associate	**327**	327
– other related companies	**460**	–
Other payables		
– immediate parent company	**587,311**	460,097
– fellow subsidiaries	**1,081,157**	1,855,145
– joint ventures	**524,543**	215,275
– an associate	–	68
– other related companies	**2,075,139**	2,437,370
Dividends payable to		
– other related companies	**533,596**	2,706,338
Borrowings from		
– an associate (Note 24(a))	**1,745,680**	3,615,660

40 EVENTS AFTER THE REPORTING PERIOD

On January 29, 2019, the Company issued 2019 first tranche of ultra-short-term bond in an amount of RMB1,500,000,000 with a term of 270 days and the annual coupon interest rate of 3.25%.

41 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Company name	Place and date of establishment/ incorporation	Issued and paid-up capital (million)	Attributable equity interests	Principal activities
Subsidiaries				
BAIC Guangzhou Automotive Co., Ltd.	The PRC August 18, 2000	RMB1,360	100%	Manufacture of passenger vehicles
BAIC Investment Co., Ltd.	The PRC June 28, 2002	RMB3,500	97.95%	Investment holding
Beijing Beinei Engine Parts and Components Co., Ltd.	The PRC September 2, 2003	RMB471	98.98%	Manufacture of auto parts
Beijing Benz Automotive Co., Ltd.	The PRC August 8, 2005	USD2,320	51%	Manufacture and sales of passenger vehicles
BAIC Hong Kong Investment Corp. Limited	Hong Kong Oct 21, 2009	RMB60	100%	Investment holding
BAIC Motor Powertrain Co., Ltd.	The PRC February 9, 2010	RMB1,476	100%	Manufacture of auto engine
Beijing Motor Sales Co., Ltd.	The PRC May 3, 2012	RMB100	100%	Sale of passenger vehicles
Zhuzhou (BAIC) Motor Sales Co., Ltd.	The PRC August 5, 2013	RMB8	100%	Sale of passenger vehicles
China Automobile Development United (Beijing) Technology Investment Co., Ltd.	The PRC December 18, 2013	RMB104	54.0865%	Investment management

41 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Company name	Place and date of establishment/ incorporation	Issued and paid-up capital (million)	Attributable equity interests	Principal activities
Joint Ventures				
Beijing Hyundai Motor Company	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
Beijing Bai Das Auto System Co., Ltd.	The PRC June 27, 2011	USD41	50%	Manufacture and sales of automobile interior decoration parts
Associates				
BAIC Group Finance Co., Ltd.	The PRC November 9, 2011	RMB2,500	20%	Auto financing and currency settlement
Beijing Hyundai Auto Finance Co., Ltd.	The PRC June 26, 2012	RMB4,000	33%	Automobile financing services
Mercedes-Benz Leasing Co., Ltd.	The PRC January 9, 2012	RMB3,598	35%	Finance lease services

42 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(a) Balance sheet of the Company

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	**6,107,084**	10,531,181
Land use rights	**541,925**	1,274,735
Intangible assets	**9,234,403**	9,845,460
Investments in subsidiaries	**23,239,798**	22,193,909
Investments accounted for using equity method	**2,139,036**	1,665,396
Financial assets at fair value through other comprehensive income	**4,000**	2,355,239
Other long-term assets	**1,040**	14,012
	41,267,286	47,879,932
Current assets		
Inventories	**2,042,874**	738,495
Accounts receivable	**15,521,061**	14,473,020
Advances to suppliers	**215,028**	112,236
Other receivables and prepayments	**20,519,381**	15,341,026
Restricted cash	**420,072**	195,455
Cash and cash equivalents	**835,161**	466,536
	39,553,577	31,326,768
Total assets	**80,820,863**	79,206,700

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

(a) Balance sheet of the Company (Continued)

