BAIC FINANCE INVESTMENT CO., LTD.

(incorporated in the British Virgin Islands with limited liability)

(the "Issuer")

US$350,000,000 2.00 PER CENT. GUARANTEED NOTES DUE 2024
(the "Notes", Stock Code: 40615)

UNCONDITIONALLY AND IRREVOCABLY GUARANTEED BY

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

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1958)

(the "Guarantor")

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

DBS Bank Ltd.	**Bank of Communications**	**China Everbright Bank Hong Kong Branch**

Joint Bookrunners and Joint Lead Managers

China CITIC Bank International	**China International Capital Corporation**	**China PA Securities (Hong Kong) Company Limited**	**Industrial Bank Co., Ltd. Hong Kong Branch**	**CMBC Capital**

This announcement is issued pursuant to Rule 37.39A of the Listing Rules.

Reference is made to the notice of listing of the Notes on The Stock Exchange of Hong Kong Limited dated 16 March 2021 published by the Issuer.

The offering circular dated 10 March 2021 in relation to the Notes is appended to this announcement.

Hong Kong, 17 March 2021

As at the date of this announcement, the board of directors of BAIC Finance Investment Co., Ltd. comprises Mr. Chen Hongliang and Mr. Li Deren; and the board of directors of BAIC Motor Corporation Limited comprises Mr. Jiang Deyi, as Chairman of the board of directors and non-executive director; Mr. Liao Zhenbo, Mr. Chen Hongliang, Ms. Shang Yuanxian, Mr. Xie Wei, Mr. Qiu Yinfu, Mr. Hubertus Troska, Mr. Harald Emil Wilhelm, Mr. Jin Wei and Mr. Lei Hai, as non-executive directors; and Mr. Ge Songlin, Mr. Wong Lung Tak Patrick, Mr. Bao Robert Xiaochen, Mr. Zhao Fuquan and Mr. Liu Kaixiang, as independent non-executive directors.

* *For identification purpose only*

Appendix 1 – Offering Circular dated 10 March 2021

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES. THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following disclaimer before continuing. The following applies to the offering circular following this page (the "**Offering Circular**"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the Issuer or the Guarantor (each as defined in the attached Offering Circular) as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES AND THE GUARANTEE RELATED THERETO HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS OUTSIDE THE UNITED STATES PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

THIS OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON, ELECTRONICALLY OR OTHERWISE, AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view this Offering Circular or make an investment decision with respect to the securities, investors must not be located in the United States. This Offering Circular is being sent at your request and by accepting the e-mail and accessing this Offering Circular, you shall be deemed to have represented to the Issuer, the Guarantor and each of DBS Bank Ltd., Bank of Communications Co., Ltd. Hong Kong Branch and China Everbright Bank Co., Ltd., Hong Kong Branch (collectively the "**Joint Global Coordinators**"; and each of them, a "**Joint Global Coordinator**"), China CITIC Bank International Limited, China International Capital Corporation Hong Kong Securities Limited, China PA Securities (Hong Kong) Company Limited, Industrial Bank Co., Ltd. Hong Kong Branch and CMBC Securities Company Limited (collectively, the "**Joint Bookrunners**"; and each of them, a "**Joint Bookrunner**"; and the Joint Global Coordinators and the Joint Bookrunners are being collectively referred to as the "**Joint Lead Managers**"; and each of them, a "**Joint Lead Manager**") that you and any customers you represent are not, and the electronic mail address that you gave the Joint Lead Managers to which this e-mail has been delivered is not, located in the United States and that you consent to delivery of such Offering Circular and any amendments or supplements thereto by electronic transmission.

The attached document is being furnished in connection with an offering in offshore transactions outside the United States in compliance with Regulation S under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein. You are reminded that the information in the attached Offering Circular is not complete and may be changed.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Offering Circular, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in the attached.

Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of any of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents (each as defined in the attached Offering Circular) to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and any of the Joint Lead Managers or any affiliate of them is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Joint Lead Manager or such affiliate on behalf of the Issuer in such jurisdiction.

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents, nor any person who controls any of them, nor their respective directors, officers, employees, representatives nor agents, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Actions that you may not take: If you receive this document by e-mail, you should not reply by e-mail to this announcement, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

STRICTLY CONFIDENTIAL

BAIC FINANCE INVESTMENT CO., LTD.

(incorporated in the British Virgin Islands with limited liability)

US$350,000,000 2.00 PER CENT. GUARANTEED NOTES DUE 2024
UNCONDITIONALLY AND IRREVOCABLY GUARANTEED BY

北京汽车
BAIC MOTOR

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

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(SEHK Stock Code: 1958)

ISSUE PRICE: 99.693 PER CENT.

The 2.00 per cent. guaranteed notes due 2024 (the "**Notes**") will be issued in the aggregate principal amount of US$350,000,000 by BAIC Finance Investment Co., Ltd. (the "**Issuer**") and are in registered form in the denomination of US$200,000 each and integral multiples of US$1,000 in excess thereof. The Notes will be unconditionally and irrevocably guaranteed (the "**Guarantee**") by BAIC Motor Corporation Limited (the "**Guarantor**" or the "**Company**"). The Issuer is an indirect wholly-owned subsidiary of the Guarantor.

The Notes will bear interest from and including 16 March 2021 (the "**Issue Date**") at the rate of 2.00 per cent. per annum. Interest on the Notes is payable semi-annually in arrear on 16 March and 16 September in each year, commencing with the first Interest Payment Date (as defined in the Terms and Conditions of the Notes (the "**Terms and Conditions**")) falling on or nearest to 16 September 2021.

The Notes will constitute direct, unsubordinated, unconditional and (subject to Condition 4(a) of the Terms and Conditions) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Terms and Conditions, at all times rank at least *pari passu* with all the Issuer's other present and future unsecured and unsubordinated obligations. The Guarantee was unconditionally and irrevocably given by the Guarantor pursuant to the Deed of Guarantee (as defined in the Trust Deed). The Guarantee will constitute direct, unsubordinated, unconditional and (subject to Condition 4(a) of the Terms and Conditions) unsecured obligations of the Guarantor and shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Terms and Conditions, at all times rank at least *pari passu* with all its other present and future unsecured and unsubordinated obligations.

All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes or under the Guarantee shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the BVI or the PRC (each as defined herein) or any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law. See "*Terms and Conditions of the Notes – Taxation*". The controlling shareholder of the Guarantor, Beijing Automotive Group Co., Ltd. (北京汽車集團有限公司) ("**BAIC Group**"), has made an application for the filing registration (the "**Pre-Issuance Registration**") of the offering of the Notes with the National Development and Reform Commission ("**NDRC**") in accordance with the Circular on Promoting the Reform of the Filing and Registration System for Foreign Debt Issued by Enterprises (Fa Gai Wai Zi [2015] No. 2044) (the "**NDRC Circular**") (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) issued by NDRC which came into effect on 14 September 2015 and any implementation rules, regulations, certificates, circulars or notices as issued by NDRC from time to time. BAIC Group has received an Enterprise Foreign Debt Filing Registration Certificate dated 23 October 2020 from NDRC in connection with the Pre-Issuance Registration evidencing such registration. Pursuant to the requirements of the NDRC Circular, the Guarantor or BAIC Group will be required to complete the filing in respect of the issue of the Notes within 10 PRC Business Days (as defined in the "*Terms and Conditions")* following the Issue Date (the "**NDRC Post-Issuance Filing**").

Unless previously redeemed or purchased and cancelled as provided herein, the Notes will be redeemed at their principal amount on 16 March 2024 (the "**Maturity Date**"). At any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (as defined in the Terms and Conditions) (which notice shall be irrevocable), the Issuer may redeem the Notes in whole, but not in part, at their principal amount (together with unpaid interest accrued up to but excluding the date fixed for redemption), if, immediately prior to the giving of such notice, the Issuer (or, if the Guarantee was called, the Guarantor) satisfies the Trustee that the Issuer (or if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions) as a result of any change in, or amendment to, the laws or regulations of the BVI or the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 10 March 2021, and such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it. Upon the occurrence of a Relevant Event (as defined in the Terms and Conditions), the holder of any Note will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Notes on the Put Settlement Date (as defined in the Terms and Conditions) at 101 per cent. (in the case of a redemption for a Change of Control (as defined in the Terms and Conditions)) or 100 per cent. (in the case of a redemption for a Non-Registration Event (as defined in the Terms and Conditions)) of their principal amount, together in each case with accrued unpaid interest to (but excluding), the relevant Put Settlement Date. See "*Terms and Conditions of the Notes – Redemption and Purchase*" for details.

Application will be made to The Stock Exchange of Hong Kong Limited (the "**SEHK**") for the listing of, and permission to deal in, the Notes by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) ("**Professional Investors**") only. This document is for distribution to Professional Investors only.

Notice to Hong Kong investors: The Issuer and the Guarantor confirm that the Notes are intended for purchase by Professional Investors only and will be listed on the SEHK on that basis. Accordingly, the Issuer and the Guarantor confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The SEHK has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Notes on the SEHK is not to be taken as an indication of the commercial merits or credit quality of the Notes or the Issuer or the Guarantor or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the SEHK take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

Investing in the Notes involves certain risks. See "*Risk Factors*" beginning on page 13 for a description of certain factors to be considered in connection with an investment in the Notes. The Notes and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and, subject to certain exceptions, may not be offered or sold within the United States and are only being offered and sold in an offshore transaction outside the United States in compliance with Regulation S under the Securities Act ("Regulation S"). For a description of these and certain restrictions on offers and sales of the Notes and the Guarantee and the distribution of this Offering Circular, see "*Subscription and Sale*".

In connection with Section 309B of the Securities and Futures Act (Chapter 289 of Singapore) and the Securities and Futures (Capital Markets Products) Regulations 2018 (the "**CMP Regulations 2018**"), the Issuer has determined the classification of the Notes as prescribed capital markets products (as defined in the CMP Regulations 2018).

The Guarantor was rated "BBB" with a negative outlook by S&P Global Ratings ("**S&P**") and "BBB+" with a stable outlook by Fitch Ratings, Inc. ("**Fitch**"). These ratings are only correct as at the date of this Offering Circular. The Notes are expected to be assigned a rating of "BBB" by S&P and "BBB+" by Fitch. A rating is not a recommendation to buy, sell or hold the Notes and the rating may be subject to revision, qualification, suspension, reduction or withdrawal at any time by the assigning rating agency. A revision, qualification, suspension, reduction or withdrawal of any rating assigned to the Guarantor and/or the Notes may adversely affect the market price of the Notes.

The Notes will be represented by beneficial interests in a global note certificate (the "**Global Certificate**") in registered form, which will be registered in the name of a nominee for, and shall be deposited on or about 16 March 2021 (the "**Issue Date**") with a common depositary for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for Notes will not be issued in exchange for interests in the Global Certificate. See "*Summary of Provisions relating to the Notes in Global Form*".

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

DBS Bank Ltd. | **Bank of Communications** | **China Everbright Bank Hong Kong Branch**

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Offering Circular dated 10 March 2021

NOTICE TO INVESTORS

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer and the Guarantor. Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading. The distribution of this Offering Circular is limited to (a) Professional Investors only; or (b) for a person outside Hong Kong, a person to whom securities may be sold in accordance with a relevant exemption from public offer regulations in that jurisdiction.

*This Offering Circular does not constitute an offer to sell to, or a solicitation of an offer to buy from, any person in any jurisdiction to whom it is unlawful to make the offer or solicitation in such jurisdiction. Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in affairs of the Guarantor and its subsidiaries taken as a whole (together, the "**Group**") since the date of this offering memorandum or that the information contained in this Offering Circular is correct as at any time after that date.*

MiFID II product governance/Professional Investors and ECPs only target market – Solely for the purposes of the manufacturer(s)' product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer(s)' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer(s)' target market assessment) and determining appropriate distribution channels.

PRIIPs REGULATION/PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation. This Offering Circular is not a prospectus for the purposes of the Regulation (EU) 2017/1129 (as amended or superseded) as implemented in member states of the EEA.

The Notes and any other document or materials relating to the issue of the Notes is not being made, and such documents and/or materials have not been approved, by an authorised person for the purposes of section 21 of the United Kingdom's Financial Services and Markets Act 2000, as amended ("**FSMA**"). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments, high net worth companies, high net worth unincorporated associations or partnerships, trustees of high value trusts and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**")), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "relevant persons"). In the United Kingdom, the Notes are only available to, and any investment or investment activity to which this Offering Circular relates will be engaged in only with, such relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on the attached document or any of its contents.

Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to Sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore), as amended (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the securities described in the attached document are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).

Each of the Issuer and the Guarantor, having made reasonable enquiries, confirms that to the best of its knowledge and belief (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor, the Group, the Notes and the Guarantee which is material in the context of the issue, offering, sale or distribution of the Notes, (ii) the statements of fact contained in this Offering Circular relating to the Issuer, the Guarantor, the Group, the Notes, the Guarantee are in every material respect true and accurate and not misleading and there are no other facts in relation to the Issuer, the Guarantor, the Group, the Notes and the Guarantee the omission of which would in the context of the issue of the Notes make any statement in this Offering Circular, misleading in any material respect, (iii) the statements of intention, opinion, belief or expectation contained in this Offering Circular relating to the Issuer, the Guarantor, and the Group are honestly and reasonably made or held and have been reached after considering all relevant circumstances, and (iv) all reasonable enquiries have been and will be made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements.

This Offering Circular has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Notes described in this Offering Circular. The distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee and the Agents (as defined in the Terms and Conditions) to inform themselves about and to observe any such restrictions. None of the Issuer, the Guarantor and the Joint Lead Managers represents that this Offering Circular or any other material connected thereto has been or will be lawfully distributed, or that the Notes has been or will be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. No action is being taken to permit a public offering of the Notes or the possession or distribution of this Offering Circular or any offering or publicity material relating to the Notes in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Notes, the Guarantor giving the Guarantee and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offer, sale and resale of the Notes and the distribution of this Offering Circular, see "*Subscription and Sale*". This Offering Circular does not constitute an offer of, or an invitation to purchase, any of the Notes in any jurisdiction in which such offer or invitation would be unlawful. Each prospective investor of the Notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes or possesses or distributes this Offering Circular and must obtain any consent, approval or permission required under any regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and none of the Issuer, the Guarantor and the Joint Lead Managers shall have any responsibility therefor. By purchasing the Notes, investors represent and agree to all of those provisions contained in that section of this Offering Circular.

No person has been or is authorised in connection with the issue, offer or sale of the Notes to give any information or to make any representation concerning the Issuer, the Guarantor, the Notes or the Guarantee other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Notes shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor, or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates to subscribe for or purchase, any of the Notes and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

This Offering Circular is being furnished by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Notes exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider purchasing the Notes. Investors must not use this Offering Circular for any other purpose, make copies of any part of this Offering Circular or give a copy of it to any other person, or disclose any information in this Offering Circular to any other person.

This Offering Circular does not purport to summarise all of the terms, conditions, covenants and other provisions contained in the Notes, the Deed of Guarantee, the Trust Deed and other transaction documents described herein. The information provided is not all-inclusive. The market information contained in this Offering Circular has been provided by the Issuer and the Guarantor from publicly available sources deemed by the Issuer or the Guarantor (as the case may be) to be reliable and none of the Issuer and the Guarantor has authorised its use for any other purpose. Any reproduction or distribution of this Offering Circular, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Notes described in this Offering Circular is prohibited. Each person into whose possession this Offering Circular comes, by accepting delivery of this Offering Circular, agrees to the foregoing.

No representation or warranty, express or implied, is made or given by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, advisers or representatives as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular or any other information supplied in connection with the Notes or the Guarantee and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates. The Joint Lead Managers, the Trustee and the Agents and their respective affiliates have not independently verified any of the information contained in this Offering Circular and give no assurance that this information is accurate, truthful or complete.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, agents, advisers or representatives accepts any responsibility for the contents of this Offering Circular or any statement made or purported to be made by any such person or on its behalf in connection with the Issuer, the Guarantor, the Notes or the Guarantee. Each of the Joint Lead Managers, the Trustee, the Agents and their respective affiliates, directors, officers, employees, agents, advisers or representatives accordingly disclaims all and any liability whether arising in tort or contract or which it might otherwise have in respect of this Offering Circular or any such statement contained therein. None of the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, agents, advisers or representatives undertakes to review the financial condition or affairs of the Issuer, the Guarantor or the Group for so long as the Notes remain outstanding nor to advise any investor or potential investor of the Notes of any information coming to the attention of any of the Joint Lead Managers, the Trustee, the Agents or their respective affiliates. This Offering Circular is not intended to provide the basis of any credit or other evaluation, nor should it be considered as a recommendation by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, agents advisers or representatives and each person who controls any of them) that any recipient of this Offering Circular should invest in the Notes. Each potential investor of the Notes should determine for itself the relevance of the information contained in this Offering Circular and its investment in the Notes should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

None of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents, or any of their respective affiliates, directors, officers, employees, agents advisers or representatives, or any person who controls any of them is or are making any representation to any investor regarding the legality of an investment in the Notes by it under any legal, investment or similar laws or regulations. The contents of this Offering Circular have not been reviewed by any regulatory authority in any jurisdiction. Investors are advised to exercise caution in relation to the offering of the Notes.

Any of the Joint Lead Managers and their respective affiliates may purchase the Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of the Issuer, the Guarantor or their respective subsidiaries or associates at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Notes). Furthermore, investors in the Notes may include entities affiliated with the Group.

In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor, the Group and the terms of the offering, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Notes. Investors are advised to read and understand the contents of this Offering Circular before investing. If in doubt, investors should consult his or her adviser.

IN CONNECTION WITH THE ISSUE OF THE NOTES, ANY ONE OF THE JOINT LEAD MANAGERS (OTHER THAN CHINA CITIC BANK INTERNATIONAL LIMITED) AS STABILISING MANAGER (THE "STABILISING MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND RULES, OVER ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL, BUT IN SO DOING, THE STABILISING MANAGER SHALL ACT AS PRINCIPAL AND NOT AS AGENT OF THE ISSUER OR THE GUARANTOR. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. SUCH STABILISATION SHALL BE CONDUCTED IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES. ANY LOSS OR PROFIT SUSTAINED AS CONSEQUENCE OF ANY SUCH OVERALLOTMENT OR STABILISATION SHALL BE FOR THE ACCOUNT OF THE STABILISING MANAGER OR, THE JOINT LEAD MANAGERS, IF AGREED BETWEEN THE JOINT LEAD MANAGERS. THE JOINT LEAD MANAGERS ACKNOWLEDGE THAT NEITHER THE ISSUER NOR THE GUARANTOR HAS AUTHORISED THE ISSUE OF THE NOTES IN AGGREGATE PRINCIPAL AMOUNT EXCEEDING US$350,000,000.

Listing of the Notes on the SEHK is not to be taken as an indication of the merits of the Issuer, the Guarantor or the Notes. In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor, the Group and the terms of the Notes, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Notes. None of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee and the Agents and their respective affiliates is making any representation to any purchaser of the Notes regarding the legality of any investment in the Notes by such purchaser under any applicable laws or regulations. The contents of this Offering Circular should not be construed as providing legal, business, accounting or investment advice. Each person receiving this Offering Circular acknowledges that such person has not relied on any of the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates in connection with its investigation of the accuracy of such information or its investment decision.

INDUSTRY AND MARKET DATA

Market data and certain industry forecasts and statistics set out in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although this information is believed to be reliable, it has not been independently verified by the Issuer, the Guarantor, any Joint Lead Managers, the Trustee or the Agents or their respective affiliates, directors, officers, employees, agents, advisers and representatives, and none of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or their respective affiliates, directors, officers, employees, agents, advisers or representatives makes any representation as to the accuracy or completeness of that information. Such information may not be consistent with other information compiled within or outside the PRC. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. This Offering Circular summarises certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents.

WARNING

The contents of this Offering Circular have not been reviewed by any regulatory authority in any jurisdiction. Investors are advised to exercise caution in relation to the offer. If investors are in any doubt about any of the contents of this Offering Circular, investors should obtain independent professional advice.

PRESENTATION OF FINANCIAL INFORMATION AND OTHER DATA

The consolidated financial information of the Group as at and for the years ended 31 December 2017, 2018 and 2019 has been extracted from the Group's audited consolidated financial statements as at and for the years ended 31 December 2018 and 2019 (respectively, the "**2018 Audited Financial Statements**" and "**2019 Audited Financial Statements**"). The 2018 Audited Financial Statements and 2019 Audited Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") published by the International Accounting Standards Board ("**IASB**"), which differ in certain respects from generally accepted accounting principles in other jurisdictions, and have been audited by PricewaterhouseCoopers ("**PwC**"), an independent auditor of the Group, in accordance with International Standards on Auditing (the "**ISAs**") issued by the International Auditing and Assurance Standards Board ("**IAASB**").

The Group applied the modified retrospective approach set out in IFRS 15 and the transitional provisions set out in IFRS 9 to adopt the new IFRS 15 and new IFRS 9 for the year ended 31 December 2018. There is no restatement to the financial information for the year ended 31 December 2017 upon the adoption of the new IFRS 15 and new IFRS 9. The consolidated financial information of the Group as at and for the year ended 31 December 2017 may not be directly comparable against the consolidated financial information of the Group on or after 1 January 2018, including the audited consolidated financial information of the Group as at and for the years ended 31 December 2018 and 2019 and the unaudited interim condensed consolidated financial information of the Group as at 30 June 2020 and for the six months ended 30 June 2019 and 2020. For the impact on the financial information for the year ended 31 December 2018 from the adoption of the new IFRS 15 and new IFRS 9, please see the Note 2(c) to the 2018 Audited Financial Statements for details.

The Group applied the transitional provisions set out in IFRS 16 to adopt the new IFRS 16 "Leasing" since 1 January 2019. There is no restatement to the financial information for the year ended 31 December 2018 upon the adoption of the new IFRS 16. The consolidated financial information of the Group as at and for the years ended 31 December 2017 and 2018 may not be directly comparable against the consolidated financial information of the Group on or after 1 January 2019, including the audited consolidated financial information of the Group as at and for the year ended 31 December 2019 and the unaudited interim condensed consolidated financial information of the Group as at 30 June 2020 and for the six months ended 30 June 2019 and 2020. For the impact on the financial information for the year ended 31 December 2019 from the adoption of the new IFRS 16, please see the Note 2(c) to the 2019 Audited Financial Statements for details.