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
EQUITY		
Capital and reserves attributable to equity holders		
Share capital	**8,015,338**	7,595,338
Perpetual bond	**1,998,160**	–
Other reserves (note (a))	**25,159,213**	23,133,187
Retained earnings (note (a))	**9,582,381**	7,565,797
Total equity	**44,755,092**	38,294,322
LIABILITIES		
Non-current liabilities		
Borrowings	**9,152,097**	7,352,478
Deferred income tax liabilities	**–**	95,052
Provisions	**23,967**	38,279
Deferred income	**394,322**	400,032
	9,570,386	7,885,841
Current liabilities		
Accounts payable	**12,405,596**	10,045,356
Contract liabilities	**942**	1,018
Other payables and accruals	**7,403,513**	6,737,752
Current income tax liabilities	**8,677**	–
Borrowings	**6,665,000**	16,215,613
Provisions	**11,657**	26,798
	26,495,385	33,026,537
Total liabilities	**36,065,771**	40,912,378
Total equity and liabilities	**80,820,863**	79,206,700

The balance sheet of the Company was approved by the Board of Directors on March 27, 2019 and was signed on its behalf.

Xu Heyi, Director

Chen Hongliang, Director

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

(a) Balance sheet of the Company (Continued)

Notes:

(a) Reserve movement of the Company is as set out below:

	Capital reserve RMB'000 (Note 23(a))	Statutory reserve RMB'000 (Note 23(b))	Financial assets at FVOCI RMB'000	Retained earnings RMB'000	Total RMB'000
At December 31, 2017	**20,586,259**	**2,008,301**	**538,627**	**7,565,797**	**30,698,984**
Change in accounting policy (Note 2(c))	**–**	**–**	**–**	**(82,272)**	**(82,272)**
At January 1, 2018	**20,586,259**	**2,008,301**	**538,627**	**7,483,525**	**30,616,712**
Profit for the year	**–**	**–**	**–**	**2,598,296**	**2,598,296**
Changes in fair value of financial assets at FVOCI	**–**	**–**	**95,050**	**–**	**95,050**
Issue of new shares	**2,233,069**	**–**	**–**	**–**	**2,233,069**
Appropriation to reserve fund	**–**	**331,584**	**–**	**(331,584)**	**–**
Dividends relating to 2017 declared in June 2018	**–**	**–**	**–**	**(801,533)**	**(801,533)**
Disposal of financial assets at FVOCI to a subsidiary	**–**	**–**	**(633,677)**	**633,677**	**–**
At December 31, 2018	**22,819,328**	**2,339,885**	**–**	**9,582,381**	**34,741,594**
At January 1, 2017	20,586,468	1,287,926	–	3,654,585	25,528,979
Profit for the year	–	–	–	6,834,235	6,834,235
Changes in fair value of available-for-sale financial assets	–	–	538,627	–	538,627
Appropriation to reserve fund	–	720,375	–	(720,375)	–
Dividends relating to 2016 declared in June 2017	–	–	–	(2,202,648)	(2,202,648)
Others	(209)	–	–	–	(209)
At December 31, 2017	20,586,259	2,008,301	538,627	7,565,797	30,698,984

43 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS

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

For the year ended December 31, 2018

	Emoluments paid or receivable in respect of services as a director/supervisor					Emoluments paid or receivable in respect of other services in connection with the management of the affairs of the Company or its subsidiary undertakings	
	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							
Chen Hongliang (陳宏良) (Chief Executive)	919	80	718	–	–	–	1,717
Non-executive director							
Xu Heyi (徐和誼)	–	–	–	–	–	–	–
Shang Yuanxian (尚元賢)[2]	–	–	–	–	–	–	–
Yan Xiaolei (閆小雷)[3]	–	–	–	–	–	–	–
Xie Wei (謝偉)[4]	–	–	–	–	–	–	–
Qiu Yinfu (邱銀富)	–	–	–	–	–	–	–
Hubertus Troska (唐仕凱)	–	–	–	–	–	–	–
Bodo Uebber (于博)	–	–	–	–	–	–	–
Jiao Ruifang (焦瑞芳)[5]	–	–	–	–	–	–	–
Lei Hai (雷海)[6]	–	–	–	–	–	–	–
Zhang Xiyong (張夕勇)[7]	–	–	–	–	–	–	–
Zhang Jianyong (張建勇)[8]	–	–	–	–	–	–	–
Guo Xianpeng (郭先鵬)[9]	–	–	–	–	–	–	–
Wang Jing (王京)[10]	–	–	–	–	–	–	–
Zhu Baocheng (朱保成)[11]	–	–	–	–	–	–	–

43 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

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

For the year ended December 31, 2018 (Continued)

	Emoluments paid or receivable in respect of services as a director/supervisor					Emoluments paid or receivable in respect of other services in connection with the management of the affairs of the Company or its subsidiary undertakings	
	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							
Wong Lung Tak Patrick (黃龍德)	–	–	–	–	120	–	120
Bao Robert Xiaochen (包曉晨)	–	–	–	–	120	–	120
Zhao Fuquan (趙福全)	–	–	–	–	120	–	120
Liu Kaixiang (劉凱湘)	–	–	–	–	120	–	120
Ge Songlin (葛松林)	–	–	–	–	120	–	120
Supervisor							
Zhang Guofu (張國富)	786	80	535	–	–	–	1,401
Pang Minjing (龐民京)	–	–	–	–	120	–	120
Zhan Zhaohui (詹朝暉)	–	–	–	–	120	–	120
Wang Min (王敏)	–	–	–	–	–	–	–
Gu Zhangfei (顧章飛)	–	–	–	–	–	–	–
Yao Shun (姚舜)	–	–	–	–	–	–	–
Meng (孟猛)[12]	–	–	–	–	–	–	–
Jiang Dali (姜大力)[13]	–	–	–	–	–	–	–
Li Shuangshuang (李雙雙)	603	55	1,035	–	–	–	1,693
Wang Bin (王彬)	1,012	80	425	–	–	–	1,517

43 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

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

For the year ended December 31, 2018 (Continued)

Notes:

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

(2) Appointed in June 2018.

(3) Appointed in June 2018.

(4) Appointed in June 2018.

(5) Appointed in June 2018.

(6) Appointed in June 2018.

(7) Resigned in June 2018.

(8) Resigned in June 2018.

(9) Resigned in June 2018.

(10) Resigned in June 2018.

(11) Resigned in June 2018.

(12) Appointed in December 2018.

(13) Resigned in December 2018.

43 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

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

For the year ended December 31, 2017

	Emoluments paid or receivable in respect of services as a director/supervisor					Emoluments paid or receivable in respect of other services in connection with the management of the affairs of the Company or its subsidiary undertakings	
	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							
Chen Hongliang (陳宏良) (Chief Executive)[2]	362	38	16	–	–	–	416
Li Feng (李峰) (Chief Executive)[3]	571	29	374	–	–	–	974
Non-executive director							
Xu Heyi (徐和誼)	–	–	–	–	–	–	–
Zhang Xiyong (張夕勇)	–	–	–	–	–	–	–
Qiu Yinfu (邱銀富)	–	–	–	–	–	–	–
Hubertus Troska	–	–	–	–	–	–	–
Bodo Uebber	–	–	–	–	–	–	–
Wang Jing (王京)	–	–	–	–	–	–	–
Zhang Jianyong (張建勇)	–	–	–	–	–	–	–
Yang Shi (楊實)[4]	–	–	–	–	–	–	–
Shang Yuanxian (尚元賢)[5]	–	–	–	–	–	–	–
Gu Xianpeng (郭先鵬)[6]	–	–	–	–	–	–	–
Zhu Baocheng (朱保成)[7]	–	–	–	–	–	–	–

43 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

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

For the year ended December 31, 2017 (Continued)