The unaudited consolidated financial information of the Group as at and for the six months ended 30 June 2020, the unaudited and restated consolidated financial information of the Group for the six months ended 30 June 2019 and the restated consolidated financial information of the Group as at 31 December 2019 have been extracted from the Group's unaudited interim condensed consolidated financial statements as at and for the six months ended 30 June 2020 (the "**2020 Interim Financial Statements**"). The 2020 Interim Financial Statements have been reviewed by PwC in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". The 2020 Interim Financial Statements have not been audited by a certified public accountant. Consequently, the 2020 Interim Financial Statements should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit. In April 2020, the Company purchased the entire equity interest in BAIC International Development Co., Ltd. (北京汽車國際發展有限公司) ("**BAIC International**") and 24.78 per cent. equity interest in BAIC Yunnan Ruili Motor Co., Ltd. (北汽雲南瑞麗汽車有限公司) ("**BAIC Ruili**") from its controlling shareholder respectively. The acquisitions were business combinations under common control given that the Company, BAIC International and BAIC Ruili were and continue to be under common control of BAIC Group immediately before and after the business combinations. The Company applied the principles of merger accounting in preparing the 2020 Interim Financial Statements. By applying the principles of merger accounting, the 2020 Interim Financial Statements also included the financial information of BAIC International and BAIC Ruili as if they had been combined with the Group throughout the six months ended 30 June 2020. Comparative figures as at 31 December 2019 and for the six months ended 30 June 2019 in the 2020 Interim Financial Statements were restated as a result of such. For details, see Note 2.1 to the 2020 Interim Financial Statements. The Group's consolidated financial information contained in the 2018 Audited Financial Statements and 2019 Audited Financial Statements is not directly comparable with its consolidated financial information contained in the 2020 Interim Financial Statements. For details, see "*Risk Factors – Risks Relating to the Group's and its Business – The Group's consolidated financial information contained in the 2018 Audited Financial Statements and 2019 Audited Financial Statements is not directly comparable with its consolidated financial information contained in the 2020 Interim Financial Statements.*"

CERTAIN DEFINITIONS AND CONVENTIONS

Unless the context otherwise requires, references in this Offering Circular to "**US$**", "**U.S.$**", "**USD**" and "**US dollars**" are to the lawful currency of the United States; references to "**Hong Kong dollars**", "**HK dollars**" or "**HK$**" are to the lawful currency of Hong Kong; references to "**RMB**", "**Renminbi**" and "**CNY**" are to the lawful currency of the PRC; references to the "**PRC**" and "**China**" are to the People's Republic of China which for the purpose of this Offering Circular excludes Hong Kong, Macau and Taiwan; references to "**Hong Kong**" are to the Hong Kong Special Administrative Region of the PRC; references to "**Macau**" are to the Macau Special Administrative Region of the PRC; references to "**United States**" and "**U.S.**" are to the United States of America; and references to the "**PRC government**" are to the central government of China and its political subdivisions, including provincial, municipal and other regional or local government entities, and instrumentalities thereof, or where the context requires, any of them.

Solely for the sake of convenience, this Offering Circular contains translations of certain Renminbi amounts into US dollar amounts. Unless indicated otherwise, the translation of Renminbi amounts into US dollar amounts has been made at the rate of RMB7.0651 to US$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on 30 June 2020. These translations should not be construed as representations that the Renminbi amounts could actually be converted into any US dollar amounts at the rates indicated or at all. All such translations in this Offering Circular are provided solely for investors' convenience and no representation is made that the amounts referred to herein have been, could have been or could be converted into U.S. dollars or Renminbi, or *vice versa*, at any particular rate or at all.

In this Offering Circular, certain amounts and percentages may have been rounded up or down, including but not limited to where information has been presented in thousands, millions, or billions of units. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

Unless the context otherwise requires, references to "2017", "2018" and "2019" in this Offering Circular are to the years ended 31 December 2017, 2018 and 2019, respectively.

In this Offering Circular, unless otherwise indicated or the context otherwise requires, references to:

- "**Beijing Benz**" are to Beijing Benz Automotive Co., Ltd. (北京奔馳汽車有限公司);
- "**Beijing Hyundai**" are to Beijing Hyundai Motor Co., Ltd. (北京現代汽車有限公司);
- "**Beijing Municipal Government**" are to the People's Government of Beijing Municipality;
- "**Beijing SASAC**" are to the State-Owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality;
- "**CAAM**" are to China Association of Automobile Manufacturers;
- "**CCP**" are to the Chinese Communist Party;
- "**Fujian Benz**" are to Fujian Benz Automotive Co., Ltd. (福建奔馳汽車有限公司);
- "**MOF**" are to the Ministry of Finance of the PRC;
- "**MOFCOM**" are to the Ministry of Commerce of the PRC;
- "**NDRC**" are to the National Development and Reform Commission of the PRC or its counterparts;
- "**PBOC**" are to the People's Bank of China; and
- "**SAFE**" are to the State Administration for Foreign Exchange of the PRC.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates titles and the like are translations of their Chinese names and are included for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

GLOSSARY OF TECHNICAL TERMS

A0	a category of small passenger vehicles, where the wheelbase is between 2.2 to 2.5 meters with emission volume between 1L to 1.5L
CAGR	compound annual growth rate
CUV	Cross-over utility vehicle, usually referring to mini-van in China
MPV	multi-purpose passenger vehicle
PHEV	plug-in hybrid electric vehicle
R&D	research and development
Saab	a former Swedish automobile manufacturer
SUV	sports utility vehicle, an automotive classification, typically a kind of station wagon/estate car with off-road vehicle features like raised ground clearance and ruggedness, and equipped with four-wheel drive

FORWARD-LOOKING STATEMENTS

This Offering Circular includes "forward-looking statements". All statements other than statements of historical fact contained in this Offering Circular, including, without limitation, those regarding the Guarantor's future financial position and results of operations, strategy, plans, objectives, goals, prospects and targets, future developments in the markets where the Guarantor participates or is seeking to participate, and any statements preceded by, followed by or that include the words "believe", "expect", "aim", "intend", "will", "may", "can", "could", "plan", "would", "anticipate", "seek", "should", "estimate" or similar expressions or the negative thereof are forward-looking statements. These forward-looking statements involve known and unknown risks, including those disclosed under the section headed "*Risk Factors*" in this Offering Circular, uncertainties and other factors, some of which are beyond the Guarantor's control, which may cause its actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the Issuer's, the Guarantor's and the Group's present and future business strategies and the environment in which the Issuer, the Guarantor and the Group will operate in the future. Important factors that could cause the Issuer's, the Guarantor's and the Group's actual results, performance or achievements to differ from those in the forward-looking statements include, among others, the following:

- the risks inherent to the industry in which the Group operates;
- the business and operating strategies and the future business development of the Issuer, the Guarantor and Group, and the Group's and any member of the Group's business synergy with their respective joint venture partner(s);
- the general economic, political, social conditions and developments in the PRC and other relevant jurisdictions in which the Group has or intends to have business operations;
- changes in competitive conditions and the Group's ability to compete under these conditions;
- the Group's capital expenditure and development plans;
- the Group's expectations with respect to its ability to acquire and maintain regulatory qualifications required to operate its business;
- the availability and costs of bank loans and other forms of financing;
- the Group's financial condition and results of operations;
- the Group's dividend distribution plans;
- various business opportunities that the Group may pursue;
- changes and volatility in currency exchange rates and interest rates;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to the Group's businesses;
- the regulatory environment of the automotive industry in general;
- changes in the monetary and other macroeconomic policies of the PRC government;
- changes in the global economic conditions and material volatility in the global financial markets;
- changes in consumer demand in automotive industry due to pandemic;
- the Group's ability to obtain additional capital on acceptable terms;
- reduction or discontinuance of any government subsidies and other government grants or the funding gap between any government fiscal support and the Group's cash flow requirements;

- Government's expenditure and support on the automobile industry; and

- Other risks identified in the "*Risk Factors*" section of this Offering Circular and other factors beyond the Group's control.

In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur and the actual results of the Issuer, the Guarantor or the Group could differ materially from those anticipated in such forward-looking statements.

All forward-looking statements contained in this Offering Circular are qualified by reference to the cautionary statements set forth in this section.

These forward-looking statements speak only as at the date of this Offering Circular. None of the Issuer or the Guarantor undertakes any obligation to update or revise publicly any of the opinions or forward-looking statements expressed in this Offering Circular as a result of any new information, future events or otherwise.

CONTENTS

SUMMARY

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. This summary does not contain all the information that may be important to prospective investors in deciding to invest in the Notes. Terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should read the entire Offering Circular, including the section entitled "Risk Factors" and the financial statements and related notes thereto, before making an investment decision.

OVERVIEW

The Group is a leading manufacturer of passenger vehicles in China as the flagship listed company within the BAIC Group. The Group believes that it has the most optimised brand portfolio in the industry to meet market demand. The Group has BAIC Group's premium assets in passenger vehicle segment and offers a diversified and highly complementary brand portfolio of passenger vehicles covering different market segments that possesses high growth potential. The vehicle models in its product offering cover mid-to large-size sedan, mid-size sedan, compact sedan, small-size sedan, SUV and MPV products to satisfy customer demands for different types of vehicles. The Group's brands cover business segments of premium passenger vehicles, such as, Beijing Benz and Fujian Benz, joint venture mid-to high-end passenger vehicles, such as Beijing Hyundai, and proprietary brand passenger vehicles, such as Beijing Brand. The Group is also the leader of pure electric passenger vehicle market in China. The Company completed its H Shares initial public offering and was listed on the Main Board of the SEHK on 19 December 2014 (stock code: 1958).

The Company is a principal subsidiary of BAIC Group, which is one of the leading domestic automotive manufacturers in China. BAIC Group ranked 134th among the "Fortune Global 500" companies in 2020. The Company is the flagship company and a key business development platform for passenger vehicles of BAIC Group. The revenue and net profit of the Group contributed to a substantial part of the revenue and net profit of BAIC Group respectively for the year ended 31 December 2019 and for the six months ended 30 June 2020. Since February 2013, Daimler AG (戴姆勒股份公司) ("**Daimler AG**") has been the Company's third-largest shareholder. Daimler AG holds 9.55 per cent. of the total share capital of the Company. Daimler AG ranked 20th among the "Fortune Global 500" companies in 2020. The Group has a proven track record of successful joint venturing with world-leading automotive manufacturers. These joint ventures provide the Group with exclusive arrangements with international partners which are considered as leaders in their respective fields, such as Daimler AG and Hyundai Motor Company (韓國現代自動車株式會社) ("**Hyundai Motor**"). The Group believes that these joint ventures have offered unparalleled advantage and created synergies for its development. The strong sales momentum from the Group's joint venture brands has contributed to the substantial growth of its business and sales over the past years.

The Company ranked 61st among the "Fortune China 500" companies in 2020. In recognition of its overall strengths and outstanding business performance, the Group has received numerous awards and recognitions, such as China Securities Golden Bauhinia Awards, in recent years. In addition, Beijing Benz has won several honorary titles, such as "2016 Global Best Operating Factory – Best Manufacturer in Large Scale", "Green Plant Model", "Benchmark Enterprise of Intelligent Manufacturing in Beijing" and "Sino-German Intelligent Manufacturing Cooperation Demonstration Pilot Project", in recent years. In recognition of its efforts on quality enhancement, the Group has received several quality and customer satisfaction related awards, such as 2016 National Machinery Industry Quality Award, 2018 National Quality Benchmark award, J.D. Power awards and China Automobile Customer Satisfaction Index ("**CACSI**") awards. For details, see "– *Awards and Recognitions*".

The Group's major business operations include R&D, manufacturing and sales and after-sale services of passenger vehicles, production of core parts and components for passenger vehicles, car financing and other related businesses. The Group offers a comprehensive brand portfolio and product portfolio. The Group's business operation consists principally of the following segments:

- *Passenger vehicles.* The Group's passenger vehicle business covers R&D, manufacturing and sales and after-sale services of passenger vehicles. The Group has a diversified product offering and brands portfolio. The Group's passenger vehicle business consists of four sub-segments, namely Beijing Brand, Beijing Benz, Beijing Hyundai and Fujian Benz. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, the Group sold approximately1,465.9 thousand units, 1,460.0 thousand units, 1,425.1 thousand units and 503.1 thousand units of passenger vehicles, respectively. The Group sells its products primarily in China.

  – Beijing Brand is a proprietary brand of the Company. Beijing Brand has almost ten key models on the market, covering traditional oil-powered vehicles, new energy vehicles and PHEVs. In 2017, 2018 and 2019 and for the six months ended 30 June 2020, the sales volume under the Beijing Brand was approximately 235.8 thousand units, 156.2 thousand units, 167.0 thousand units and 35.1 thousand units of Beijing Brand passenger vehicles, respectively. Due to strategic considerations including optimisation of the product mix, the Group has ceased to manufacture and sell passenger vehicles of Wevan brand since 2019 and ceased to sell certain "BJ" series off-road vehicle products (mainly BJ40 and BJ80 vehicle models) from June 2019.

  – Beijing Benz is one of the subsidiaries of the Company. The Company holds 51.0 per cent. equity interest of Beijing Benz, while Daimler AG and its wholly-owned subsidiary, Daimler Greater China Ltd. (戴姆勒大中華區投資有限公司) ("**Daimler Greater China**"), together hold 49.0 per cent. equity interest of Beijing Benz. Beijing Benz commenced the manufacturing and sale of passenger vehicles of Mercedes-Benz brand in 2006. In 2017, 2018 and 2019 and for the six months ended 30 June 2020, the sales volume of Beijing Benz was approximately 422.6 thousand units, 485.0 thousand units, 567.3 thousand units and 270.1 thousand units of Beijing Benz passenger vehicles, respectively. Mercedes-Benz is a brand licensed to Beijing Benz by its owner, Daimler AG.

  – Beijing Hyundai is a joint venture of the Company. The Company holds 50.0 per cent. equity interest of Beijing Hyundai through its subsidiary BAIC Investment Co., Ltd. (北京汽車投資有限公司) ("**BAIC Investment**"), while Hyundai Motor holds the remaining 50.0 per cent. equity interest of Beijing Hyundai. Beijing Hyundai commenced the manufacturing and sale of passenger vehicles of Hyundai brand in 2002. In 2017, 2018 and 2019 and for the six months ended 30 June 2018, the sales volume of Beijing Hyundai was approximately 785.0 thousand units, 790.2 thousand units, 662.6 thousand units and 184.3 thousand units of Beijing Hyundai passenger vehicles, respectively. 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, to fully meet the needs of different consumers. The Group's vehicle models for sale mainly include fourth-generation Santa Fe, fourth-generation TUCSON, LA FESTA EV and ENCINO EV.

  – Fujian Benz is a joint venture of the Company. The Company holds 35.0 per cent. equity interest in Fujian Benz and entered into an act-in-concert agreement with Fujian Motor Industry Group Co. (福建省汽車工業集團有限公司) ("**FJMOTOR**"), which holds 15.0 per cent. equity interest in Fujian Benz. Daimler Vans Limited (Hong Kong) holds the remaining 50.0 per cent. equity interest of Fujian Benz. Fujian Benz commenced the manufacturing and sale of multi-purpose passenger vehicles and light passenger vehicles of Mercedes-Benz brand in 2010. Fujian Benz has been one of the market leaders in the field of joint venture premium business purpose vehicles, with production and sale of Mercedes-Benz V-class vehicles and New Vito products. In 2017, 2018 and 2019 and for the six months ended 30 June 2020, the sales volume of Fujian Benz was approximately 22.5 thousand units, 28.6 thousand units, 28.2 thousand units and 13.6 thousand units of Fujian Benz passenger vehicles, respectively.

- *Core parts and components for passenger vehicles.* The Group manufactures engines, powertrain, and other core parts and components for passenger vehicles through the production bases of Beijing Brand, Beijing Benz and Beijing Hyundai. These core parts and components are used not only for manufacturing the Group's vehicles, but also for sale to other automobile manufacturers, exports or sale to overseas factories of Hyundai Motor.

- *Car financing and other related businesses*. The Group conducts car financing and automobile aftermarket-related businesses of Beijing Brand, Mercedes-Benz brand and Hyundai brand. In addition, the Group conducts sales and service business and international business focusing on exporting passenger vehicle products of Beijing Brand. The Group also conducts R&D of light materials, new energy technology changes, information big data and used car businesses through relevant joint ventures.

The Group has established independent marketing channels for its passenger vehicle brands. Sales and marketing activities are primarily carried out separately through dealers of Beijing Brand, Beijing Benz, Beijing Hyundai and Fujian Benz, each of which has established an extensive distribution network in China.

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, the Group's revenue from operations was approximately RMB134,158.5 million, RMB151,920.4 million, RMB174,632.7 million and RMB77,854.4 million, respectively, representing a CAGR of approximately 9.2 per cent. from 2017 to 2019. As at 30 June 2020, the Group had total assets of approximately RMB196,560.9 million.

COMPETITIVE STRENGTHS

- The Company benefits from its strategic role within the BAIC Group as its controlling shareholder and various resources attributable to its other shareholders;
- The Group is positioned as a strategically important enterprise in Beijing's economic development with continuous support from the PRC government;
- The Group has a sound corporate governance and a well thought-out business development plan;
- The Group is a leading manufacturer of passenger vehicles in China, with a portfolio of complementary brands and products and sustainable growth momentum;
- The Group's Beijing Brand has a long operating history, advanced technology and precise market positioning;
- Beijing Benz, with the historic Mercedes-Benz premium brand, is primed for growth from new model launches, increased localisation and an integrated sales platform;
- Beijing Hyundai is a mainstream mid-to high-end passenger vehicle business with a competitive product portfolio;
- The Group has diversified financing channels to optimise capital structure and liquidity;
- The Group has a management team with international background and excellent track record, supported by a professional workforce;
- The Group has industry leading R&D capabilities and maintains continuous R&D investment; and
- The Group has established extensive distribution network underpinned by diverse sales channels and tailored marketing strategies.

BUSINESS STRATEGIES

- To further expand the Group's product portfolio and offer new vehicle models;
- To continue to improve the cost structure of the Group and improve its profitability;
- To further strengthen the Group's R&D capabilities, enhance its competitiveness and achieve sustainable development; and
- To further explore business models in automobile sales and expand the Group's sales network.

RECENT DEVELOPMENTS

On 9 September 2020, Mr. Xu Heyi resigned as the Chairman of the Board, a non-executive Director, the chairman of the Strategy Committee and the chairman of the nomination committee under the Company's board of directors (the "**Board**") due to work re-designation. Mr. Jiang Deyi and Mr. Liao Zhenbo were appointed as non-executive directors of the Company at its first EGM held on 27 October 2020. Each of them was appointed for a term commencing from 27 October 2020 until the expiration of the term of the third session of the Board. The Board also resolved at a meeting held on 27 October 2020 to appoint Mr. Jiang Deyi as the Chairman of the Board, the chairman of the strategic committee and the chairman of the nomination committee under the Board for a term commencing from 27 October 2020 until the expiration of the term of the third session of the Board.

On 27 October 2020, the Company published its operating results for the third quarter ended 30 September 2020 on the SEHK. Such operating results were prepared in accordance with the Accounting Standards for Business Enterprises of the PRC, which have been publicly disclosed on the designated media and/or stock exchanges or otherwise in the PRC. As at 30 September 2020, the Group's total assets and total liabilities decrease slightly as compared to 31 December 2019. For the nine months ended 30 September 2020, the Group recorded a slight decrease in total operating income as compared to the same period in 2019. The Group also recorded a significant decrease in total profit and net profit for the nine months ended 30 September 2020 as compared to the same period in 2019, mainly attributable to the asset divestitures conducted by BAIC International before the Company becoming its shareholder in April 2020.

In December 2020, the Company redeemed its corporate bonds in an aggregate principal amount of RMB1,500 million in full together with accrued interest and super and short-term commercial paper in an aggregate principal amount of RMB3,000 million in full together with accrued interest at maturity.

The Company was assigned a rating of A level in the environmental, social and corporate governance (ESG) rating of MSCI Inc. ("**MSCI**") for the year of 2020. This is the second consecutive year in which the Company was assigned a rating of A level. In the rating assessment, MSCI assessed the Company from various aspects, including clean technology, product carbon footprint, product safety and quality, corporate governance and labour management.

On 31 December 2020, Mr. Chen Hongliang resigned as the executive director and president of the Company due to job reassignment. He has been redesignated as a non-executive director of the Company. Mr. Huang Wenbing has been appointed as the president of the Company, with a term of office commencing from 31 December 2020 until the expiration of the term of the third session of the Board.

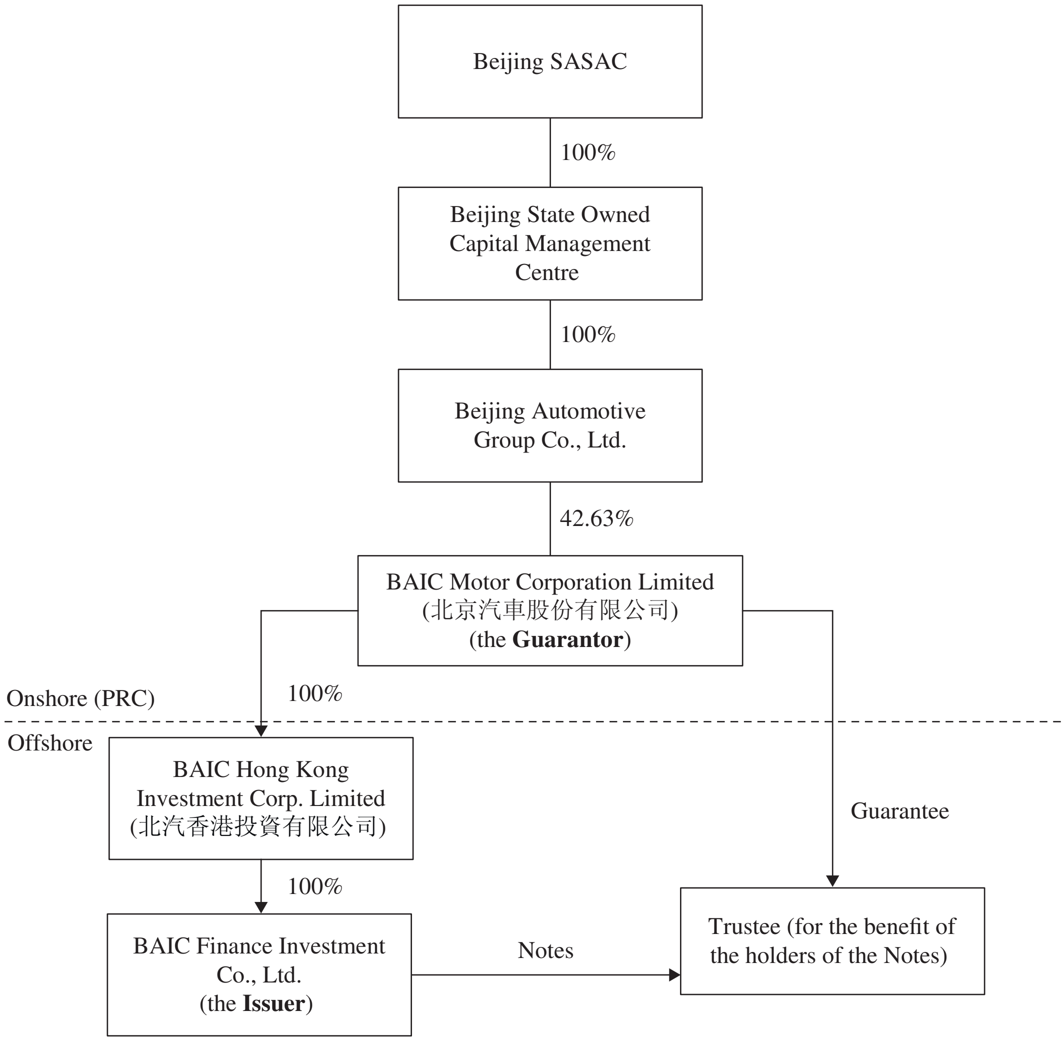
GENERAL INFORMATION

The Guarantor was established as a joint stock company in the PRC with limited liability on 20 September 2010. The registration number of the Guarantor is 91110000562091696T. Its registered office is located at A5-061, Unit 101, 5th Floor, Building No. 1, Courtyard No. 99, Shuanghe Street, Shunyi District, Beijing 101300, China. On 19 December 2014, the Guarantor's H shares were listed on the Main Board of the SEHK (Stock code: 1958).

The Issuer was incorporated under the laws of the BVI as a business company on 9 April 2015. The company number of the Issuer is 1869457. The registered office of the Issuer is located at Ritter House, Wickhams Cay II, Road Town, Tortola VG1110, British Virgin Islands. The Issuer is an indirect wholly-owned subsidiary of the Guarantor. As at the date of this Offering Circular, the Issuer has not engaged, since its incorporation, in any material activities other than entering into arrangements for the proposed issue of the Notes and on-lending of the proceeds thereof to the Group. As at the same date, the Issuer neither has any outstanding borrowings or contingent liabilities other than the proposed issue of the Notes nor has any subsidiaries or employees.

OFFER STRUCTURE

The following is a description of the structure of the offering, which should be read in conjunction with the sections titled "Risk Factors" and "Terms and Conditions of the Notes". The following chart illustrates the structure of the offering as at the date of this Offering Circular.



THE NOTES AND THE GUARANTEE

The Notes will be issued by the Issuer. The Notes will constitute direct, unsubordinated, unconditional and (subject to Condition 4(a) of the Terms and Conditions) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Terms and Conditions, at all times rank at least *pari passu* with all the Issuer's other present and future unsecured and unsubordinated obligations. On the Issue Date, the Notes will have the benefit of a Guarantee provided by the Guarantor. Pursuant to the Deed of Guarantee, the Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Notes and the Trust Deed (as defined in the Terms and Conditions). The obligations of the Guarantor under the Guarantee constitute direct, unsubordinated, unconditional and (subject to Condition 4(a) of the Terms and Conditions) unsecured obligations of the Guarantor and shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Terms and Conditions, at all times rank at least *pari passu* with all its other present and future unsecured and unsubordinated obligations.

The Issuer was incorporated in the BVI and is an indirect wholly-owned subsidiary of the Guarantor. The Guarantor was established in the PRC and BAIC Group holds 42.63 per cent. beneficiary interest in the Guarantor.

THE OFFERING

The following is a brief summary of the terms of the offering of the Notes and is qualified in its entirety by the remainder of this Offering Circular. For a detailed description of the Notes, see the section entitled "Terms and Conditions of the Notes". The Terms and Conditions of the Notes prevail to the extent of any inconsistency set forth in this summary. This summary is not intended to be complete and does not contain all of the information that is important to an investor. Defined terms used in this summary shall have the meanings given to them in the section entitled "Terms and Conditions of the Notes".

Issuer	BAIC Finance Investment Co., Ltd.
LEI Code of the Issuer	30030035X92QA3KXDQ61.
Guarantor	BAIC Motor Corporation Limited (北京汽車股份有限公司).
Notes	US$350,000,000 2.00 per cent. guaranteed notes due 2024.
Guarantee	The Guarantor will unconditionally and irrevocably guarantee the due and punctual payment of all sums from time to time expressed to be payable by the Issuer under the Notes and the Trust Deed, as further described in Condition 3(b) of the Terms and Conditions.
Issue Price	99.693 per cent.
Form and Denomination	The Notes will be issued in registered form in the denomination of US$200,000 each and integral multiples of US$1,000 in excess thereof.
Interest	The Notes will bear interest on their outstanding principal amount from and including 16 March 2021 at the rate of 2.00 per cent. per annum, payable semi-annually in arrear on 16 March and 16 September in each year, commencing on 16 September 2021.
Issue Date	16 March 2021.
Maturity Date	16 March 2024.
Status of the Notes	The Notes will constitute direct, unsubordinated, unconditional and (subject to Condition 4(a) of the Terms and Conditions) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a), at all times rank at least *pari passu* with all the Issuer's other present and future unsecured and unsubordinated obligations.
Status of the Guarantee	The Guarantor's obligations in respect of the Notes and the Trust Deed are contained in the Deed of Guarantee (and any supplement thereto). The obligations of the Guarantor under the Guarantee constitute direct, unsubordinated, unconditional and (subject to Condition 4(a)) unsecured obligations of the Guarantor and shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a), at all times rank at least *pari passu* with all its other present and future unsecured and unsubordinated obligations.

Negative Pledge	The Notes contain a negative pledge provision as further described in Condition 4(a) of the Terms and Conditions.
Restrictive Covenants	The Notes contain certain restrictive covenants, in addition to negative pledge as further described in Condition 4 of the Terms and Conditions.
Final Redemption	Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount on 16 March 2024.
Redemption for Taxation Reasons	The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders, at their principal amount, (together with interest accrued to the date fixed for redemption), in the event of certain changes affecting taxes of the BVI or the PRC or any political subdivision or any authority thereof or therein having the power to tax, as further described in Condition 6(b) of the Terms and Conditions.
Redemption for Relevant Event . .	At any time following the occurrence of a Relevant Event, the holder of any Note will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Notes on the Put Settlement Date at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a Non-Registration Event) of their principal amount, together with accrued unpaid interest to (but excluding), the relevant Put Settlement Date, as further described in Condition 6(c) of the Terms and Conditions.
Taxation	All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes or under the Guarantee shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the BVI or the PRC or any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law, as further described in Condition 8 of the Terms and Conditions. In such event, the Issuer or, as the case may be, the Guarantor shall, subject to the limited exceptions specified in the Terms and Conditions, pay such additional amounts as will result in the receipt by the Noteholders of such amount as would have been received by them had no such withholding or deduction been required.
Events of Default	The Notes contain certain events of default provisions, as further described in Condition 9 of the Terms and Conditions.
Clearing Systems	The Notes will be evidenced initially by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with, a common depositary for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on and transfers whereof will be effected only through records maintained by Euroclear and Clearstream. Except as described herein, certificates for the Notes will not be issued in exchange for beneficial interests in the Global Certificate.

Governing Law	English law.
Trustee	The Bank of New York Mellon, London Branch.
Principal Paying Agent	The Bank of New York Mellon, London Branch.
Registrar and Transfer Agent . . .	The Bank of New York Mellon SA/NV, Luxembourg Branch.
ISIN	XS2311286111.
Common Code	231128611.
Further Issues	The Issuer may from time to time without the consent of the Noteholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them, the issue date, Cross-border Security Registration or NDRC Post-Issue Filing) and so that such further issue shall be consolidated and form a single series with the Notes, as further described in Condition 15 of the Terms and Conditions.
Listing	Application will be made to the SEHK for the listing of, and permission to deal in, the Notes by way of debt issues to Professional Investors only.
Use of Proceeds	See "*Use of Proceeds*".
Rating	The Guarantor was rated "BBB" with a negative outlook by S&P and "BBB+" with a stable outlook by Fitch. These ratings are only correct as at the date of this Offering Circular. The Notes are expected to be assigned a rating of "BBB" by S&P and "BBB+" by Fitch. A rating is not a recommendation to buy, sell or hold the Notes and the rating may be subject to revision, qualification, suspension, reduction or withdrawal at any time by the assigning rating agency. A revision, qualification, suspension, reduction or withdrawal of any rating assigned to the Guarantor and/or the Notes may adversely affect the market price of the Notes.
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the Notes, see the section entitled "*Risk Factors*".

SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The following tables set forth the summary consolidated financial information of the Group as at and for the periods indicated.

The summary audited consolidated financial information of the Group as at and for the years ended 31 December 2017, 2018 and 2019 as set out below (except for data set out in "Other Unaudited Financial Data") is derived from the 2018 Audited Financial Statements and 2019 Audited Financial Statements, which have been prepared and presented in accordance with the IFRS and included elsewhere in this Offering Circular. The 2018 Audited Financial Statements and 2019 Audited Financial Statements have been prepared in accordance with IFRSs published by the IASB, which differ in certain respects from generally accepted accounting principles in other jurisdictions, and audited by PwC in accordance with ISAs issued by IAASB. The summary unaudited consolidated financial information of the Group as at and for the six months ended 30 June 2020, the summary unaudited and restated consolidated financial information of the Group for the six months ended 30 June 2019 and the summary restated consolidated financial information of the Group as at 31 December 2019 presented below (except for data set out in "Other Unaudited Financial Data") have been extracted from the 2020 Interim Financial Statements, which have been reviewed by PwC. Such interim condensed consolidated financial information has not been audited by a certified public accountant. Consequently, such interim condensed consolidated financial information should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit. In April 2020, the Company purchased the entire equity interest in BAIC International and 24.78 per cent. equity interest in BAIC Ruili from its controlling shareholder respectively. The acquisitions were business combinations under common control given that the Company, BAIC International and BAIC Ruili were and continue to be under common control of BAIC Group immediately before and after the business combinations. The Company applied the principles of merger accounting in preparing the 2020 Interim Financial Statements. By applying the principles of merger accounting, the 2020 Interim Financial Statements also included the financial information of BAIC International and BAIC Ruili as if they had been combined with the Group throughout the six months ended 30 June 2020. Comparative figures as at 31 December 2019 and for the six months ended 30 June 2019 in the 2020 Interim Financial Statements were restated as a result of such. For details, see Note 2.1 to the 2020 Interim Financial Statements. The Group's consolidated financial information contained in the 2018 Audited Financial Statements and 2019 Audited Financial Statements is not directly comparable with its consolidated financial information contained in the 2020 Interim Financial Statements. For details, see "Risk Factors – Risks Relating to the Group's and its Business – The Group's consolidated financial information contained in the 2018 Audited Financial Statements and 2019 Audited Financial Statements is not directly comparable with its consolidated financial information contained in the 2020 Interim Financial Statements." For the avoidance of doubt, except for the restated financial information as at 31 December 2019 set out in the "Summary Consolidated Financial Information of the Group – Summary Consolidated Balance Sheet Data", the audited financial information as at 31 December 2019 set out in this Offering Circular have not been restated and are derived from the 2019 Audited Financial Statements.

The summary consolidated financial information as set forth below should be read in conjunction with, and is qualified in its entirety by reference to, the 2018 Audited Financial Statements, the 2019 Audited Financial Statements, the 2020 Interim Financial Statements and the related notes thereto included elsewhere in this Offering Circular. Historical results are not necessarily indicative of results that may be achieved in any future period. For details, see "Risk Factors – Risks Relating to the Group's and its Business – Historical consolidated financial information of the Group may not be indicative of its current or future results of operations."

The Group applied the modified retrospective approach set out in IFRS 15 and the transitional provisions set out in IFRS 9 to adopt the new IFRS 15 and new IFRS 9 for the year ended 31 December 2018. There is no restatement to the financial information for the year ended 31 December 2017 upon the adoption of the new IFRS 15 and new IFRS 9. The consolidated financial information of the Group as at and for the year ended 31 December 2017 may not be directly comparable against the consolidated financial information of the Group on or after 1 January 2018, including the audited consolidated financial information of the Group as at and for the years ended 31 December 2018 and 2019 and the unaudited interim condensed consolidated financial information of the Group as at 30 June 2020 and for the six months ended 30 June 2019 and 2020. For the impact on the financial information for the year ended 31 December 2018 from the adoption of the new IFRS 15 and new IFRS 9, please see the Note 2(c) to the 2018 Audited Financial Statements for details.

The Group applied the transitional provisions set out in IFRS 16 to adopt the new IFRS 16 "Leasing" since 1 January 2019. There is no restatement to the financial information for the year ended 31 December 2018 upon the adoption of the new IFRS 16. The consolidated financial information of the Group as at and for the years ended 31 December 2017 and 2018 may not be directly comparable against the consolidated financial information of the Group on or after 1 January 2019, including the audited consolidated financial information of the Group as at and for the year ended 31 December 2019 and the unaudited interim condensed consolidated financial information of the Group as at 30 June 2020 and for the six months ended 30 June 2019 and 2020. For the impact on the financial information for the year ended 31 December 2019 from the adoption of the new IFRS 16, please see the Note 2(c) to the 2019 Audited Financial Statements for details.

Investors must therefore exercise caution when making comparisons of any financial information on or after 1 January 2018 against the Group's consolidated financial information prior to 1 January 2018, or making comparisons of any financial information on or after 1 January 2019 against the Group's consolidated financial information prior to 1 January 2019, when evaluating the Group's financial position and results of operations.

SUMMARY CONSOLIDATED INCOME STATEMENT DATA

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	(audited)	(audited)	(audited)	(restated)	(unaudited)
			(RMB'000)		
Revenue	134,158,541	151,920,390	174,632,722	88,101,327	77,854,370
Cost of sales	(98,659,286)	(114,913,751)	(137,145,700)	(67,443,294)	(59,824,034)
Gross profit	35,499,255	37,006,639	37,487,022	20,658,033	18,030,336
Selling and distribution expenses	(11,919,545)	(10,432,043)	(10,294,174)	(6,272,412)	(5,089,547)
General and administrative expenses	(5,006,953)	(6,436,554)	(6,962,054)	(3,022,451)	(2,655,873)
Net impairment losses on financial assets	–	(133,041)	(313,323)	(206,164)	(121,932)
Other (losses)/gains, net	(1,054,684)	623,048	1,766,265	981,289	69,800
Operating profit	17,518,073	20,628,049	21,683,736	12,138,295	10,232,784
Finance income	659,503	760,930	884,190	416,339	485,374
Finance costs	(1,107,422)	(1,117,957)	(948,590)	(525,149)	(465,405)
Finance (costs)/income, net	(447,919)	(357,027)	(64,400)	(108,810)	19,969
Share of (loss)/profit of investments accounted for using equity method	(33,791)	903,836	(304,910)	(373,450)	(1,164,871)
Profit before income tax	17,036,363	21,174,858	21,314,426	11,656,035	9,087,882
Income tax expense	(6,038,062)	(6,903,525)	(6,991,319)	(3,506,355)	(3,276,537)
Profit for the year	10,998,301	14,271,333	14,323,107	8,149,680	5,811,345
Profit attributable to:					
Equity holders of the Company	2,252,813	4,429,465	4,082,698	3,053,553	1,046,945
Non-controlling interests	8,745,488	9,841,868	10,240,409	5,096,127	4,764,400
Other comprehensive income/(loss) for the year	710,436	(489,898)	(493,458)	(281,859)	(23,288)
Total comprehensive income for the year	11,708,737	13,781,435	13,829,649	7,867,821	5,788,057
Attributable to:					
Equity holders of the Company	2,878,782	3,924,007	3,607,979	2,786,589	1,049,724
Non-controlling interests	8,829,955	9,857,428	10,221,670	5,081,232	4,738,333

SUMMARY CONSOLIDATED BALANCE SHEET DATA

	As at 31 December				As at 30 June
	2017	2018	2019	2019	2020
	(audited)	(audited)	(audited)	(restated)	(unaudited)
			(RMB'000)		
ASSETS					
Non-current Assets					
Property, plant and equipment	42,370,945	43,217,822	46,329,140	48,758,070	49,273,912
Land use rights	7,462,383	7,378,380	7,201,549	7,339,955	7,249,241
Intangible assets	13,738,986	13,123,352	13,039,160	13,047,095	12,924,596
Investments accounted for using equity method	14,706,908	16,185,648	16,104,148	15,938,613	15,083,193
Financial assets at fair value through other comprehensive income	2,355,239	1,742,729	1,278,650	1,278,650	1,407,526
Deferred income tax assets	7,035,788	7,925,601	10,540,458	10,540,458	9,739,674
Other long-term assets	938,824	–	–	–	–
Other non-current assets	–	701,180	659,261	662,081	1,030,608
Total non-current assets	88,609,073	90,274,712	95,152,366	97,564,922	96,708,750
Current Assets					
Inventories	16,875,871	18,962,575	19,924,603	20,192,070	18,843,363
Accounts receivable	19,882,114	21,988,198	21,586,635	21,094,943	22,559,294
Advances to suppliers	563,410	465,988	310,089	390,990	346,200
Other receivables and prepayments	4,102,529	4,132,578	5,037,690	5,040,559	5,450,223
Restricted cash	545,073	820,174	1,878,104	1,878,230	931,670
Cash and cash equivalents	36,824,906	35,389,883	49,322,499	50,231,353	51,721,352
Total current assets	78,793,903	81,759,396	98,059,620	98,828,145	99,852,102
Total Assets	167,402,976	172,034,108	193,211,986	196,393,067	196,560,852
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	7,595,338	8,015,338	8,015,338	8,015,338	8,015,338
Perpetual bond	–	1,998,160	1,998,160	1,998,160	1,998,160
Other reserves	18,982,383	21,041,578	21,008,386	20,667,653	20,589,838
Retained earnings	14,258,311	17,360,387	19,381,328	19,325,921	18,898,259
Total equity attributable to parent company	40,836,032	48,415,463	50,403,212	50,007,072	49,501,595
Non-controlling interests	18,804,890	20,822,318	22,223,988	22,367,709	17,770,431
Total equity	59,640,922	69,237,781	72,627,200	72,374,781	67,272,026
LIABILITIES					
Non-current liabilities					
Borrowings	13,166,960	14,907,282	9,542,718	9,815,277	8,229,620
Lease liabilities	–	–	18,034	77,045	108,080
Deferred income tax liabilities	877,807	758,006	731,315	731,315	721,151
Provisions	2,498,714	2,620,030	2,507,635	2,562,269	2,552,673
Deferred income	4,157,716	4,084,833	3,487,262	3,867,752	3,815,128
Other payables	–	–	–	174,676	154,016
Total non-current liabilities	20,701,197	22,370,151	16,286,964	17,228,334	15,580,668
Current liabilities					
Accounts payable	35,559,081	38,632,933	44,707,450	45,443,866	45,657,033
Contract liabilities	405,371	234,226	950,986	1,007,754	1,071,409
Other payables and accruals	27,061,979	28,789,066	38,024,236	39,416,198	47,127,710
Current income tax liabilities	3,715,161	1,992,153	4,437,845	4,442,695	822,707
Borrowings	18,478,051	8,955,960	14,019,499	14,319,995	17,014,813
Lease liabilities	–	–	31,557	33,195	120,477
Provisions	1,841,214	1,821,838	2,126,249	2,126,249	1,894,009
Total current liabilities	87,060,857	80,426,176	104,297,822	106,789,952	113,708,158
Total liabilities	107,762,054	102,796,327	120,584,786	124,018,286	129,288,826
Total liabilities and owner's equity	167,402,976	172,034,108	193,211,986	196,393,067	196,560,852

SUMMARY CONSOLIDATED CASH FLOW STATEMENT DATA

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	(audited)	(audited)	(audited)	(restated)	(unaudited)
			(RMB'000)		
Net cash generated from operating activities	19,502,763	21,733,393	35,952,781	11,187,208	5,265,541
Net cash used in investing activities	(6,538,283)	(9,532,426)	(11,614,557)	(21,158,817)	(4,566,531)
Net cash (used in)/generated from financing activities	(12,153,875)	(13,700,169)	(10,428,524)	21,087,912	795,787
Net increase/(decrease) in cash and cash equivalents	810,605	(1,499,202)	13,909,700	11,116,303	1,494,797
Exchange (losses)/gains on cash and cash equivalents	(49,608)	64,179	22,916	23,071	(4,798)
Cash and cash equivalents at the end of the year/period	36,824,906	35,389,883	49,322,499	47,781,962	51,721,352

OTHER UNAUDITED FINANCIAL DATA

	As at and for the year ended 31 December			As at and for the six months ended 30 June	
	2017	2018	2019	2019	2020
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
			(RMB in million, except for percentages)		
EBITDA[(1)]	23,992	29,438	29,705	15,547	13,387
EBITDA margin[(2)] (per cent.)	18	19	17	18	17
Total indebtedness[(3)]	31,645	23,863	23,612	–	–
Total indebtedness[(3)]/EBITDA	1.32	0.81	0.79	–	–

Notes:

(1) EBITDA consists of earnings before finance costs, taxes, depreciation and amortisation EBITDA is not a standard measure under PRC GAAP or IFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of the Group's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. The Group has included EBITDA because the Group believes that it is a useful supplement to cash flow data as a measure of its performance and its ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Group's EBITDA to EBITDA presented by other companies because not all companies use the same definition. Finance costs exclude capitalised amounts.