	Emoluments paid or receivable in respect of services as a director/supervisor					Emoluments paid or receivable in respect of other services in connection with the management of the affairs of the Company or its subsidiary undertakings	
	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 (付於武)[8]	–	–	–	–	67	–	67
Wong Lung Tak Patrick (黃龍德)	–	–	–	–	120	–	120
Bao Robert Xiaochen (包曉晨)	–	–	–	–	120	–	120
Zhao Fuquan (趙福全)	–	–	–	–	120	–	120
Liu Kaixiang (劉凱湘)	–	–	–	–	120	–	120
Ge Songlin (葛松林)[9]	–	–	–	–	53	–	53
Supervisor							
Zhang Guofu (張國富)	756	73	427	–	–	–	1,256
Pang Minjing (龐民京)	–	–	–	–	120	–	120
Zhan Zhaohui (詹朝暉)	–	–	–	–	120	–	120
Wang Min (王敏)	–	–	–	–	–	–	–
Zhang Yuguo (張裕國)[10]	–	–	–	–	–	–	–
Zhu Zhenghua (朱正華)[11]	–	–	–	–	–	–	–
Li Chengjun (李承軍)[12]	465	73	176	–	–	–	714
Yu Wei (余威)[13]	–	–	–	–	–	–	–
Wang Jianping (王建平)[14]	–	–	–	–	–	–	–
Gu Zhangfei (顧章飛)[15]	–	–	–	–	–	–	–
Yao Shun (姚舜)[16]	–	–	–	–	–	–	–
Jiang Dali (姜大力)[17]	–	–	–	–	–	–	–
Li Shuangshuang (李雙雙)[18]	–	–	–	–	–	–	–
Wang Bin (王彬)[19]	–	–	–	–	–	–	–

43 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

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

For the year ended December 31, 2017 (Continued)

Notes:

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

(2) Appointed in June 2017.

(3) Resigned in June 2017.

(4) Resigned in April 2017.

(5) Resigned in April 2017.

(6) Appointed in April 2017.

(7) Appointed in April 2017.

(8) Resigned in April 2017.

(9) Appointed in April 2017.

(10) Resigned in December 2017.

(11) Resigned in December 2017.

(12) Resigned in December 2017.

(13) Resigned in December 2017.

(14) Resigned in December 2017.

(15) Appointed in December 2017.

(16) Appointed in December 2017.

(17) Appointed in December 2017.

(18) Appointed in December 2017.

(19) Appointed in December 2017.

43 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

(b) During the year ended December 31, 2018, 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/supervisor in respect of his services as a director/supervisor or other services in connection with the management of the affairs of the Company or its subsidiaries (2017: nil).

(c) During the year ended December 31, 2018, no payments or benefits in respect of termination of director/supervisor 's services were paid or made, directly or indirectly, to or receivable by a director/supervisor; nor are any payable (2017: nil).

(d) During the year ended December 31, 2018, no consideration was provided to or receivable by third parties for making available director/supervisor 's services (2017: nil).

(e) There are no loans, quasi-loans or other dealings in favour of the director/supervisor, his controlled bodies corporate and connected entities (2017: nil).

(f) Save as disclosed elsewhere in these financial statements, 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/supervisor 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 (2017: nil).