(2) EBITDA margin is calculated by dividing EBITDA by revenue for the relevant period, expressed as a percentage.

(3) Total indebtedness equals the sum of total borrowings and lease liabilities.

RISK FACTORS

Prior to making any investment decision, prospective investors should consider carefully all of the information contained in this Offering Circular, including the risks and uncertainties described below. The business, results of operations and financial condition of the Group could be materially adversely affected by any of these risks. The Issuer and the Guarantor believe that the following factors may affect their respective ability to fulfil their respective obligations under the Notes, the Deed of Guarantee, the Trust Deed and the Agency Agreement. Additional considerations and uncertainties not presently known to the Guarantor or the Issuer or which they currently deem immaterial may also have an adverse effect on an investment in the Notes. All of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Issuer and the Guarantor believe may be material for the purpose of assessing the market risks associated with the Notes are also described below. Each of the Issuer and the Guarantor believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Guarantor to pay all sums due under the Guarantee and the inability of the Issuer to repay principal, interest or other amounts or fulfil other obligations on or in connection with the Notes may occur for other reasons and neither the Issuer nor the Guarantor represents that the statements below regarding the risks of investment in the Notes are exhaustive or complete.

RISKS RELATING TO THE GROUP'S AND ITS BUSINESS

The operations of the Group's joint venture companies may be adversely affected if the Group fails to reach consensus with its joint venture partners on important decisions.

The Group's passenger vehicle business is conducted mainly through four brands, namely Beijing Brand, Beijing Benz, Beijing Hyundai and Fujian Benz. Certain key brands of the Group, such as Beijing Hyundai and Fujian Benz, are held and operated by the joint venture companies it formed with relevant foreign joint venture partners. Moreover, Beijing Benz, as a principal subsidiary of the Company, is jointly owned by the Company and Daimler AG. The Group depends on its joint venture partners to fulfil their obligations under the relevant joint venture agreements and to cooperate with the Group in pursuing the interests of the Group's joint venture companies. Under the joint venture agreements governing the Group's joint venture companies, the number of directors appointed by the Group and the relevant joint venture partner are proportionate to the respective equity interest held by each party in the relevant joint venture company. Important decisions, including those relating to production volume, the selection and introduction of new models and production capacity expansion, can only be made with over 50 per cent. consent, and in some cases unanimous consent, of the directors attending the board meeting. There is no assurance that the Group's proposed future strategies, policies or objectives will be adopted by the joint venture companies. Either of these joint venture partners may take action that is inconsistent with the Group's strategies, objectives or requests, or not in the interest of the relevant joint venture company. Moreover, the Group may not be able to implement its policies or objectives with respect to these joint venture companies without the cooperation of its joint venture partners.

In the event that the Group fails to reach a consensus with its joint venture partners in the decision making process of any joint venture company, such joint venture company's ability to respond quickly to changes in market or business conditions and its business and results of operations may suffer, which may in turn delay the implementation of the Group's business plan or adversely affect the Group's market position. There is no assurance that the Group will always be able to reach a consensus with its joint venture partners in the future, which could have an adverse effect on the Group's financial condition and results of operations.

Deterioration in the business performance of the Group's joint venture companies or the cooperation between the Group and its joint venture partners could adversely affect the Group's financial condition and results of operations.

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

If the Group's joint venture companies are unable to obtain technical resources or raw materials from the joint venture partners or if the joint venture partners provide such resources to the Group's competitors, the ability of the Group's joint venture companies to upgrade existing models and launch new models may be adversely affected. If the Group's joint venture partners fail, or are unwilling, to provide the requisite technical resources, services or raw materials in the future for any reason, the Group's joint venture companies may be required to procure other companies to perform these services or provide these materials on a delayed basis or at a higher price than anticipated, which could impact the profitability. If the Group's joint venture partner's performance does not meet the requirements which the relevant joint venture partner has agreed to, the quality of the product may be affected, which could harm the Group's reputation and potentially expose the Group to litigation and damage claims. If the Group's joint venture partners fail, or are unwilling, to provide additional capital in the future for any reason, the Group's joint venture companies' ability to expand its operations may be undermined. Furthermore, the Group's joint venture partners may choose not to renew the joint venture agreements underlying the joint venture companies when they expire, if the Group's relationship with them deteriorates or for other reasons. If any of these events occurs, the businesses, results of operations and financial condition of the Group's joint venture companies could be materially and adversely affected or the joint venture companies may be dissolved, which in turn could materially and adversely affect the Group's financial condition and results of operations.

The Group is exposed to concentration risk associated with reliance on revenue contributed from Beijing Benz.

A substantial part of the Group's revenue has been recognised from sales of Beijing Benz in recent years. For the years ended 31 December 2017, 2018 and 2019 and for the six months ended 30 June 2020, the revenue from Beijing Benz amounted to RMB116,772.9 million, RMB135,415.2 million, RMB155,153.7 million and RMB74,920.4 million, representing 87.0 per cent., 89.1 per cent., 88.8 per cent. and 96.2 per cent. of the Group's revenue, respectively. The Group is exposed to concentration risk associated with heavy reliance on revenue generated from Beijing Benz. China plans to abolish the restrictions on the number of foreign joint venture partners in a Sino-foreign passenger vehicle joint venture and their aggregate equity interest in such joint venture by 2022. In the event that the revenue contributed by Beijing Benz decreased substantially or the Company ceases to consolidate or control Beijing Benz, the Group's revenue, financial condition and results of operations could be materially and adversely affected.

There can be no assurance that the Group's proprietary brand will succeed and become profitable.

Beijing Brand, the Group's proprietary brand, has almost ten key models on the market, covering traditional oil-powered vehicles, new energy vehicles and PHEVs. Due to strategic considerations including optimisation of the product mix, the Group ceased to manufacture and sell passenger vehicles of Wevan brand in 2019 and has ceased to sell certain "BJ" series off-road vehicle products (mainly BJ40 and BJ80 vehicle models) from June 2019. The Group may adjust the product offerings of Beijing Brand to cope with its strategic plans or market changes in the future. As a result, the sales volume and revenue of Beijing Brand passenger vehicles may decrease, which may materially and adversely affect the Group's financial condition, results of operations and business prospects. In addition, the development of a new product model is highly dependent on a number of factors, including, without limitation, the marketing strategies, customer acceptance, quality control and dealership network, which the Group believes will require its consistent monitoring and adjustments to accommodate changing preferences of its customers. The results of these efforts to develop Beijing Brand are likely to be realised only in the long term.

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, the amount of gross loss incurred by the Group's Beijing Brand segment was RMB2,679.7 million, RMB3,516.2 million, RMB4,728.4 million and RMB1,834.6 million, respectively, and the Group's Beijing Brand segment may not turn a profit in the near future. Continuing loss from its Beijing Brand will adversely affect the Group's financial condition and results of operations. Moreover, the Group may have to continue to rely on the performance of Beijing Benz and the Group's other subsidiaries or joint venture companies to the extent that the Beijing Brand segment continues to experience losses and negative operating cash flows.

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

If the Group fails to market and distribute its passenger vehicles successfully through its dealership networks, the Group's results of operations and market position could be adversely affected.

The Group markets and distributes substantially all of its passenger vehicles through the respective dealership network for Beijing Brand, Beijing Benz, Beijing Hyundai and Fujian Benz.

There is no assurance that all the dealership outlets will meet the Group's services standard and other specifications or satisfy the contractual obligations imposed on them. In addition, there is no assurance that the Group will be able to effectively manage its rapidly growing dealership network. The Group has dedicated personnel to manage its dealers. The Group requires the dealers to provide it promptly with their sales information, which helps the Group to monitor its sales activities closely. In addition, to ensure that the dealers provide the sales information in a timely manner, the sales personnel conduct on-site visits and spot-checks from time to time and carry out analysis of the sales information on its information technology system. Sales of the Group's passenger vehicles may be affected if any of these dealership outlets fails to meet the requirements the Group imposes on them or provide quality services to the Group's customers, or if the Group fails to manage the dealership outlets effectively. If the Group is unable to build or maintain well-developed, well-managed dealership networks, the Group's market position, financial condition and results of operations may be adversely affected.

If the Group fails to protect or cultivate its brand image, or if the Group's joint venture partners fail to protect their brands or corporate image, the Group's financial results and market position may be adversely affected.

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

The Group's future success depends, in part, on its ability to expand its production capacity, which is subject to risks and uncertainties.

Expansion of production capacity is crucial to the Group's business operation, including establishing new manufacturing bases and acquiring manufacturing facilities from third parties to meet increasing market demands. The Group plans its future production capacity based on its expectations regarding a number of inherently uncertain factors, including anticipated demand for the Group's passenger vehicles and general market conditions. The Group's production capacity may not match the market demand. If the demand for any of the Group's passenger vehicles is lower than anticipated due to unforeseen changes to consumer preferences or otherwise, the Group's sales and profitability would suffer, the Group would not achieve satisfactory or sustainable returns from its investments in the expansion of production capacity and development of new passenger vehicles and the Group would likely incur higher production costs, all of which may have a material adverse effect on the Group's market position, financial condition and results of operations. Conversely, the Group's expansion of production capacity may fail to meet the increasing demand for the Group's passenger vehicles, in which case the Group's market share may be eroded.

In addition, the Group's ability and efforts to expand its capacity and upgrade its manufacturing facilities are subject to certain risks and uncertainties, such as its ability to raise capital through equity or debt at reasonable cost, manage delays and cost overruns and obtain the required permits, licenses and approvals from relevant government authorities. For example, any change to the business scope of any existing Sino-foreign joint ventures must be approved by the relevant PRC government authorities. There is no assurance that the Group will be able to obtain all relevant permits, licenses and approvals for its future projects or its future plans for expanding its production capacity on a timely basis or at all. Expansion of the Group's capacity may also be disrupted by catastrophe or other unexpected events.

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

The Group's continued growth depends on its R&D capabilities and efforts and the Group may not be able to develop and introduce new passenger vehicles that gain market acceptance.

The PRC automobile market is characterised by changing technologies, periodic new model introductions and evolving end-user customer and industry requirements. The Group's competitors are continuously developing automobiles that have adopted advanced technologies to operate more efficiently and cost effectively. The Group's continued success, therefore, depends on its ability to continuously develop new products that can successfully compete with those offered by its competitors in terms of design, performance and price, which, in turn, depends largely on its R&D capabilities. In the automotive industry, R&D is a lengthy and capital-intensive process. If the Group is unable to enhance its R&D capabilities to improve its existing products and develop new products, or if it fails to anticipate end-user customers' changing needs, it may be at a disadvantage compared to its competitors and, consequently, its business, financial condition, results of operations and prospects may be materially and adversely affected. The Group's R&D efforts may not be successful or may not yield the anticipated level of economic benefits. Even if its R&D efforts are successful, it may not be able to apply these newly developed technologies to products that will be accepted by the market or apply them in a timely manner to take advantage of the opportunities presented in the market. The level of economic benefit that can be derived from newly developed technologies or products may also be affected by the Group's marketing strategies and efforts, and the ability of its competitors to replicate such technologies or products or develop more advanced or cheaper alternatives. If the Group's technologies or products are replicated, replaced or made redundant, or if the demand for the Group's products is not as anticipated, the Group's operating income associated with such technologies and products may not offset the costs that it incurs in developing such new technologies and products.

Anticipating and responding to technological changes is pivotal to the Group's ability to develop new passenger vehicles. However, there is no assurance that the Group will always be able to: (i) attract sufficient R&D talents; (ii) maintain cooperative relationships with leading universities and research institutions in the PRC and around the world; (iii) successfully commercialise the technologies developed or acquired by the Group, such as the Saab technologies; or (iv) successfully develop new energy vehicles. As a result, the Group may not be able to develop new passenger vehicles in a cost-effective manner and on a timely basis, or at all.

Moreover, there is no assurance that any of the Group's new passenger vehicles will gain general market acceptance when the Group commercially manufactures them, even if they may have gained recognition in terms of design or other aspects in the industry. The launch of a new vehicle model requires substantial capital investment and generally higher initial production and marketing costs. New vehicle models sometimes require an extended period of time to gain market acceptance. For the year ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2020, the Group had capitalised significant amount of development costs of RMB2,363 million, RMB2,019 million, RMB2,401 million and RMB808.1 million, respectively. The Group expects to continue to incur additional development costs in the future. If the Group's new products cannot gain market acceptance, such capitalised development costs may not be recoverable at all, which could have a significant impact on its results of operations. If market acceptance of any of its new passenger vehicles is lower, or requires more time, than the Group anticipated, the Group may not achieve the intended economic return on its investment and its results of operations and financial condition could be materially and adversely affected.

The Group may face uncertainties associated with its growth strategy.

The Group's growth strategy includes organic growth and potential acquisitions. There are uncertainties and risks associated with the Group's growth strategy, including whether it will be able to:

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

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

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

The Group may from time to time pursue acquisitions and strategic alliances that it believes will complement its current business by expanding into new geographic areas, diversifying its customer base and enabling it to specialise in, expand or enhance technological capabilities. There is no assurance that the Group will be able to find suitable acquisition targets or partners with whom to form strategic alliances, and failure to do so in a timely manner or at all may affect the Group's ability to realise its growth objectives. In addition, there are risks and uncertainties related to these activities, including the difficulty of integrating acquired operations, technology and products, diversion of the Group's management's attention from other business concerns, potential unknown liabilities associated with an acquired company, undisclosed risks affecting an acquired company and potential adverse effects on existing business relationships with current customers and suppliers. In addition, any acquisitions could involve the incurrence of substantial additional indebtedness. There can be no assurance that the Group would be able to successfully integrate any acquisitions that it undertakes or that such acquisitions would perform as planned or prove to be beneficial to its operations and cash flow. Each of these factors could have a material adverse effect on the Group's business, results of operations and financial condition.

In April 2020, to implement its development strategy and achieve synergies, the Company acquired BAIC International and 24.78 per cent. equity interest in BAIC Ruili from its controlling shareholder respectively at a total cash consideration of approximately RMB80 million. In April 2020, the Company and BAIC BluePark New Energy Technology Co., Ltd. (北汽藍穀新能源科技股份有限公司) jointly established BAIC BluePark Marketing Services Co., Ltd. (北京汽車藍穀營銷服務有限公司). However, such acquisitions or strategic alliance may not successfully integrate into the Group's businesses. There can be no assurance either that such acquired businesses will be able to generate more profit to the Group or create any synergy effect as expected.

The Group's consolidated financial information contained in the 2018 Audited Financial Statements and 2019 Audited Financial Statements is not directly comparable with its consolidated financial information contained in the 2020 Interim Financial Statements.

In April 2020, the Company purchased the entire equity interest in BAIC International and 24.78 per cent. equity interest in BAIC Ruili from its controlling shareholder respectively. The acquisitions were business combinations under common control given that the Company, BAIC International and BAIC Ruili were and continue to be under common control of BAIC Group immediately before and after the business combinations, the Company applies the principles of merger accounting in preparing the 2020 Interim Financial Statements. By applying the principles of merger accounting, the 2020 Interim Financial

Statements also included the financial information of BAIC International and BAIC Ruili as if they had been combined with the Group throughout the six months ended 30 June 2020. Comparative figures as at 31 December 2019 and for the six months ended 30 June 2019 in the 2020 Interim Financial Statements were restated as a result of such. For details, see Note 2.1 to the 2020 Interim Financial Statements. However, the Group's consolidated financial information as at and for the years ended 31 December 2017, 2018 and 2019 contained in the 2018 Audited Financial Statements and/or 2019 Audited Financial Statements has not been restated to reflect such adjustments. Therefore, the Group's consolidated financial information contained in the 2018 Audited Financial Statements and 2019 Audited Financial Statements is not directly comparable with its consolidated financial information contained in the 2020 Interim Financial Statements. There is no assurance that the Group will not incur any substantial acquisition, disposal or reorganisation in the future. Such substantial changes might lead to restatement of the Group's relevant consolidated financial statements and such restated financial statements will not be directly comparable with its historical financial information or at all.

Measures to protect the Group's intellectual property rights against infringement may not be adequate and the Group may be exposed to infringement claims.

The Group owned intellectual property rights in the forms of patents, trademarks and copyrights. It also possesses certain trade secrets, proprietary technologies and know-hows. Existing laws in the PRC may not be able to effectively protect the Group's intellectual property rights from infringement acts and enforcement procedures may be protracted, costly or ineffective. The Group relies upon a combination of patent, copyright and trademark laws, trade secrets, confidentiality policies, non-disclosure and other contractual arrangements to protect its intellectual property rights. However, the steps the Group takes in this regard may not be adequate to prevent or deter infringement or other misappropriation of its intellectual property rights. The Group's products may be subject to unauthorised copying or other misappropriation. There is no assurance that the Group will be able to detect unauthorised use or take appropriate, timely and effective actions to enforce its intellectual property rights.

While the Group is developing measures to protect its intellectual property rights, the Group's competitors may have independently developed technologies or designs of products that contain similarities to the Group's, and these competitors may have applied for registration of patents or other intellectual property rights in respect of their technologies or designs. The competitors or other third parties may consider the Group's application of certain intellectual properties an infringement of their intellectual property rights. In addition, as the Group procures various parts and components from third-party suppliers, the Group may be involved in infringement claims against the suppliers from whom the Group purchases parts and components that are alleged to infringe certain intellectual property rights in the future. As a result, the Group may be exposed to infringement claims even where there may be a genuine case in the Group's favour. Any involvement in intellectual property rights infringement litigation may result in substantial costs, reputational damage and diversion of resources and management attention. If the Group is barred from using certain material trademarks, technologies, designs or other intellectual properties and fails to develop non-infringing substitutes or replacements or to obtain licenses to such intellectual properties, the Group's business operations may be interrupted and the Group's financial condition and results of operations could be adversely affected.

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

The Group requires significant working capital for its operations and capital expenditures for its expansion. The Group's ability to obtain adequate external financing depends on a number of factors, including its financial performance and results of operations, as well as other factors beyond its control, including the global and PRC economies, interest rates, the applicable laws, regulations, rules and conditions of the PRC automobile market and the geographical regions where it operates. There can be no assurance that the cash flow generated by the Group's operations will be sufficient to fund the Group's future operations and expansion plans, nor there can be assurance that the Group will be able to obtain bank loans and other external financing on commercially reasonable terms or on a timely basis or at all. If the Group is unable to obtain financing in a timely manner, at a reasonable cost, on commercially reasonable terms, or at all, its business and operations may suffer and the implementation of its expansion plans may be delayed.

In addition, the Group's current bank borrowings contain certain financial covenants which may restrict its operations. Future borrowings may also include restrictive covenants. Failure by the Group to meet payment obligations or to comply with any affirmative covenants, or violation on its part of any negative covenants, may constitute an event of default on its borrowings. If any event of default occurs, the Group's financial condition, results of operations and cash flow may be materially and adversely affected.

Significant indebtedness may restrict the Group's business activities and increase the Group's exposure to various operational risks.

The Group relies on bank loans and proceeds from bond issuances to satisfy a portion of its capital requirements. As at 30 June 2020, the Group's total indebtedness (comprising borrowings and lease liabilities) was approximately RMB25,473.0 million.

Substantial indebtedness could impact on the Group's businesses in a number of ways, including:

- requiring the Group to dedicate part of its operating cash flow to service its indebtedness before it receives the government funding;
- increasing the Group's finance costs, thus affecting the overall profits of the Group;
- increasing its exposure to interest rate fluctuation;
- limiting the Group's flexibility in planning for or responding to changes in the Group's businesses and the industries in which it operates;
- limiting, together with the financial and other restrictive covenants of the Group's indebtedness, among other things, the Group's ability to borrow additional funds; and
- increasing the Group's vulnerability to adverse general economic and industry conditions.

Third-party security rights may limit the Group's use of the underlying collateral assets and adversely affect its operation efficiency. If the Group are unable to service and repay their debts under such loan facilities on a timely basis, the assets provided as security for such bank loans may be subject to foreclosure, which may adversely affect the Group's business, financial condition, results of operations and prospects.

As the Group's business scale continues to grow, its capital requirement and its reliance on external financing may continue to increase. The Group's financial performance and operating results may be materially and adversely affected if its cash flows and capital resources are insufficient to fund its debt service obligations. Furthermore, the Group's liquidity position largely depends on the amount of cash it generates from operations and its access to external financial resources to fulfil its short-term payment obligations, which may be affected by its operating performance, prevailing economic conditions, market interest rate and other factors, many of which are beyond its control. Failure to repay the Group's debts could result in the imposition of penalties, including increases in rates of interest, or the costs that the Group pays on its legal actions against the Group by its creditors, or bankruptcy.

The Group's business is subject to risks associated with volatility in the prices of raw materials, parts and components required for the manufacture of its products.

The Group relies on various types of raw materials, parts and components for the manufacture of its products. The Group's raw materials primarily include steel and its key components include engines, transmission and powertrain system components.

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

The Group relies on a limited number of suppliers to supply a large portion of raw materials, parts and components.

The Group relies on a limited number of suppliers to supply a large portion of raw materials, parts and components. If any of the Group's key suppliers decides to terminate, not to renew, or to limit or reduce its supply to the Group, the Group may not be able to find alternative suppliers for similar purchases on similar conditions in a timely manner, or at all, which may disrupt or reduce the Group's production and its results of operations, financial condition and growth prospects may suffer as a result.

Any failure to implement and maintain effective quality control systems at the Group's manufacturing facilities could give rise to product liability and warranty claims, which in turn may have a material adverse effect on its business and results of operations.

The Group is exposed to potential product liability claims if its products fail to perform as expected, or are proven to be defective and result in, or are alleged to have caused or resulted in, personal injuries and asset damages. Any product liability claim, with or without merit, could be costly and time-consuming to defend and could potentially harm the Group's reputation and image. Successful product liability claims may cause the Group to pay substantial damages. Furthermore, certain product liability claims may be the result of defects from parts and components purchased from third party suppliers. Such third-party suppliers may not be able to indemnify the Group for the losses resulting from such defects and product liability claims in full or at all.

In addition, any material design, manufacturing or quality-related defect in the Group's products or other safety issues could each warrant a product recall by the Group and result in increased product liability claims and/or regulatory actions. If the Group is found to be in material violation of relevant laws and regulations, its business license to manufacture or sell relevant products could be suspended or revoked, and the Group could face civil and criminal liabilities.

If the Group fails to maintain an appropriate inventory level, it could incur more inventory carrying costs or lose sales, either of which could materially and adversely affect its business, financial condition and results of operations.

It is difficult for the Group to estimate the market demands for its passenger vehicles, and to manage its inventories accordingly. While the Group must maintain sufficient inventory, especially finished products, to operate its business successfully and meet market demand, the Group strives to avoid excess inventory, because it increases its inventory carrying cost. As at 31 December 2017, 2018 and 2019 and 30 June 2020, the Group's inventories amounted to RMB16,875.9 million, RMB18,962.6 million, RMB19,924.6 million and RMB18,843.4 million, accounting for 21.4 per cent., 23.2 per cent., 20.3 per cent. and 18.9 per cent. of its current assets, respectively. Changing demands of end-user customers, inaccurate demand forecasts and the time lag between when the inventory of raw materials is ordered from the Group's suppliers and when the Group's finished products are sold could expose the Group to inventory risks. The Group carries a wide variety of inventories and must maintain a reasonable inventory level of the passenger vehicles it sells. If the Group does not have a sufficient inventory of a model to fulfil orders, the Group may lose orders. On the other hand, if the Group has an excessive level of inventory, it may incur additional inventory carrying cost. There is no assurance that the Group can manage its inventories effectively, and any failure could materially and adversely affect its business, financial condition and results of operations.

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

Recalls could involve significant expenses and time of the Group's management, which could materially and adversely affect the Group's business prospects, results of operations and financial condition. Although the Group's respective automobile parts and components suppliers are responsible for all expenses for recalls related to defects of automobile parts and components that they supply to the Group, there is no assurance that the Group's suppliers will always be able to cover these expenses or sufficiently compensate the Group for any expenses incurred by the Group, if at all. As a result, the Group may have to bear all or a portion of the losses and expenses relating to any automobile recall to the extent that such losses and expenses are not covered by its suppliers. In addition, automobile recalls may have a material adverse effect on customers' confidence in the quality and safety of the affected automobile brands and the Group's reputation and image, which could in tum reduce demand for the Group's passenger vehicles. Any future automobile recall by the Group could have a material and adverse impact on the Group's sales and, in turn, its results of operations, financial condition and prospects.

The Group is exposed to the credit risk of its counter-parties and delays or defaults in accounts receivable.

The Group's business is subject to the credit risk of its counter-parties and its profitability is dependent on its counter-parties' making prompt payment. The Group's accounts receivable is relatively large and there may be delays or defaults in accounts receivable. As at 31 December 2017, 2018 and 2019 and 30 June 2020, the Group's accounts receivable amounted to RMB19,882.1 million, RMB21,988.2 million, RMB21,586.6 million and RMB22,559.3 million, accounting for 25.2 per cent., 26.9 per cent., 22.0 per cent. and 22.6 per cent. of its current assets, respectively. Although the Group has made corresponding impairment provisions, there is the risk that its accounts receivable may be partially or completely irrecoverable due to deterioration of the macro economy, market conditions and the debtors' credit, which could adversely affect the Group's cash flow and financial position. There can be no assurance that the accounts receivable will be remitted by customers to the Group on a timely basis, or at all, or that it will be able to efficiently manage the level of bad debts arising from such payment practice.

Any loss of, or significant reduction in, the preferential tax treatment and government grants the Group currently enjoys in China may adversely affect the Group's financial condition.

The Group and some of its subsidiaries are entitled to preferential tax treatment as high and new technology enterprises, allowing the Group to have a lower tax rate that would not otherwise be available. The Company and Beijing Beinei Engine Parts and Components Co., Ltd. (北京北內發動機零部件有限公司), a subsidiary of the Company, were recognised as new and high technology enterprises with preferential income tax rate of 15 per cent. BAIC Motor Powertrain Co., Ltd., a subsidiary of the Company, was also as a new and high technology enterprise with preferential income tax rate of 15 per cent. The Group plans to apply for the extension of such preferential tax treatment before expiration. However, there cannot be any assurance that the Group will be granted such extension, and, if the Group is not granted such extension, it would result in an increase of the Group's effective income tax rate. To the extent that there are any changes in, or withdrawals of, any preferential tax treatment applicable to the Group, or increases in the tax rate, the Group's tax liability would increase correspondingly. In addition, the PRC government from time to time adjusts or changes its policies on value-added tax, business tax and other taxes. Such adjustments or changes, together with any uncertainties resulting therefrom, could have an adverse effect on the Group's results of operations.

The Group has received government grants to support its operations. In 2017, 2018 and 2019 and for the six months ended 30 June 2020, the Group's government grants amounted to approximately RMB313.0 million, RMB1,313.6 million, RMB2,356.7 million and RMB166.2 million, respectively. The amounts of and conditions (or the lack thereof) attached to the subsidies were determined at the sole discretion of the relevant government authorities. There can be no assurance that the Group will be eligible to continue to receive such government grants, and even if the Group continues to be eligible to receive such government grants, there can be no assurance that the subsidies will be unconditional or that any conditions attached to the subsidies will be as favourable to the Group as they have been historically eligible.

The Group may be adversely affected if its competitors consolidate or enter into strategic alliances.

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

Any negative impact on the transportation of the Group's products and raw materials could adversely affect its business and operational condition.

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

The Group's labour costs may increase for reasons such as the implementation of more stringent requirements regarding fixed-term employment, the minimum wage and paid annual leave.

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

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

The Group's manufacturing and other operational activities may be adversely affected if there are failures in, or inefficient management of, its information technology system.

The Group's information technology system forms a key part of its production, sales and marketing process and any disruptions to it will likely have a negative impact on its operations. There is no assurance that the Group will not incur any damages or interruptions caused by power outages, computer viruses, hardware and software failures, telecommunications failures, fires and other similar events to the information technology system in the future. If serious damage or significant interruption occurs, the Group's operations may be disrupted and its financial condition and results of operations may be adversely affected. Furthermore, if the Group's operations are disrupted by the introduction of a new information technology system, including migration from an existing system, its financial condition and results of operations may be similarly adversely affected.

If the Group fails to attract and retain senior management personnel and key technical experts, its business and prospects may be adversely affected.

The Group's future success is dependent upon its ability to attract and retain experienced and talented senior management personnel to operate its businesses and highly skilled technical staff to develop new vehicle models. The Group expects competition for senior management personnel and skilled technical staff from other automobile companies in the future to increase driven partly by strong growth in China automobile industry. There is no assurance that the Group will be able to recruit suitable candidates or retain existing senior management personnel and key technical experts. High turnover of senior management could adversely affect the Group's existing customer relationship and its operations and development, as well as hinder its future recruiting efforts. If the Group fails to recruit and retain experienced senior management personnel and key technical experts in the future, its business and prospects may be adversely affected.

The Group is subject to environmental laws and regulations, which may increase the Group's cost of doing business.

The operations of the Group's operating subsidiaries in China need to comply with the laws and regulations relating to the protection of the environment and human health. These laws and regulations impose limitations on the emission of noise and discharge of pollutants into the environment and establish standards for the generation, handling, storage, transportation, treatment and disposal of raw materials, hazardous waste and other materials. The PRC government may impose significant fines or penalties based on violations of these environmental laws and regulations. The business activities of the Group's subsidiaries may produce harmful emissions including volatile or noxious chemical compounds, noise, odour and waste-water. They may be required from time to time to obtain permits for discharging pollutants from the relevant environmental authorities in accordance with applicable PRC laws. In addition, due to the rapid expansion of the Group's business, its existing licenses, permits, authorisations or approvals may not match its growth and it may need to apply for new licenses, permits, authorisations or approvals. If the Group fails to comply with these requirements or fails to obtain or renew such licenses and permits or pass any inspections (including but not limited to noise pollution checks and industrial discharge inspections) conducted by any relevant PRC authorities in China, it could be subject to fines or suspension of operations, which may adversely affect its business, financial condition and results of operations.

Some environmental laws impose strict joint and several liabilities for spills and releases of hazardous substances. Under these laws and regulations, the Group could be liable for environmental damage regardless of negligence or fault on its part. As a result, these laws expose the Group to potential liability for the conduct of or conditions caused by others. In addition, environmental laws in China are subject to change. The Group is unable to predict the future costs or other future effects of environmental laws on the operations of its subsidiaries. In addition, any changes in environmental or other laws affecting the Group's business may further increase its costs, which may adversely affect its business, financial condition and results of operations.

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

The Group is subject to a wide range of inspections by PRC regulatory authorities from time to time. Accordingly, the Group may incur fines, penalties or other actions as a result of examination by PRC regulatory authorities that could adversely affect its reputation, business, financial condition and results of operations. In 2017, 2018 and 2019 and first half of 2020, the Group did not incur any fines or penalties as a result of examination by PRC regulatory authorities which had a material adverse effect on its results of operations and financial condition. However, there is no assurance that the Group will not incur any material fines or penalty or be subject to other disciplinary or similar actions in the future.

The Group's insurance coverage may not be sufficient.

Insurance companies in China offer a limited number of commercial insurance products. Any uninsured loss or damage to property, litigation or business disruption may result in the Group incurring substantial costs or diverting its resources, which could have an adverse effect on the Group's results of operations. If the Group incurs substantial liabilities that are not covered by its insurance policies, or if the Group's business operations are interrupted for a significant period of time, the Group could incur costs and losses that could materially and adversely affect its financial condition and results of operations.

Defaults by counterparties that the Group conducts business with could adversely affect the Group's financial position and results of operations.

The Group conducts business and enters into a wide variety of contracts with different counterparties, including its raw material and automobile parts suppliers and its dealers. The Group may lose revenue and profits and incur additional operating expenses if its counterparties default. In 2017, 2018, 2019 and first half of 2020, the Group did not experience any default by counterparties which had any material adverse effect on its operations and financial condition. However, there is no assurance that all of the Group's counterparties are reputable and creditworthy and will not default against the Group in the future. There is limited financial or public information on the Group's counterparties and, as such, the Group is exposed to counterparty risks to the extent that its counterparties fail to fulfil their obligations under the contracts.

The Group may be involved in legal and other proceedings arising in the ordinary course of its business.

The Group may be involved in disputes with its suppliers, contractors, government authorities, agencies and other third parties in the development, sale or provision of its products and sales. Some of the Group's subsidiaries, joint venture companies, directors or senior officers have, in the past, been involved in legal proceedings, including claims, investigations, litigation or arbitration. These disputes may lead to legal proceedings and may result in substantial increases in costs and may affect the Group's business and financial condition.

Historical consolidated financial information of the Group may not be indicative of its current or future results of operations.

The historical financial information of the Group included in this Offering Circular is not indicative of its future financial results. This financial information is not intended to represent or predict the results of operations of any future periods. The Group's future results of operations may change materially if its future growth does not follow the historical trends for various reasons, including factors beyond its control, such as changes in economic environment, PRC environmental rules and regulations and the competitive landscape of China's automotive industry.

The Company published and may continue to publish periodical financial information pursuant to applicable PRC regulations and Hong Kong listing rules. Investors should be cautious and not place any reliance on the financial information other than that disclosed in this Offering Circular.

The Company's stocks are listed on the SEHK. It also issued debt securities on the onshore bonds market in China. According to applicable securities regulations, the Company publishes its quarterly financial information to satisfy its continuing disclosure obligations relating to its equity and/or debt securities. The quarterly financial information published by the Company is normally derived from the Group's management accounts which have not been audited or reviewed by independent auditors. As such, the quarterly financial information published should not be referred to or relied upon by potential purchasers to provide the same quality of information associated with any audited information. The Company is not responsible to holders of the Notes for the quarterly financial information from time to time published and therefore investors should not place any reliance on any such quarterly financial information.

The Group's results of operations may fluctuate as a result of certain factors beyond its control.

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

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

Certain natural disasters, such as earthquakes and storms, may disrupt the delivery of raw materials, components and automobile parts to the Group and the distribution of the Group's passenger vehicles to its customers. Some regions where the Group operates are under the threat of earthquake, sandstorm, snowstorm, fire, drought, or epidemics. For details, see "– *The Group's businesses may be adversely affected by an outbreak, or threatened outbreak, of any severe contagious disease, including the recent COVID-19 pandemic.*" Such factors beyond the Group's control may adversely alter the consumption patterns of its end-user customers, its production schedules and the sales and distribution of its passenger vehicles which will, in tum, have a negative impact on the Group's business, operating results and financial condition. The potential threat of war or terrorist attacks may also cause uncertainty and cause the Group's business to suffer in ways that it cannot predict. The Group's business, financial condition and results of operations may be materially and adversely affected as a result.

Foreign currency rate fluctuations may have an adverse impact upon our financial conditions and results of operations.

On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. Since then, the PRC government has made, and may in the future make, further adjustments to the exchange rate system. The PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for the trading against the Renminbi on the following working day. The People's Bank of China surprised markets in August 2015 by thrice devaluing the Renminbi, lowering its daily mid-point trading price significantly against the U.S. dollar. The currency devaluation of the Renminbi was intended to bring it more in line with the market by taking market signals into account. The Renminbi depreciated significantly against the U.S. dollar following the August 2015 announcement by the PBOC. In January and February 2016, Renminbi experienced further fluctuation in value against the U.S. dollar. With an increased floating range of the Renminbi's value against foreign currencies and a more market-oriented mechanism for determining the mid-point exchange rates, the Renminbi may further appreciate or depreciate significantly in value against the U.S. dollar or other foreign currencies in the long-term. Even though the revenue of the Guarantor is denominated in RMB, certain raw materials and auto parts of the Group are imported from foreign countries. The Group also exports certain products, which are mainly denominated in foreign currency. Fluctuations in exchange rates may lead to an increase in the costs or a decline in sales and investment income, which could materially and adversely affect the Group's business, financial condition and results of operations.

The Group's businesses may be adversely affected by an outbreak, or threatened outbreak, of any severe contagious disease, including the recent COVID-19 pandemic.

The Group's business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics and other acts of God which are beyond the Group's control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. Some regions in the PRC are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Middle East Respiratory Syndrome (MERS), Severe Acute Respiratory Syndrome (SARS), H5N1 avian flu, human swine flu (also known as Influenza A (H1N1)), H7N9 influenza, Ebola virus disease or 2019-nCoV acute respiratory disease (COVID-19).

The outbreak of COVID-19, which emerged in Wuhan, China in late December 2019, has spread to other parts of the world since early 2020 and was declared a pandemic on 11 March 2020 by the World Health Organization. The number of reported cases of COVID-19 worldwide, as well as the number of reported deaths as a consequence of COVID-19 worldwide, significantly exceed those observed during the SARS epidemic that occurred from November 2002 to July 2003. The outbreak of COVID-19 has affected both China's automotive industry and the Group's results of operations. Affected by multiple factors including COVID-19, the domestic passenger vehicle market continued its downward trend in the first half of 2020. The outbreak of COVID-19 also had an impact on the high-end passenger vehicle market. Furthermore, affected by the outbreak of COVID-19 and the delay in the resumption of work, the production and marketing capabilities of vehicle enterprises declined in the same period. The decrease in the Group's results of operations in the first half of 2020 was mainly attributable to the impact of the COVID-19, which resulted in a significant decrease in sales volume of passenger vehicles, particularly in the first quarter, as compared to the corresponding period in 2019. In particular, the revenue generated by Beijing Benz decreased from RMB77,807.4 million for the six months ended 30 June 2019 to RMB74,920.4 million for the same period in 2020, which was mainly due to a year-on-year decrease of 4.2% in sales volume affected by the outbreak of COVID-19. Due to the impact of COVID-19, the revenue generated by Beijing Brand also decreased from RMB10,293.9 million for the six months ended 30 June 2019 to RMB2,934.0 million for the six months ended 30 June 2020.

Past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in the PRC. Another public health crisis in the PRC triggered by a recurrence of SARS or an outbreak of any other epidemics, including, for example, the ongoing COVID-19, especially in the cities where the Group has operations, may result in material disruptions to the Group's operations. If any of the Group's employees are affected by any severe communicable disease, it could affect or disrupt production levels and operations at the relevant plant or even a closure of the Group's facilities to prevent the spread of the disease. If any of such risks materialises, the Group's business, financial condition and results of operations may be materially and adversely affected. The spread of any severe communicable disease in the PRC may also affect the operations of the Group's key suppliers or product demand of its customers, which could materially and adversely affect the Group's business, financial condition and results of operations. In addition, the outbreak of communicable diseases, such as the COVID-19 outbreak on a global scale may affect investment sentiment and result in sporadic volatility in global capital markets or adversely affect the PRC and other economies. Such outbreak has resulted in restrictions on travel and public transportation and prolonged closures of workplaces, which may have a material adverse effect on the global economy. Any material changes in the financial markets, the PRC economy or regional economies as a result of these events or developments may materially and adversely affect the Group's business, financial condition and results of operations.

RISKS RELATING TO THE AUTOMOTIVE INDUSTRY IN THE PRC

The uncertainties in the global economy may adversely affect the PRC economy and the Group's business and results of operations.

The Group's business is inherently subject to general macroeconomic conditions and policies and market fluctuations. China has experienced rapid economic growth over the past decades. However, its continued growth has faced downward pressure since the second half of 2008, and its annual GDP growth rate has declined from 9.3 per cent. in 2011 to 6.1 per cent. in 2019, according to the National Bureau of Statistics of China (中華人民共和國國家統計局). According to an announcement by the National Bureau of Statistics of China on 19 October 2020, China's GDP for the first three quarters of 2020 recorded a growth rate of 0.7 per cent. compared to the same period in 2019 after undergoing a contraction in the first half of 2020. Market concerns that the historic rapid growth of the economy of the PRC may not be sustainable have been raised. In March 2016, Moody's Investors Service, Inc. ("**Moody's**") and S&P changed China's credit rating outlook to "negative" from "stable", which highlighted the country's surging debt burden and questioned the government's ability to enact reforms. On 24 May 2017, Moody's downgraded China's long-term local currency and foreign currency issuer ratings to A1 from Aa3 and changed the outlook to stable from negative. On 21 September 2017, S&P's rating services downgraded China's credit rating by one notch from AA- to A+. All of the foregoing highlight the country's surging debt burden and questioned the government's ability to enact reforms. On 29 June 2020, S&P affirmed China's credit rating at "A+" with a stable outlook, stating that China is likely to maintain above-average economic growth performance relative to other middle-income economies in the next few years. On 14 September 2020, S&P affirmed China's A1 long-term local currency and foreign currency issuer and senior unsecured ratings. However, China's growth is likely to come under the pressure of uncertainties over the COVID-19 pandemic, U.S.-China tensions and ongoing efforts to restructure the economy and reduce financial risks. On 14 September 2020, Moody's affirmed China's long-term local currency and foreign currency issuer ratings at A1 with a stable outlook, citing the strength of the country's institutions and governance in mitigating credit risks.

In addition to the economic and monetary policies of the PRC government, the future performance of PRC economy is also exposed to material changes in global economic and political environments as well as the performance of certain major developed economies in the world, such as the United States, the United Kingdom and the EU. On 23 June 2016, the United Kingdom voted in a national referendum to leave the EU, notified the European Council of its intention to leave the EU in accordance with Article 50(2) of the Treaty on European Union on 29 March 2017. The United Kingdom withdrew from the EU on 31 January 2020 ("**Brexit**"), but continued to participate in certain EU organisations (such as the customs union) during a transition period that ended on 31 December 2020. With Brexit taking full effect, there remains uncertainty about the future relationship between the United Kingdom and the EU. Although a new trade and cooperation agreement between the United Kingdom and EU was agreed upon on 24 December 2020 and will apply on a provisional basis for a limited time until 28 February 2021, it is unclear how Brexit would ultimately affect the fiscal, monetary and regulatory landscape within the United Kingdom, the EU and the rest of the world. The outlook for the world economy and financial markets remains uncertain. Any volatility in the global markets and negative economic developments could, in turn, materially adversely affect the Group's business, financial condition, results of operations and prospects. In addition, this could adversely affect the Group's access to the debt capital markets and may increase its funding costs, having a negative impact on its revenue and financial conditions. In addition, the aggravation of U.S.-China trade friction, trade protectionism and the slowdown in global economic growth have also caused volatility in the global financial market. Since second half of 2018, there has been trade tensions between China and the United States with both countries imposing tariffs on certain products imported from each other. Negotiations have been carrying out between the two countries on future trade relations and they entered into the phase one U.S.-China trade agreement on 15 January 2020. The resulting trade policies or the terms of any renegotiated trade agreements and their impact is uncertain. It remains to be seen whether the phase one U.S.-China trade agreement will be abided by both governments and successfully reduce trade tensions. The escalating U.S.-China trade war and the U.S. global trade policy against the PRC, including tightening regulatory restrictions, industry-specific quotas, tariffs, non-tariff barriers and taxes may have an adverse effect on PRC economy. The adoption and expansion of trade restrictions, the occurrence of a trade war, or other governmental action related to tariffs or trade agreements or policies has the potential to adversely impact the economy of the PRC, which in turn could adversely impact the Group's business, financial condition and results of operations.

In March 2020, U.S. stocks plunged and triggered trading halt for several times due to global economic uncertainty caused by the global outbreak of COVID-19 and/or oil shocks. Volatility in global stock markets may result in adverse change in global economy. The global economy and global financial markets are facing significant uncertainties under continuous global outbreak of COVID-19 in 2020. Economic conditions in the PRC are also sensitive to global economic conditions. Due to the outbreak of COVID-19, it is unclear whether future development of the PRC economy will experience difficulty and whether any global economy downturn could lead to a slowdown in the PRC economic growth.