"2017" or "the year 2017"	the year ended December 31, 2017
"2018" or "the year 2018" or "the year"	the year ended December 31, 2018
"Articles of Association"	the Articles of Association of BAIC Motor Corporation Limited considered and amended at the second extraordinary general meeting of the Company for 2018 held on December 28, 2018
"Audit Committee"	Audit Committee of the Board of the Company
"BAIC BluePark"	BAIC BluePark New Energy Technology Co., Ltd.
"BAIC Finance"	BAIC Group Finance Co., Ltd.
"BAIC Group"	Beijing Automotive Group Co., Ltd.
"BAIC Guangzhou"	BAIC Guangzhou Automotive Co., Ltd.
"BAIC Holding"	Beijing Automotive Industry Holding Co., Ltd., the predecessor of BAIC Group, a state-owned enterprise incorporated in the PRC on June 30, 1994, which changed its name to BAIC Group on September 28, 2010
"BAIC Hong Kong"	BAIC Hong Kong Investment Corp. Limited
"BAIC Investment"	BAIC Investment Co., Ltd.
"BAIC SA"	BAIC Automobile SA Proprietary Limited
"Beijing Benz"	Beijing Benz Automotive Co., Ltd. (formerly known as Beijing Jeep Motor Co., Ltd. and Beijing Benz-Daimler Chrysler Automotive Co., 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.
"Benz Sales"	Beijing Mercedes-Benz Sales Service Co., Ltd.
"BEPC"	Beijing Beinei Engine Parts and Components Co., Ltd.
"BH Leasing"	BH Leasing Co., Ltd.

Definitions

"BHAF"	Beijing Hyundai Auto Finance Co., Ltd.
"Board of Directors" or "Board"	the Board of Directors of the Company
"Board of Supervisors"	the Board of Supervisors of the Company
"Bohai Automotive"	Bohai Automotive Systems Co., Ltd. (渤海汽車系統股份有限公司)
"CAAM"	China Association of Automobile Manufacturers
"CAGR"	compound annual growth rate
"CBRC"	China Banking Regulatory Commission
"Changhe Automotive"	Jiangxi Changhe Automotive Co., Ltd.
"China Accounting Standards" or "PRC Accounting Standards"	Chinese Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC
"Company"	BAIC Motor Corporation Limited
"Company Law"	the Company Law of the People's Republic of China, as amended and adopted by the Standing Committee of the Thirteenth National People's Congress on October 26, 2018 and effective from October 26, 2018, as amended, supplemented or otherwise modified from time to time
"connected transaction(s)"	has the meaning ascribed thereto in the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto in the Listing Rules
"Corporate Governance Code"	the Code on Corporate Governance as set forth in Appendix 14 to the Listing Rules
"Daimler AG"	Daimler AG
"Daimler Greater China"	Daimler Greater China Ltd.
"Date of Issue of the Report"	March 27, 2019, 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
"end of 2017"	December 31, 2017

"end of 2018"	December 31, 2018
"FJMOTOR"	Fujian Motor Industry Group Co.
"Foton"	Beiqi Foton Motor Co., Ltd.
"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
"H Share(s)"	overseas listed foreign shares in the ordinary share capital of the Company with a nominal value of RMB1.0 each, to be subscribed for and traded in HK dollars and listed and traded on the Stock Exchange
"HK$"	the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hyundai Capital Services"	Hyundai Capital Services, Inc.
"Hyundai China"	Hyundai Motor Group (China) Ltd.
"Hyundai Motor"	Hyundai Motor Company
"IFRSs"	International Financial Reporting Standards issued by the International Accounting Standards Board
"Latest Practicable Date"	April 16, 2019, 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 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.
"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

Definitions

"PBOC"	the People's Bank of China
"Powertrain"	BAIC Motor Powertrain Co., Ltd.
"Prospectus"	the prospectus of the Company dated December 9, 2014
"PwC"	PricewaterhouseCoopers
"PwC Zhong Tian"	PricewaterhouseCoopers Zhong Tian LLP
"QianFeng"	Chengdu Qianfeng Electronics Co., Ltd.
"Remuneration Committee"	remuneration committee of the Board of the Company
"Renminbi" or "RMB"	the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Share(s)"	Domestic share(s) and H share(s)
"Shareholder(s)"	holder(s) of the Share(s)
"Shougang Lvjie"	Beijing Shougang Lvjie Venture Capital Co., Ltd.
"Shougang Shares"	Beijing Shougang Company Limited
"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 of the Company
"Zhuzhou Sales"	Zhuzhou (BAIC) Motor Sales Co., Ltd.

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