The Group derives a substantial part of its revenue from the PRC. Any slowdown in the PRC economy may adversely affect the demand for the Group's automobiles and could result in:

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

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

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

China's Anti-Monopoly Law (the "**AML**") came into effect in 2008. Of the three government agencies mandated with the enforcement or the AML, the NDRC is in charge of monopolistic agreements (particularly price-fixing), the State Administration for Industry & Commerce of the People's Republic of China ("**SAIC**") is in charge of abuse or dominance, and the MOFCOM is in charge of merger reviews.

The PRC government has intensified the enforcement of the AML in recent years, which has affected a diverse range of sectors, such as pharmaceutical, premium liquor, infant formula, information technology and telecommunication. Certain high-profile investigations have targeted foreign multinational companies and PRC domestic companies, and have resulted in fines in the amount or hundreds or millions or Renminbi. More recently, there have been press reports that certain foreign automobile manufacturers and their respective dealership networks have been investigated by the NDRC for alleged price-fixing practices and possibly other pricing-related wrongdoings in China, and the impact and implications of these investigations have yet to be fully known or assessed. It has also been reported in the media that in anticipation or, or in response to, potential or pending investigations, certain foreign automobile manufacturers have reduced the prices of their passenger vehicles or automobile parts and components sold in China. These and other price reductions as a result of AML enforcement actions or otherwise may cause a general downward pricing pressure in the market, which may in tum negatively affect the profitability of, or otherwise have a material and adverse effect on, automobile companies, including the Group. In addition, there can be no assurance that the Group will not be subject to the scrutiny of, or implicated in, any AML enforcement actions in the future. Should the Group be subject to any investigation or enforcement actions, its reputation may be damaged and its results of operations may be materially and adversely affected.

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

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

Volatility in demand in China for passenger vehicles could adversely affect the Group's results of operations.

Demand for passenger vehicles in China and the rest of the world is cyclical in nature and is affected by various factors, including sales and financing incentives, pricing, cost of fuel and parking, tolls, environmental concerns and governmental regulations, including tariffs, import regulation and other taxes. In particular, demand for passenger vehicles in China is also driven by government policies, such as the announced discontinuance of public service vehicles for government officials. In December 2016, the Ministry of Finance revised the purchase tax relief policy for passenger vehicles, pursuant to which the rate of purchase tax for passenger vehicles with displacement of 1.6L and below changes from 5 per cent. to 7.5 per cent. effective from January 2017, and recovering back to the statutory tax rate of 10 per cent., effective from January 2018. The policy will impact the sales of passenger vehicles with low displacement. Although the Group will adjust its sales policy in response to this policy change, the Group's sales may be affected, which, in turn, will have a negative impact on the operating results of the Group within a certain period of time after policy adjustment. Fluctuations in demand may lead to lower vehicle sales and increased inventory, which may result in further downward price pressure which will inevitably adversely affect the Group's financial condition and results of operations. According to CAAM, in 2018 the vehicle sales in the PRC declined for the first time in decades, falling 2.8 per cent. compared to 2017. On 13 January 2020, CAAM released the national vehicle production and sales results for 2019. According to CAAM, the PRC automobile market continued to experience negative growth throughout the year ended 31 December 2019, and the national vehicle production and sales volume for the year ended 31 December 2019 was 25.7 million and 25.8 million units, down 7.5 per cent. and 8.2 per cent., respectively, as compared to 2018. The decline began as trade tensions between the U.S. and China grew, and dragged on amid the economic growth slowdown and tighter vehicle emissions standards in China.

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

The sales volume of the Group's mid-to high-end passenger vehicles contributed a significant portion of its total sales volume in 2017, 2018 and 2019 and first half of 2020. Generally, mid-to high-end passenger vehicles enjoy higher profit margins than economy passenger vehicles. There can be no assurance that the demand for mid-to high-end passenger vehicles will remain strong in the future. For example, PRC government policies which encourage the development and demand for economy passenger vehicles may have a negative impact on the demand for mid-to high-end passenger vehicles. Accordingly, if demand for mid-to high-end passenger vehicles decreases, the Group's sales may be adversely affected, and the Group's results of operations and financial condition could be materially and adversely affected.

Volatility in fuel prices may materially and adversely affect demand for automobiles.

Fuel prices are inherently volatile and cyclical. Increases in fuel prices may have a material adverse impact on the PRC economy and thereby result in (i) a slowdown for automobile demand; (ii) a decrease in demand from customers for purchasing automobiles due to increased costs in operating vehicles; (iii) changes to the needs of the Group's customers; and (iv) an increase in production costs due to the increase in costs of petrochemical products. If fuel prices increase or remain at high levels in the future, consumers may choose to use alternative transportation vehicles (such as subway and electric cars) which may materially and adversely affect the demand for the Group's traditional vehicles and may have a negative impact on its sales and profitability.

The Group's growth and profitability depend on the level of consumer confidence and spending in its major markets.

The Group's results of operations are sensitive to changes in overall economic and political conditions that affect consumer spending in its major markets. The passenger vehicle market, in particular, is very sensitive to broad economic changes and consumer purchases tend to decline during economic downturns. There are a number of factors that are beyond the Group's control, including interest rates, recession, inflation and deflation, energy costs and availability, consumer credit availability and terms, availability of consumer finance, tax rates and policy and unemployment trends influencing consumer confidence in spending. The domestic and international political environment, including military conflicts and political instability, may also affect consumer confidence in spending and may lead to a general reduction in the level of consumer spending which could in turn materially and adversely affect the Group's growth and profitability.

If the PRC Government reduce the import tariff rates on imported automobiles, the results of the operations of Group may be materially and adversely impacted.

All automobiles offered by the Group are domestically manufactured. MOF announced that, effective on 1 July 2018, the import tariff rate on imported automobiles was reduced from 25 per cent. to 15 per cent. If the PRC government reduced the import tariff on imported automobiles in the future, the automobiles suppliers may reduce retail prices of their imported automobiles, which may in turn reduce market demand for domestically manufactured automobiles. As a result, the business prospects, financial condition and results of operations could be materially adversely affected.

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

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

MOF, MIIT, the Ministry of Science and Technology of the PRC and NDRC jointly promulgated the Notice on Adjusting the Fiscal Subsidy Policy for the Promotion and Application of New Energy Vehicles (關於調整新能源汽車推廣應用財政補貼政策的通知) on 29 December 2016, the Notice on Adjusting and Improving the Fiscal Subsidy Policy for the Promotion and Application of New Energy Vehicles (關於調整完善新能源汽車推廣應用財政補貼政策的通知) on 12 February 2018, the Notice on Further Improving the Fiscal Subsidy Policy for the Promotion and Application of New Energy Vehicles (關於進一步完善新能源汽車推廣應用財政補貼政策的通知) on 26 March 2019 and 31 December 2020, the Notice on Improving the Fiscal Subsidy Policy for the Promotion and Application of New Energy Vehicles (關於完善新能源汽車推廣應用財政補貼政策的通知) on 23 April 2020. Pursuant to these rules, the subsidy standards for new energy vehicles (including the standards for inclusion into the directory of recommended models) were raised and adjusted, the subsidies for new energy vehicles decreased gradually year by year during the transitional period from 2019 to 2022, and local governments may no longer subsidise new energy vehicles (excluding new energy buses and fuel cell vehicles) after the transitional period. Such revisions of subsidy policy for new energy vehicles may increase the production cost and selling price of the Group's new energy vehicles. Thus, it may affect buyers' incentive to purchase the Group's new energy vehicles, reduce the sales volume of the Group's new energy vehicles, and adversely affect the Group's revenue and operating results within a certain period after the subsidy policy adjustments. The Group has taken measures to minimise such negative impact to the maximum extent by constantly strengthening its R&D capability of new energy vehicles, continuing to implement strict measures on procurement cost saving, maintaining the price competitiveness of its new energy vehicles and stimulating demand for new energy vehicles in rural areas. However, there is no assurance that such measures could effectively minimise the negative impact brought by the subsidy policy adjustments.

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

In addition, passenger vehicles manufactured in the PRC are subject to increasingly stringent fuel consumption standards. For example, the PRC government has issued a series of suggested targets for fuel consumption for automobile manufacturers in the PRC. Like other automobile manufacturers in the PRC, the Group may have to change or improve the design of its passenger vehicles to meet any standards promulgated by the PRC government, which may further lead to production delays and increased costs. The Group's operations are sensitive to changes in the PRC government's policies relating to all aspects of the automobile industry. The imposition of additional stringent requirements for product design may result in substantial increases in the cost of the Group's automobile and/or automobile components and automobile parts designs. Similarly, the potential lowering of automobile import tariffs in the PRC may directly lead to lowering of prices of imported vehicles, which may adversely affect the sale of the Group's products. The PRC authorities have formulated a timetable for the phasing out of conventional passenger vehicles in order to facilitate the sustained development of the automobiles industry. While conventional oil-powered passenger vehicles constituted the major products sold by the Group in the past, there may be risk that the Group would be unable to adapt to such policy adjustment, thus affecting the results of operation of the Group. In addition, the Group's failure to comply with such laws and regulations may result in fines, penalties or lawsuits, which may have a material adverse effect on its financial condition and results of operations.

Restriction on the purchase of passenger vehicles and limitation on automobile license plates in certain Chinese cities may restrict local demand for automobiles.

Anti-congestion laws and regulations in certain Chinese cities may limit local demand for automobiles. To curb urban traffic congestion, certain Chinese cities have adopted urban laws and regulations that limit new automobile registration or restrict automobile use. For example, in December 2010, Beijing Municipal Government issued measures to curb the traffic congestion in Beijing by limiting the number of new automobile license plates to be issued every year. In March 2014, the Hangzhou municipal government also issued new measures to limit the number of new license plates to be issued each year. Other Chinese cities that have imposed restrictions on automobile license plates include Shanghai, Guangzhou, Tianjin, Guiyang and Shenzhen. Such and any future anti-congestion laws and regulations in the markets where the Group sells its passenger vehicles may restrict the ability of potential customers to purchase automobiles and, in tum, reduce the Group's automobile sales. Should similar laws and regulations be adopted in other cities where the Group operates, or if existing laws and regulations become stricter, the Group's sales in those cities may be materially and adversely affected.

Stricter emission standards may reduce the demand for automobiles.

With a view to control air pollution, Chinese cities have issued and implemented stricter emission standards in recent years. For example, on 23 January 2013, the Beijing Municipal Environmental Protection Bureau issued new emission standards for motor vehicles, effective on 1 February 2013, to curb the city's air pollution. The Beijing V emission standard, which could be as strict as the Euro V emission standard used in Europe, is applicable to new automobiles to be sold and those that have yet to receive license plates. Stricter emission standards for automobiles sold in the PRC may be adopted in various cities in the PRC in the future. The implementation of such standards may reduce the demand for automobiles and may adversely affect the Group's business, financial condition, results of operations and prospects.

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

The PRC government has increased the reserve requirement ratio of PRC financial institutions and raised benchmark interest rates on numerous occasions in the past in an attempt to control credit growth and inflation in the PRC. Demand for the Group's automobiles may decrease if there is any fiscal or credit tightening by the PRC government, which reduces business or consumer spending. Many customers rely on automobile financing to fund their automobile purchases. If the PRC government implements any credit tightening measures that restrict the availability of automobile financing, the Group's sales may be materially and adversely affected.

Furthermore, the availability and cost of funding to businesses, such as the Group, in the PRC, are significantly affected by the fiscal policies of the PRC government and the availability of credit and liquidity in the PRC banking system. Historically, the Group has relied in part on bank and other borrowings to fund its operations and expansion plans. There is no assurance that the PRC government would not implement any further fiscal or credit tightening measures, and the Group's access to bank borrowings and other types of financing may be reduced or otherwise restricted, which could materially and adversely affect the Group's liquidity and its ability to fund its inventory purchases and its planned network expansion. The Group may also experience higher borrowing costs and a tightening of credit terms. As a result of any of the foregoing, the Group's results of operations, financial condition and prospects may be materially and adversely affected.

RISKS RELATING TO THE PRC

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

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

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

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

Intellectual property rights are critical to the Group's success and the Group has obtained or applied for trademarks and patents on various products and technologies for the purpose of protecting its intellectual property rights. There can be no assurance that, in the future, the Group will not receive notice of any claims from any third-party alleging infringement by the Group of any such third party's intellectual property rights, or that the Group will prevail in any proceedings arising from such a claim. In the event that any such claim is initiated or upheld, the Group's business and financial condition could be adversely affected.

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

The Group's business and operations are conducted in the PRC and are governed by PRC laws, regulations and rules. The PRC legal system is a civil law system based on written statutes. Prior court decisions may be cited for reference, but have limited precedential value. Since the late 1970s, the PRC government has significantly enhanced PRC legislation and regulations to provide protections to various forms of foreign investments in the PRC. Nevertheless, the legal protections available to the Group under these laws, regulations and rules may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted and could result in substantial costs and diversion of resources and management attention.

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

Governmental foreign exchange control may affect the value of investors' investment.

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of the PRC. Shortages in the availability of foreign currency may restrict the ability of the Group to remit sufficient foreign currency to provide support to the Issuer to satisfy the Issuer's foreign currency denominated obligation. If the foreign exchange control system prevents the Group from obtaining sufficient foreign currency to satisfy its currency demands, it may not be able to provide support to the Issuer to make interest and principal payments under the Notes.

There can be no assurance of the accuracy or comparability of facts and statistics contained in this Offering Circular with respect to China, its economy or the relevant industry.

Facts, forecasts and other statistics in this Offering Circular relating to China, its economy or the securities industry in which the Group operates have been directly or indirectly derived from official government publications and certain other public industry sources. Despite that the Group believes such facts and statistics are reliable, there can be no assurance about the quality or the reliability of such source materials, which have not been prepared or independently verified by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents or any person who controls any of them or any of their respective affiliates, directors, officers, employees, agents, advisers or representatives, and, therefore, none of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents or any person who controls any of them or any of their respective affiliates, directors, officers, employees, agents, advisers or representatives makes any representation as to the completeness, accuracy or fairness of such facts or other statistics, which may not be consistent with other information compiled within or outside China. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be incomplete, inaccurate or unfair or may not be comparable to statistics produced for other economies or the same or similar industries in other countries and should not be unduly relied upon. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts or other statistics.

RISKS RELATING TO THE NOTES AND THE GUARANTEE

The Issuer is a special purpose vehicle with no material assets and will rely on cashflow from other members of the Group to make payments under the Notes.

The Issuer was incorporated in the BVI and is a special purpose vehicle. The Issuer will not conduct business or any other activities other than the offering, sale or issuance of indebtedness and the lending of the proceeds thereof to any company controlled, directly or indirectly, by the Guarantor and any other activities in connection therewith or related thereto. The Issuer does not and will not have any material assets other than amounts due to it from the Guarantor or its subsidiaries, and its ability to make payments under the Notes will depend on its receipt of timely remittances from the Guarantor or its subsidiaries.

The Notes and the Guarantee are unsecured obligations.

The Notes and the Guarantee are unsecured obligations of the Issuer and the Guarantor. The payment obligations under the Notes and the Guarantee may be adversely affected if:

- the Issuer or the Guarantor enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the Issuer's or the Guarantor's future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Issuer's or the Guarantor's indebtedness.

If any of these events were to occur, the Issuer's or the Guarantor's assets may not be sufficient to pay amounts due on the Notes.

The Issuer or the Guarantor may not be able to redeem the Notes upon the due date for redemption thereof.

Following the occurrence of a Relevant Event (as defined in the Terms and Conditions), the Issuer may, at the option of any Noteholder, be required to redeem all but not some only, of such Noteholder's Notes at 100 per cent. (in the case of a redemption for a Non-Registration Event (as defined in the Terms and Conditions)) or 101 per cent. (in the case of a redemption for a Change of Control (as defined in the Terms and Conditions)) of their principal amount, together in each case with accrued unpaid interest. If such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Notes in time, or on acceptable terms, or at all. There is also no assurance that the Guarantor would have sufficient liquidity at such time to make the required redemption of the Notes. The ability to redeem the Notes in such event may also be limited by the terms of other debt instruments. The Issuer's and the Guarantor's failure to repay, repurchase or redeem tendered Notes could constitute an event of default under the Notes, which may also constitute a default under the terms of the Issuer's, the Guarantor's or the Group's other indebtedness.

Any failure to complete the relevant filings under the NDRC Circular within the prescribed time frame following the completion of the issue of the Notes may have adverse consequences for the Issuer and/or the investors of the Notes.

NDRC issued the NDRC Circular on 14 September 2015, which came into effect on the same day. According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issued outside the PRC with a maturity not less than one year with NDRC prior to the issue of the securities. Furthermore, relevant issuers are required to notify NDRC the particulars of the relevant issues within 10 PRC Business Days after the completion of the issue of the securities. The NDRC Circular is silent on the legal consequences of non-compliance with the post-issue notification requirement under the NDRC Circular. In the worst-case scenario, such non-compliance with the post-issue notification requirement under the NDRC Circular may result in it being unlawful for the Issuer and/or the Guarantor to perform or comply with any of their respective obligations under the Notes and the Guarantee, and the Notes might be subject to enforcement as provided in Condition 9 (*Events of Default*) of the Terms and Conditions. Similarly, there is no clarity as to the legal consequences of noncompliance with the post-issue notification requirement under the NDRC Circular. Additional risk warning has been issued by NDRC on 25 May 2016 on NDRC official website (the "**NDRC Warning**"), which states that companies, related underwriting agencies, law firms and other intermediaries involved in debt securities issues which do not comply with the registration requirement under the NDRC Circular will be subject to a blacklist and sanctions. The NDRC Warning is silent as to how such blacklist will be implemented or the exact sanctions that will be enacted by NDRC, or any impact on the holders of the Notes, in the event of a noncompliance by the Issuer and/or Guarantor with the NDRC Circular. In June 2018, NDRC published Q&As on regulating non-compliant offshore debts issuance by PRC companies and imposing administrative penalties, such as warning on both the issuer and relevant intermediaries participated in the offering.

Since the NDRC Circular does not stipulate any detailed implementation procedures, there is no assurance that NDRC will not issue further implementation rules or notices which may require additional steps in terms of the registration or provide sanctions or other administrative procedures NDRC may impose in case of failure of such registration with, or post issuance report to, NDRC. There is also no assurance that the registration with NDRC will not be revoked or amended in the future or that changes in PRC laws and regulations will not have a negative impact on the performance or validity and enforceability of the Notes in the PRC. Potential investors of the Notes are advised to exercise due caution when making their investment decisions. The Issuer will undertake to, and the Guarantor will undertake to procure the Issuer to, file or caused to be filed with NDRC of the particulars of the issue of the Notes within the prescribed time in accordance with the NDRC Circular.

If the Guarantor fails to complete the SAFE registration in connection with the Guarantee within the time period prescribed by SAFE, there may be logistical hurdles for cross-border payment under the Guarantee.

Pursuant to the Deed of Guarantee executed by the Guarantor, the Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Notes and the Trust Deed. The Guarantor is required to submit the Deed of Guarantee to the local SAFE for registration in accordance with, and within the time period prescribed by, the Foreign Exchange Administration Rules on Cross-border Security. Although the non-registration does not render the Guarantee ineffective or invalid under the PRC law, SAFE may impose penalties on the Guarantor if registration is not carried out within the stipulated time frame. The Guarantor intends to register the Guarantee as soon as practicable and in any event before the Registration Deadline (being 120 Registration Business Days (as defined in the Terms and Conditions) after the Issue Date). In addition, if the Guarantor fails to complete the SAFE registration, there may be logistical hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Guarantor under the Guarantee) as domestic banks may require evidence of SAFE registration in connection with the Deed of Guarantee in order to effect such remittance, although this does not affect the validity of the Guarantee itself.

The Notes and the Guarantee will be structurally subordinated to the existing and future indebtedness and other liabilities of the Guarantor's existing and future subsidiaries and effectively subordinated to the Guarantor's secured debt to the extent of the value of the collateral securing such indebtedness.

The Notes and the Guarantee will be structurally subordinated to any debt and other liabilities and commitments, including trade payables and lease obligations, of the Guarantor's existing and future subsidiaries, whether or not secured. The Notes will not be guaranteed by any of the Guarantor's subsidiaries, and the Guarantor may not have direct access to the assets of such subsidiaries unless these assets are transferred by dividend or otherwise to the Guarantor. The ability of such subsidiaries to pay dividends or otherwise transfer assets to the Guarantor is subject to various restrictions under applicable law. Each of the Guarantor's subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Notes or Guarantee or make any funds available therefore, whether by dividends, loans or other payments.

The Guarantor's right to receive assets of any of the Guarantor's subsidiaries, upon that subsidiary's liquidation or reorganisation will be effectively subordinated to the claim of that subsidiary's creditors (except to the extent that the Guarantor is the creditor of that subsidiary). Consequently, the Notes and the Guarantee will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any of the Guarantor's subsidiaries, and any subsidiaries that the Guarantor may in the future acquire or establish.

The Notes and the Guarantee are the Issuer's and the Guarantor's unsecured obligations, respectively, and will (i) at all times rank at least *pani passu* with all the Issuer's other present and future unsecured and unsubordinated obligations; (ii) the Guarantor's obligation under the Guarantee will be effectively subordinated to all of the Guarantor's present and future secured indebtedness to the extent of the value of the collateral securing such obligations; and (iii) be senior to all of the Guarantor's present and future subordinated obligations. As a result, claims of secured lenders, whether senior or junior, with respect to assets securing their loans will be prior with respect to those assets. In the event of the Guarantor's bankruptcy, insolvency, liquidation, reorganisation, dissolution or other winding up, or upon any acceleration of the Notes, these assets will be available to pay obligations on the Notes only after all other debt secured by these assets has been repaid in full. Any remaining assets will be available to the Noteholders ratably with all of the Guarantor's other unsecured creditors, including trade creditors. If there are not sufficient assets remaining to pay all these creditors, then all or a portion of the Notes then outstanding would remain unpaid.

If any of the Guarantor or its subsidiaries, including the Issuer, is unable to comply with the restrictions and covenants in its respective debt agreements, or the Notes, there could be a default under the terms of these agreements, or the Notes, which could cause repayment of the relevant debt to be accelerated.

If the Issuer is unable to comply with the restrictions and covenants in the Notes, or if any of the Guarantor or its subsidiaries, including the Issuer, is unable to comply with its current or future debt obligations and other agreements, there could be a default under the terms of such agreements. In the event of a default under such agreements, the holders of the debt could terminate their commitments to lend to the Guarantor or its relevant subsidiary, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of the debt agreements entered into by members of the Group, and the Notes, contain (or may in the future contain) cross-acceleration or cross-default provisions. As a result, the default by the Guarantor or the relevant subsidiary under one debt agreement may cause the acceleration of repayment of debt, including the Notes, or result in a default under its other debt agreements, including the Notes. If any of these events occur, there can be no assurance that the assets and cash flows of the Group would be sufficient to repay in full all of their indebtedness, or that they would be able to find alternative financing. Even if alternative financing could be obtained, there can be no assurance that it would be on terms that are favourable or acceptable to the Guarantor or its subsidiaries.

The PRC government has no obligation to pay any amount under the Notes as payment obligations under the Notes remain the sole obligation of the Issuer.

The PRC government, including but not limited to the Beijing SASAC, is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Notes in lieu of the Issuer and/or the Guarantor. The payment obligations under the Notes remain the sole obligation of the Issuer and/or the Guarantor. This position has been reinforced by the Circular of the Ministry of Finance on the Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises (《財政部關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知》) (the "**MOF Circular**"), the Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (《國家發展改革委、財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知》) (the "**Joint Circular**"), and the Notice of the General Office of the National Development and Reform Commission on Relevant Requirements for Record-filing and Registration of Issuance of Foreign Debts by Local State-owned Enterprises (《國家發展改革委辦公廳關於對地方國有企業發行外債申請備案登記有關要求的通知》) ("**Circular 666**").

The PRC government, including but not limited to the Beijing SASAC, has no obligation to pay any amount under the Notes. Investments in the Notes are based on the credit risk of the Issuer and the Guarantor, rather than analysation of the credit risk of the PRC government, including but not limited to the Beijing SASAC. In the event the Issuer and the Guarantor fail to fulfil their obligations under the Notes, investors will only be able to claim as an unsecured creditor against the Issuer and the Guarantor and their assets, and not any other person including the PRC government, any other local or municipal government authorities. As the MOF Circular, the Joint Circular and Circular 666 are relatively new and given the limited volume of published decisions related to these circulars, the interpretation and enforcement of these laws and regulations involve uncertainties and any adverse interpretation and enforcement of such laws and regulations in the future may materially and adversely affect the Group's financial condition, results of operations and prospects.

In addition, any indirect ownership or control by the Beijing SASAC does not necessarily correlate to, or provide any assurance as to, the Issuer's or the Group's financial condition. If the Issuer and/or the Guarantor does not fulfil its obligations under the Notes and the Trust Deed, the Noteholders will only have recourse against the Issuer and/or the Guarantor, and not the PRC government. The Notes are solely to be repaid by the Issuer and/or the Guarantor as an obligor under the relevant transaction documents and as an independent legal person.

Investors in the Notes may be subject to foreign exchange risks.

The Notes are denominated and payable in US dollars. An investor who measures investment returns by reference to a currency other than US dollars would be subject to foreign exchange risks by virtue of an investment in the Notes, due to, among other things, economic, political and other factors over which neither the Issuer nor the Guarantor has any control. Depreciation of the US dollars against such currency could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss when the return on the Notes is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Notes.

The liquidity and price of the Notes following this offering may be volatile.

The price and trading volume of the Notes may be highly volatile. Factors such as variations in the revenues, earnings and cash flows of the Group and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the volume and price at which the Notes will trade. There can be no assurance that these developments will not occur in the future.

Developments in other markets may adversely affect the market price of the Notes.

The market price of the Notes may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Notes is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including China. Since the sub-prime mortgage crisis in 2008, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Notes could be adversely affected.

A trading market for the Notes may not develop.

The Notes are a new issue of securities for which there is currently no trading market. There can be no assurance as to the liquidity of the Notes or that an active trading market will develop. If such a market were to develop, the Notes could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. The Joint Lead Managers are not obligated to make a market in the Notes and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Joint Lead Managers.

The insolvency laws of the BVI, the PRC and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Notes are familiar.

As the Issuer was incorporated under the laws of BVI and the Guarantor was established under the laws of the PRC, any insolvency proceeding relating to the Issuer or, as the case may be, the Guarantor would likely involve BVI or PRC insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Notes are familiar.

There may be less publicly available information about the Issuer than is available in certain other jurisdictions.

The Issuer is a private company incorporated in the BVI, and therefore there is less publicly available information about the Issuer.

The Trustee may request holders of the Notes to provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances, including without limitation giving of notice to the Issuer and taking enforcement steps pursuant to the Terms and Conditions, the Trustee may, at its sole discretion, request holders of the Notes to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of holders of the Notes. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed (as defined in the Terms and Conditions) or the Terms and Conditions or and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the holders of the Notes to take such actions directly.

Modifications and waivers may be made in respect of the Terms and Conditions and the Trust Deed by the Trustee or less than all of the Noteholders.

The Terms and Conditions contain provisions for calling meetings of Noteholders (including by way of teleconference or videoconference call) to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including those Noteholders who do not attend and vote at the relevant meeting and those Noteholders who vote in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of Noteholders may be adverse to the interests of the individual or minority Noteholders, and in such circumstance, the recourse available to the minority Noteholders may be limited.

The Terms and Conditions also provide that the Trustee may (but shall not be obliged to), without the consent of Noteholders, agree to any modification of the Trust Deed (other than in respect of certain reserved matters) which in the opinion of the Trustee will not be materially prejudicial to the interests of Noteholders and to any modification of the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may (but shall not be obliged to), without the consent of the Noteholders, and in accordance with the Trust Deed, authorise or waive any proposed breach or breach of the Notes, the Trust Deed (other than a proposed breach or breach relating to the subject of certain reserved matters) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

The Issuer may issue additional Notes in the future.

The Issuer may, from time to time, and without prior consultation of the Noteholders create and issue further Notes or otherwise raise additional capital through such means and in such manner as it may consider necessary. See "*Terms and Conditions of the Notes – Further Issues*". There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Notes.

Gains on the transfer of the Notes may be subject to income tax under PRC tax laws.

Under the New Enterprise Income Tax ("**EIT**") Law and its implementation rules, any gains realised on the transfer of the Notes by Noteholders who are deemed under the new EIT law as non-resident enterprises may be subject to PRC EIT if such gains are regarded as incomes derived from sources within the PRC. Under the new EIT law, a "non-resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained incomes derived from sources within the PRC. In addition, there is uncertainty as to whether gains realised on the transfer of the Notes by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. EIT rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Notes minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to an arrangement between mainland China and Hong Kong for avoidance of double taxation, Noteholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempt from PRC income tax on capital gains derived from a sale or exchange of the Notes.

If a Noteholder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax on gains on the transfer of the Notes, the value of the relevant Noteholder's investment in the Notes may be materially and adversely affected.

The Notes may not be a suitable investment for all investors.

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes;

- understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) Notes are legal investments for it, (b) Notes can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

A change in English law which governs the Notes may adversely affect holders of the Notes.

The Terms and Conditions are governed by English law. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the Notes.

Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts and the Noteholders would need to be subject to the exclusive jurisdiction of the Hong Kong courts. There can also be no assurance that the PRC courts will recognise and enforce judgments of the Hong Kong courts in respect of English law governed matters or disputes.

The Terms and Conditions, the Trust Deed and the Agency Agreement are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. Therefore, the Noteholders' rights to initiate a claim outside Hong Kong may be limited. In order to hear English law governed matters or disputes, the Hong Kong courts may require certain additional procedures to be taken.

Under the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**Choice of Court Arrangement**"), judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts.

However, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC or meets other circumstances specified by the Choice of Court Arrangement. In addition, on 18 January 2019, the Supreme People's Court of the PRC and the government of Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "**New Arrangement**"). The New Arrangement extends the scope of judicial assistance and shall take effect after the necessary procedures to enable its implementation are completed in both the PRC and Hong Kong. The New Arrangement will, upon its commencement, supersede the Choice of Court Arrangement. However, the Choice of Court Arrangement will continue to apply to a "choice of court agreement" in writing (if any) made between the relevant parties before the commencement of the New Arrangement. While it is expected that the PRC courts may recognise and enforce a judgment given by the Hong Kong courts in respect of a dispute governed by English law, there can be no assurance that the PRC courts will do so for all such judgments.

The Notes will initially be represented by the Global Certificate and holders of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System.

Notes will initially be represented by the Global Certificate. Such Global Certificate will be deposited with a common depositary for Euroclear and Clearstream (each of Euroclear and Clearstream, a "Clearing System"). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive Notes. The relevant Clearing System will maintain records of the beneficial interests in the Global Certificate. While the Notes are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Notes are represented by the Global Certificate the Issuer will discharge its payment obligations under the Notes by making payments to the common depositary for Euroclear and Clearstream for distribution to their account holders. A holder of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System to appoint appropriate proxies.

The rating expected to be assigned to the Notes may be downgraded or withdrawn in the future.

The Notes are expected to be assigned a rating of "BBB" by S&P and "BBB+" by Fitch. A rating represents only the opinions of the rating agencies and their assessment of the ability of the Issuer and the Guarantor to perform their respective obligations under the Notes, the Guarantee and the Trust Deed and the credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold the Notes and the rating may be subject to revision, qualification, suspension, reduction or withdrawal at any time by the assigning rating agency. There can be no assurance that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. Neither the Issuer nor the Guarantor is obligated to inform Noteholders of any such revision, downgrade or withdrawal of any rating. Each rating should be evaluated independently of any other rating of the Notes or other securities of the Issuer or the Guarantor (if any). A revision, qualification, suspension, reduction or withdrawal of any rating assigned to the Guarantor and/or the Notes may adversely affect the market price of the Notes.

USE OF PROCEEDS

The Group estimates that the gross proceeds from the offering of the Notes, before deducting the commissions and other estimated expenses payable in connection with this offering, will be US$348,925,500, which will be used for refinancing of the Group's indebtedness and replenishment of its working capital. The Group may adjust its business plans in response to changing market conditions and change the use of proceeds.

EXCHANGE RATE INFORMATION

PRC

PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the markets during the prior day. PBOC also takes into account other factors such as the general conditions existing in the international foreign exchange market. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, has been based on rates set by PBOC, which are set daily based on the previous day's inter-bank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to 20 July 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. On 21 July 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to that of the U.S. dollar only, to allow the value of the Renminbi to fluctuate within a narrow and managed band based on market supply and demand and by reference to a basket of currencies. This change in policy has resulted in a significant appreciation of the Renminbi against the U.S. dollar.

The PRC government has made further adjustments to the exchange rate system. PBOC has authorised the China Foreign Exchange Trading Centre, effective since 4 January 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi at 9:15 a.m. each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over the counter exchange rate for that business day. On 18 May 2007, PBOC enlarged, effective on 21 May 2007, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar from 0.3 per cent. to 0.5 per cent. around the central parity rate. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5 per cent. above or below the central parity rate published by PBOC. On 19 June 2010, PBOC announced that in view of the recent economic situation and financial market developments in China and abroad, and the balance of payments situation in China, it has decided to proceed further with reform of the Renminbi exchange rate regime and to enhance the Renminbi exchange rate flexibility. According to the announcement, the exchange rate floating bands will remain the same as previously announced but PBOC will place more emphasis on reflecting the market supply and demand with reference to a basket of currencies. On 12 April 2012, PBOC announced that on 16 April 2012, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar would be enlarged from 0.5 per cent. to 1.0 per cent. around the central parity rate, allowing the Renminbi to fluctuate against the U.S. dollar by up to 1.0 per cent. above or below the central parity rate published by PBOC. PBOC announced on 15 March 2014 that since 17 March 2014, the floating band for the trading prices in the inter-bank foreign exchange spot market of Renminbi against the U.S. dollar was further expanded from 1 per cent. to 2 per cent. On each business day, the spread between the Renminbi and U.S. dollar buying and selling prices offered by the designated foreign exchange banks to their clients shall be within 3.0 per cent. of the published central parity of U.S. dollar on that day, instead of 2.0 per cent. For three conservative days commencing 11 August 2015, PBOC devalued the Renminbi against the U.S. dollar, leading to declines in the value of the Renminbi versus the U.S. dollar of up to 2.8 per cent. in currency markets and signalling the largest single-day drop in the value of the Renminbi since 1994. In January and February 2016, Renminbi experienced further fluctuation in value against the U.S. dollar.

Although PRC governmental policies were introduced in 1996 to reduce restrictions on the convertibility of the Renminbi into foreign currency for current account items, conversion of the Renminbi into foreign currency for capital items, such as foreign direct investment, loans or security, requires the approval of SAFE and other relevant authorities. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

The following table sets forth for the periods indicated, certain information concerning the exchange rates between Renminbi and U.S. dollars. For periods after 1 January 2010, the exchange rates reflect the exchange rates as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System of the United States.

	Renminbi per U.S. Dollar Noon Buying Rate[(1)]			
Period	**Period end**	**Average[(2)]**	**High**	**Low**
	(RMB per US$1.00)			
2016	6.9430	6.6549	6.9580	6.4480
2017	6.5063	6.7350	6.9575	6.4773
2018	6.8755	6.6090	6.9737	6.2649
2019	6.9618	6.9081	7.1786	6.6822
2020	6.5250	6.9042	7.1681	6.5208
September	6.7896	6.8106	6.8474	6.7529
October	6.6919	6.7254	6.7898	6.6503
November	6.5760	6.6029	6.6899	6.5556
December	6.5250	6.5393	6.5705	6.5208
2021				
January	6.4282	6.4672	6.4822	6.4282
February	6.4730	6.4601	6.4869	6.4344

Notes:

(1) Exchange rates between Renminbi and U.S. dollar represent the noon buying rates as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System of the United States.

(2) Annual averages have been calculated from month-end rate. Monthly averages have been calculated using the average of the daily rates during the relevant period.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the consolidated capitalisation and indebtedness of the Group as at 30 June 2020 on a historical basis and as adjusted to give effect to the issue of the Notes. The following table should be read in conjunction with the Group's consolidated financial statements and related notes included elsewhere in this Offering Circular.

	As at 30 June 2020			
	Actual		As Adjusted	
	(RMB'000) (unaudited)	(US$'000) (unaudited)	(RMB'000) (unaudited)	(US$'000) (unaudited)
Current indebtedness:				
Borrowings	17,014,813	2,408,290	17,014,813	2,408,290
Lease liabilities	120,477	17,052	120,477	17,052
Total current indebtedness	**17,135,290**	**2,425,342**	**17,135,290**	**2,425,342**
Non-current indebtedness:				
Borrowings	8,229,620	1,164,827	8,229,620	1,164,827
Lease liabilities	108,080	15,298	108,080	15,298
Notes to be issued(2)	–	–	2,465,197	348,926
Total non-current indebtedness	**8,337,700**	**1,180,125**	**10,802,897**	**1,529,051**
Total indebtedness(3)	**25,472,990**	**3,605,467**	**27,938,187**	**3,954,393**
Total equity	67,272,026	9,521,737	67,272,026	9,521,737
Total capitalisation(4)	**92,745,016**	**13,127,204**	**95,210,213**	**13,476,130**

Notes:

(1) U.S. dollar translations are provided for indicative purposes only and are unaudited. These translations were calculated based on an exchange rate of RMB7.0651 to US$1.00 on 30 June 2020 as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System of the United States.

(2) Represented the gross proceeds before deducting the commissions and other estimated expenses payable in connection with this offering.

(3) Total indebtedness equals the sum of total current indebtedness and total non-current indebtedness.

(4) Total capitalisation equals the sum of total indebtedness and total equity.

Since 30 June 2020, the Group has entered into additional financing arrangements and incurred indebtedness to replenish its working capital, to finance its business development and for other general corporate purposes.

In December 2020, the Company redeemed its corporate bonds in an aggregate principal amount of RMB1,500 million in full together with accrued interest and super and short-term commercial paper in an aggregate principal amount of RMB3,000 million in full together with accrued interest at maturity.

Except as disclosed above, there has been no material adverse change in the capitalisation and indebtedness of the Group since 30 June 2020.

TERMS AND CONDITIONS OF THE NOTES

The following other than the words in italics is substantially the form of the terms and conditions of the Notes (as defined below) which will appear on the reverse of each of the definitive Certificates (as defined below) evidencing the Notes:

The issue of U.S.$350,000,000 2.00 per cent. guaranteed notes due 2024 (the "**Notes**", which term shall include, unless the context requires otherwise, any additional Notes issued in accordance with Condition 15 and consolidated and forming a single series therewith) was authorised by a resolution of the board of directors of BAIC Finance Investment Co., Ltd. (the "**Issuer**") passed on 5 March 2021. The Notes are guaranteed by BAIC Motor Corporation Limited (北京汽車股份有限公司) (the "**Guarantor**"). The giving of the Guarantee (as defined in Condition 3(b)) was authorised by a resolution of the Guarantor's shareholders at the annual general meeting of the Guarantor on 18 June 2020 and a resolution of the Guarantor's board of directors on 27 April 2020. The Notes are constituted by a Trust Deed (the "**Trust Deed**") dated on or about 16 March 2021 (the "**Issue Date**") between the Issuer, the Guarantor and The Bank of New York Mellon, London Branch (the "**Trustee**" which expression shall, where the context so permits, include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Notes. These terms and conditions ("**these Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Notes. The Notes have the benefit of a deed of guarantee (as amended or supplemented from time to time, the "**Deed of Guarantee**") dated on or about 16 March 2021 executed by the Guarantor and the Trustee relating to the Notes, such deed being executed in favour of the Trustee (for itself and the Noteholders (as defined below)). Copies of the Trust Deed and the agency agreement (the "**Agency Agreement**") dated on or about 16 March 2021 relating to the Notes between the Issuer, the Guarantor, the Trustee, The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar (the "**Registrar**") and transfer agent (the "**Transfer Agent**") and The Bank of New York Mellon, London Branch as principal paying agent (the "**Principal Paying Agent**") and other paying agents (the "**Paying Agents**" (which expression shall also include the Principal Paying Agent, as applicable)) appointed thereunder, are (i) available to Noteholders upon prior written request and proof of holding during usual business hours (being 9.00 a.m. to 3.00 p.m.) from the principal office of the Principal Paying Agent (presently at One Canada Square, London E14 5AL, United Kingdom) or (ii) available electronically via e-mail from the Principal Paying Agent. The "**Agents**" means the Principal Paying Agent, the Paying Agents, the Registrar, the Transfer Agent and any other agent or agents appointed from time to time with respect to the Notes. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions of the Agency Agreement applicable to them.

All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed.

1 FORM, SPECIFIED DENOMINATION AND TITLE

The Notes are issued in the specified denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

The Notes are represented by registered certificates (the "**Certificates**") and, save as provided in Condition 2(b), each Certificate shall represent the entire holding of Notes by the same holder.

Title to the Notes shall pass by transfer and registration of title in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" and "**holder**" means the person in whose name a Note is registered in the Register (or in the case of joint holding, the first name thereof).

*Upon issue, the Notes will be represented by a global certificate (the "**Global Certificate**") registered in the name of a nominee of, and deposited with a common depositary for, Euroclear Bank SA/NV and Clearstream Banking S.A. The Conditions are modified by certain provisions contained in such Global Certificate while any of the Notes are represented by such Global Certificate.*

Except in the limited circumstances described in the Global Certificate, owners of interests in Notes represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Notes. The Notes are not issuable in bearer form.

2 TRANSFERS OF NOTES AND ISSUE OF CERTIFICATES

(a) **Register**: The Issuer will cause the Register to be kept at the specified office of the Registrar and in accordance with the terms of the Agency Agreement, on which shall be entered the names and addresses of the holders of the Notes and the particulars of the Notes held by them and of all transfers of the Notes. Each holder shall be entitled to receive only one Certificate in respect of its entire holding of Notes.

(b) **Transfer**: A holding of Notes may, subject to Conditions 2(e) and 2(f), be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent or Paying Agents) of the Certificate(s) representing such Notes to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may require. In the case of a transfer of part only of a holding of Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Notes to a person who is already a holder of Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Notes and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee, or by the Registrar, with the prior written approval of the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon written request.

Transfer of interests in the Notes evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

(c) **Delivery of New Certificates**: Each new Certificate to be issued pursuant to Condition 2(b) shall be available for delivery within seven business days of receipt of a duly completed form of transfer or Put Exercise Notice (as defined in Condition 6(c)) and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Paying Agent, Transfer Agent or the Registrar (as the case may be) to whom delivery or surrender of such form of transfer Put Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or Put Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate (but free of charge to the holder and at the Issuer's expense) to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(c), "**business day**" means a day, other than a Saturday or Sunday or public holiday, on which banks are generally open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

Except in the limited circumstances described in the Global Certificates, owners of interests in the Notes will not be entitled to receive physical delivery of Certificates. Issues of Certificates on transfer of Notes are subject to compliance by the transferor and transferee with the certification procedures described above and in the Agency Agreement. The Notes are not issuable in bearer form. See "Summary of Provisions Relating to the Notes in Global Form".

(d) **Transfer Free of Charge**: Certificates, on transfer, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon (i) payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or prefunding as the Registrar or the relevant Transfer Agent may require); (ii) the Registrar being satisfied in its absolute discretion with the documents of title or identity of the person making the application and (iii) the relevant Agent being satisfied that the regulations concerning transfer of Notes have been complied with.

(e) **Closed Periods**: No Noteholder may require the transfer of a Note to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Note, (ii) during the period of 15 days ending on (and including) any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(b), (iii) after the exercise of the put option in Conditions 6(c), or (iv) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(b)).

(f) **Regulations**: All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee or by the Registrar, with the prior written approval of the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon prior written request and presentation of proof of holding.

3 STATUS AND GUARANTEE

(a) **Status**: The Notes constitute direct, unsubordinated, unconditional and (subject to Condition 4(a)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a), at all times rank at least *pari passu* with all the Issuer's other present and future unsecured and unsubordinated obligations.

(b) **Guarantee**: The Guarantor has unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time expressed to be payable by the Issuer under the Notes and the Trust Deed. The Guarantor's obligations in respect of the Notes and the Trust Deed (the "**Guarantee**") are contained in the Deed of Guarantee (and any supplement thereto). The obligations of the Guarantor under the Guarantee constitute direct, unsubordinated, unconditional and (subject to Condition 4(a)) unsecured obligations of the Guarantor and shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a), at all times rank at least *pari passu* with all its other present and future unsecured and unsubordinated obligations.

4 COVENANTS

(a) **Negative Pledge**: So long as any Note remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will, and each of the Issuer and the Guarantor shall ensure that none of their respective Subsidiaries (other than the Exempted Subsidiaries) will, create, or having outstanding, any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Notes the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

(b) **Undertakings in relation to the Guarantee**: The Guarantor undertakes to:

(i) file or cause to file with SAFE the executed Deed of Guarantee (including, without limitation, any amendment thereto) and other required documents within 15 Registration Business Days (as defined below in Condition 6(c)) after the execution thereof in accordance with and as prescribed by the Foreign Exchange Administration of Cross-border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 ("**Cross-border Security Registration**");

(ii) use its best endeavours to complete the Cross-border Security Registration on or before the Registration Deadline (as defined below) and obtain a registration record from SAFE and any other document evidencing the registration certificate issued by SAFE and the particulars of registration in respect of the Cross-border Security Registration;

(iii) before the Registration Deadline and within ten Registration Business Days after receipt of such evidence and form, deliver to the Trustee the documents comprising the Registration Conditions (as defined below) (the "**Registration Documents**");

(iv) subject to completion of the Cross-border Security Registration, comply with all applicable PRC laws and regulations in relation to the Cross-border Security Registration; and

(v) procure the giving of notice to the Trustee and Noteholders in accordance with Condition 16 as soon as practicable after the completion of the Cross-border Security Registration.

The Trustee shall have no obligation to monitor or ensure or to assist the registration of the Guarantee with SAFE on or before the Registration Deadline or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the Cross-border Security Registration and/or the Registration Documents or to give notice to the Noteholders confirming the completion of the SAFE and shall not be liable to Noteholders or any other person for any loss arising from any failure to do so. The Trustee may rely on the Registration Documents conclusively without liability to any Noteholder or any other person for the accuracy, validity and/or genuineness of any matters or facts stated therein.

(c) **Restrictions on the Issuer's Activities**: For so long as any Note remains outstanding, the Issuer will conduct no business or any other activities other than (i) the offering, sale or issuance of debt securities (including further securities issued pursuant to Condition 15) and incurrence of borrowings and other indebtedness and performance of its obligations thereunder; (ii) investment in or on-lending of the proceeds thereof to the Guarantor or any of its Subsidiaries and any other activities incidental thereto; and (iii) the activities related to the establishment and/or maintenance of the Issuer's corporate existence.

(d) **Financial Information**: For so long as any Note remains outstanding the Guarantor will furnish the Trustee with (A) a Compliance Certificate of the Guarantor (on which the Trustee may rely as to such compliance) within 14 days of request by the Trustee; (B) a Compliance Certificate of the Guarantor (on which the Trustee may rely as to such compliance) and a copy of the relevant Guarantor Audited Financial Reports within 150 days of the end of each Relevant Period prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (audited by a nationally or internationally recognised firm of independent accountants) issued by the International Accounting Standards Board, and if such reports shall be in the Chinese language, together with an English translation of the same and translated by (aa) a nationally or internationally recognised firm of independent accountants or (bb) a professional translation service provider and checked by a nationally or internationally recognised firm of independent accountants, together with a certificate signed by an Authorised Signatory of the Guarantor, certifying that such translation is complete and accurate; and (C) a copy of the Guarantor Unaudited Financial Reports within 120 days of the end of each Relevant Period prepared on a basis consistent with the audited consolidated financial statements of the Guarantor and if such statements shall be in the Chinese language, together with an English translation of the same and translated by (aa) a nationally or internationally recognised firm of independent accountants or (bb) a professional translation service provider and checked by a nationally or internationally recognised firm of independent accountants, together with a certificate signed by a director of the Guarantor, certifying that such translation is complete and accurate.

(e) **NDRC Post-issue filing**:

The Guarantor undertakes to file or cause to be filed a notification with the NDRC (as defined below) within 10 PRC Business Days (as defined below) after the Issue Date (the "**NDRC Post-issue Filing Deadline**") in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by the NDRC and which came into effect on 14 September 2015, and any implementation rules as issued by the NDRC from time to time (the "**NDRC Post-issue Filing**").

The Guarantor shall submit or cause to submit the NDRC Post-issue Filing by the NDRC Post-issue Filing Deadline and shall comply with all applicable PRC laws and regulations in connection with the NDRC Post-issue Filing. The Issuer shall:

(i) within ten PRC Business Days after the submission of the NDRC Post-issue Filing provide the Trustee with (x) a certificate substantially in the form set out in the Trust Deed signed by an Authorised Signatory (as defined in the Trust Deed) of the Issuer confirming the submission of the NDRC Post-issue Filing and certifying that copies of the documents referred to in (y) (which shall be attached to such certificate) are true and complete copies of the originals and (y) a copy of each of the documents comprising the NDRC Post-Issue Filing; and

(ii) give notice to the Noteholders (in accordance with Condition 16) confirming the submission of the NDRC Post-issue Filing within ten PRC Business Days after the documents referred to in sub-paragraph (i) above of this Condition 4 are delivered to the Trustee.

The Trustee shall have no obligation or duty to monitor or ensure or to assist the NDRC Post-issue Filing is submitted on or before the NDRC Post-issue Filing Deadline or to assist the Issuer with the NDRC Post-issue Filing or to verify the accuracy, validity and/or genuineness of any documents comprising or prepared or submitted in relation to or in connection with the NDRC Post-issue Filing or to give notice to the Noteholders confirming the submission of the NDRC Post-issue Filing, or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-issue Filing, and shall not be liable to the Noteholders, the Issuer, the Guarantor or any other person for not doing so. The Trustee may rely on the Registration Documents conclusively without liability to any Noteholder or any other person for the accuracy, validity and/or genuineness of any matters or facts stated therein.

In these Conditions:

"**Approval Authorities**" means any supranational, national, state, municipal, provincial or local government (including any subdivision, court, administrative agency or commission or other authority thereof) or any quasi-governmental or private body exercising any regulatory, taxing, importing or other governmental or quasi-governmental authority whose licences, authorisations, registrations or other approvals are necessary for undertaking, performing and enforcing the transactions contemplated by the Trust Deed and the Notes;

"**Compliance Certificate**" means a certificate in English and substantially in the form set out in the Trust Deed of each of the Issuer and the Guarantor (as the case may be) signed by any one of their respective Authorised Signatories that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Issuer or the Guarantor (as the case may be) as at a date (the "**Certification Date**") not more than five days before the date of the certificate:

(i) no Event of Default (as defined in Condition 9) or Potential Event of Default had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and

(ii) each of the Issuer and the Guarantor (as the case may be) has complied with all its obligations under the Trust Deed and the Notes or, if non-compliance has occurred, giving details of it;

"**Exempted Subsidiaries**" means BAIC Motor Corporation Limited Zhuzhou Branch (北京汽車股份有限公司株洲分公司), BAIC Guangzhou Automotive Co., Ltd. (北汽(廣州)汽車有限公司), BAIC Motor Powertrain Co., Ltd. (北京汽車動力總成有限公司) and Beijing Benz Automotive Co., Ltd. (北京奔馳汽車有限公司) collectively;

"**Guarantor Audited Financial Reports**" means annual audited consolidated balance sheets, statements of comprehensive income, statements of cash flows and statements of changes in equity of the Guarantor together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them;

"**Guarantor Unaudited Financial Reports**" means semi-annual unaudited consolidated balance sheets, statements of comprehensive income, statements of cash flows and statements of changes in equity of the Guarantor together with any statements, reports (including any directors' and auditors' review reports, if any) and notes attached to or intended to be read with any of them;

"**Potential Event of Default**" means an event or circumstance which could with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement provided for in Condition 9 become an Event of Default;

"**PRC**" means the People's Republic of China which, for the purposes of these Conditions, shall not include Hong Kong, Macau and Taiwan;

"**PRC Business Day**" means a day, other than a Saturday, Sunday or a public holiday, on which commercial banks are generally open for business in the PRC;

"**Registration Condition**" means the receipt by the Trustee of:

(i) a certificate in substantially the form set out in Schedule 4 of the Trust Deed of any Authorised Signatory of the Guarantor confirming the completion of the Cross-border Security Registration with SAFE; and

(ii) a certified true copy of the relevant SAFE registration evidence from SAFE and any other document evidencing the registration certificate issued by SAFE and the particulars of registration in respect of the Cross-border Security Registration;

"**Regulatory Approvals**" means all necessary regulatory or governmental approvals, consents, licences, orders, permits, registrations, filings, clearances and any other authorisations from the relevant Approval Authorities;

"**Relevant Indebtedness**" means any present or future indebtedness issued outside of the PRC which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, or other securities which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) (which, for the avoidance of doubt, does not include bilateral loans, syndicated loans, club deal loans, any transferable loan facility or agreement (including any draw-down of any existing credit line or facility));

"**Relevant Period**" means (i) in relation to the Guarantor Audited Financial Reports, each period of twelve months ending on the last day of its financial year (being 31 December of that financial year); and (ii) in relation to the Guarantor Unaudited Financial Reports, each period of six months ending on the last day of its first half financial year (being 30 June of that financial year);

"**SAFE**" means the Beijing Bureau of the State Administration of Foreign Exchange of the PRC; and a "**Subsidiary**" of any person means (a) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to control the majority of the board of directors of such company or other business entity, or (b) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the law, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person.

5 INTEREST

The Notes bear interest on their outstanding principal amount from and including 16 March 2021 at the rate of 2.00 per cent. per annum, payable semi-annually in arrear on 16 March and 16 September in each year (each an "**Interest Payment Date**") commencing on 16 September 2021. If any Interest Payment Date would otherwise fall on a day which is not a business day (as defined below), it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding business day.

Each Note will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Note, payment of principal or premium (if any) is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder, and (b) the day seven days after the Trustee or the Principal Paying Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

In these Conditions, the period beginning on and including 16 March 2021 and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

The amount of interest payable on each Interest Payment Date shall be calculated per U.S.$1,000 in principal amount of the Notes (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any period shall be equal to the product of the rate of interest specified above, the Calculation Amount and the relevant day-count fraction on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

In this Condition, the expression "**business day**" means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are generally open for business in Hong Kong, London and New York City.

6 REDEMPTION AND PURCHASE

(a) **Final Redemption**: Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount on 16 March 2024 (the "**Maturity Date**"). The Notes may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

(b) **Redemption for Tax Reasons**: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their principal amount, (together with unpaid interest accrued up to but excluding the date fixed for redemption), if (i) the Issuer (or, if the Guarantee was called, the Guarantor) satisfies the Trustee immediately prior to the giving of such notice that it (or if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands (the "BVI") or the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 10 March 2021, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Notes (or the Guarantee, as the case may be) then due. Prior to the giving of any notice of redemption pursuant to this Condition 6(b), the Issuer (or the Guarantor, as the case may be) shall deliver to the Trustee a certificate signed by an Authorised Signatory of the Issuer (or of the Guarantor, as the case may be) stating that the obligation referred to in (i) above of this Condition 6(b) cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, and (B) an opinion in form and substance satisfactory to the Trustee of an independent legal or tax adviser of recognised standing that the Issuer or the Guarantor, as the case may be, has or will become obliged to pay additional amounts as a result of such change or amendment and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above of this Condition 6(b) without further enquiry and without liability to any Noteholder, in which event it shall be conclusive and binding on the Noteholders.

(c) **Redemption for Relevant Event**: At any time following the occurrence of a Relevant Event, the holder of any Note will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Notes on the Put Settlement Date at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a Non-Registration Event) of their principal amount, together in each case with accrued unpaid interest to (but excluding), the relevant Put Settlement Date. To exercise such right, the holder of the relevant Note must deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a "**Put Exercise Notice**"), together with the Certificates evidencing the Notes to be redeemed, by not later than 30 days following the occurrence of a Relevant Event or, if later, 30 days following the date upon which notice thereof is given to Noteholders by the Issuer in accordance with Condition 16. The "**Put Settlement Date**" shall be (1) the 14th day after the expiry of such period of 30 days as referred to in this Condition 6(c).

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Notes, subject to the Put Exercise Notices delivered as aforesaid, on the Put Settlement Date.

The Issuer shall give written notice to Noteholders in accordance with Condition 16 and the Trustee by not later than 14 days (in the case of a Change of Control) or 10 days (in the case of a Non-Registration Event) following the first day on which it becomes aware of the occurrence of a Relevant Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Notes pursuant to this Condition 6(c).

The Trustee and the Agents shall not be required to take any steps to ascertain whether a Relevant Event has occurred and shall not be responsible for or liable to Noteholders, the Issuer, the Guarantor, any Subsidiary or any other Person for any loss arising from any failure to do so.

In these Conditions including this Condition 6:

a "**Change of Control**" occurs when:

(i) the Guarantor ceases to own or control, directly or indirectly, 100 per cent. of the Voting Rights of the issued share capital of the Issuer;

(ii) any Person or Persons acting in concert acquires Control of the Guarantor;

(iii) BAIC Group ceases to be the single largest direct holder of the issued share capital of the Guarantor; or

(iv) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of the Guarantor's assets to any other Person or Persons acting together, unless the consolidation, merger, sale or transfer (a) shall not result in the other Person or Persons acquiring Control over the Guarantor or the successor, or (b) shall be directed or approved by the Approval Authorities;

a "**Non-Registration Event**" occurs when the Registration Condition has not been satisfied on or prior to the Registration Deadline;

a "**Person**", as used in this Condition 6(c), includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of state (in each case whether or not being a separate legal entity) but does not include (i) Beijing SASAC or any government agency under the Beijing People's Government, (ii) Beijing State-Owned Capital Operation and Management Center (北京國有資本經營管理中心) or its successor, (iii) the BAIC Group and (iv) the Guarantor's wholly owned direct or indirect Subsidiaries.

a "**Relevant Event**" will be deemed to occur if:

(i) there is a Non-Registration Event; or

(ii) there is a Change of Control;

"**BAIC Group**", as used in this Condition 6(c), includes Beijing Automotive Group Co., Ltd. and/or any of its Subsidiaries;

"**Beijing SASAC**" means the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality;

"**Control**" means (where applicable): (i) the ownership, acquisition or control of more than 50.0 per cent., of the Voting Rights of the issued share capital of a Person, whether obtained directly or indirectly or (ii) the right to appoint and/or remove all or the majority of the members of a Person's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of Voting Rights, contract or otherwise and the terms "controlling" and "controlled" have meanings correlative to the foregoing;

"**Registration Business Day**" means a day, other than a Saturday, Sunday or a public holiday, on which commercial banks are generally open for business in Beijing;

"**Registration Deadline**" means the day falling 120 Registration Business Days after the Issue Date; and

"**Voting Rights**" means the right generally to vote at a general meeting of shareholders of a Person (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency, and any such voting power shall therefore be excluded for the purpose of this definition).

References to "**principal**" in these Conditions shall, unless the context otherwise requires, include the premium (where applicable) referred to in this Condition 6(c).

(d) **Notice of Redemption**: All Notes in respect of which any notice of redemption is given under this Condition 6 shall be redeemed on the date specified in such notice in accordance with this Condition 6. If there is more than one notice of redemption given in respect of any Note (which shall include any notice given by the Issuer pursuant to Condition 6(b) and any Put Exercise Notice given by a Noteholder pursuant to Condition 6(c)), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail.

(e) **Purchase**: The Issuer, the Guarantor and their respective Subsidiaries may at any time purchase Notes in the open market or otherwise at any price. The Notes so purchased, while held by or on behalf of the Issuer, the Guarantor or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 9, 12(a) and 13.

(f) **Cancellation**: All Certificates representing Notes purchased by or on behalf of the Issuer, the Guarantor or their respective Subsidiaries shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Notes shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Notes shall be discharged.

(g) **Calculations**: Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying any calculations of any amount payable under any notice of redemption and shall not be liable to the Noteholders or any other person for not doing so.

7 PAYMENTS

(a) **Method of Payment**: Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent, Paying Agent or of the Registrar if no further payment falls to be made in respect of the Notes represented by such Certificates) in the manner provided in Condition 7(b) below.

(b) Interest on each Note shall be paid to the person shown on the Register at the close of business on the fifth Payment Business Day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Note shall be made in United States Dollars by transfer to the registered account of the Noteholder.

(c) For the purposes of this Condition, a Noteholder's "**registered account**" means the United States Dollars account maintained by or on behalf of it, details of which appear on the Register at the close of business on the fifth Payment Business Day before the due date for payment.

(d) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Noteholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of premium (if any) or interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of premium (if any) or interest so paid.

The Record Date for Notes represented by a Global Certificate will be one Clearing System Business Day prior to the Interest Payment Date, where "Clearing System Business Day" means a day on which the relevant clearing system is operating and open for business.

Payments of principal and interest in respect of Notes represented by a Global Certificate will be made upon presentation or, if no further payment falls to be made in respect of the Notes, against presentation and surrender of such Global Certificate to or to the order of the Registrar or such other Agent as shall have been notified to the holder of the Global Certificate for such purpose.

Distribution of amounts with respect to book-entry interests in the Notes held through Euroclear or Clearstream Banking S.A. will be credited, to the extent received by the Registrar, to the cash accounts of Euroclear or Clearstream Banking S.A. participants in accordance with the relevant system's rules and procedures.

A record of each payment made will be endorsed on the appropriate schedule to the relevant Global Certificate by or on behalf of the Registrar and shall be prima facie evidence that payment has been made.

(e) **Payments subject to Laws**: All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment. No commission or expenses shall be charged to the Noteholders in respect of such payments.

(f) **Payment Initiation**: Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated, on the due date for payment (or, if that date is not a Payment Business Day, on the first following day which is a Payment Business Day), or, in the case of payments of principal and premium (if any) where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent, Paying Agent or of the Registrar, on a day on which the Principal Paying Agent is open for business and on which the relevant Certificate is surrendered.

(g) **Appointment of Agents**: The Principal Paying Agent, the Registrar, the Transfer Agent and the Paying Agents initially appointed by the Issuer and their respective specified offices are listed in the Agency Agreement. The Principal Paying Agent, the Registrar, the Transfer Agent and the Paying Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, the Registrar, any Transfer Agent or any of the other Agents and to appoint additional or other Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar with a specified office outside the United Kingdom, (iii) a Transfer Agent and (iv) such other agents as may be required by any stock exchange on which the Notes may be listed.

Notice of any such termination or appointment or any change of any specified office of an Agent shall promptly be given by the Issuer to the Noteholders in accordance with Condition 16.

(h) **Delay in Payment**: Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Note if the due date is not a Payment Business Day or if the Noteholder is late in surrendering or cannot surrender its Certificate (if required to do so).

(i) **Payment Business Days**: If any date for payment in respect of any notes is not a Business Day, the holder shall not be entitled to payment until the next following Business Day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, "Payment Business Day" means a day (other than a Saturday, a Sunday or a public holiday) on which banks are open for general business (including dealings in foreign currencies) in Hong Kong, London and New York City.

8 TAXATION

All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes or under the Guarantee shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the BVI or the PRC or any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

Where such withholding or deduction is made by the Issuer or, as the case may be, the Guarantor by or within the PRC at the aggregate rate applicable on the 10 March 2021 (the "**Applicable Rate**"), the Issuer or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by Noteholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

If the Issuer or, as the case may be, the Guarantor is required to make a deduction or withholding in respect of PRC tax in excess of the Applicable Rate or BVI deduction or withholding is required, in such event that the Issuer or, as the case may be, the Guarantor shall pay such additional amounts ("**Additional Tax Amounts**") as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Note:

(a) **Other connection**: to a holder (or to a third party on behalf of a holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with the BVI or the PRC other than the mere holding of the Note; or

(b) **Surrender more than 30 days after the Relevant Date**: in respect of which the Certificate representing it is presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Tax Amounts on surrendering the Certificate representing such Note for payment on the last day of such period of 30 days.

In these Conditions:

"**Relevant Date**" in respect of any Note means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further surrender of the Certificate representing such Note being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, any Noteholder or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Notes without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

9 EVENTS OF DEFAULT

If any of the following events (each an "**Event of Default**") occurs the Trustee at its discretion may, and if so requested by holders of at least 25 per cent. of the aggregate principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall, (provided in any such case that the Trustee shall first have been indemnified and/or secured and/or prefunded to its satisfaction), give written notice to the Issuer and the Guarantor declaring that the Notes are, and they shall immediately become, due and payable at their principal amount together (if applicable) with accrued but unpaid interest:

(a) **Non-Payment**: there is failure to pay (i) the principal of or any premium (where applicable) on any of the Notes when due or (ii) any interest on any of the Notes within 14 days after the due date for such payment; or

(b) **Breach of Other Obligations**: the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations in the Notes or the Trust Deed (other than where it gives rise to a redemption pursuant to Condition 6(c) or those referred to in Condition 9(a)) which default is incapable of remedy or, if capable of remedy, is not remedied within 45 days after written notice of such default shall have been given to the Issuer and the Guarantor by the Trustee; or

(c) **Cross-Acceleration**: (i) any other present or future indebtedness of the Issuer, the Guarantor or any of their respective Principal Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer, the Guarantor or any of their respective Principal Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred equals or exceeds U.S.$30,000,000 or its equivalent in any other currency or currencies (on the basis of the middle spot rate for the relevant currency against the U.S.$ as quoted by any leading bank on the day on which this Condition 9(c) operates); or

(d) **Enforcement Proceedings**: a distress, attachment, execution or other legal process is levied, enforced or sued out by a court of competent authority on or against a material part of the property, assets or revenues of the Issuer, the Guarantor or any of the Principal Subsidiaries and is not discharged or stayed within 60 days; or

(e) **Security Enforced**: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, the Guarantor or any of the Principal Subsidiaries over all or a material part of the assets of the Issuer, the Guarantor or any such Principal Subsidiary becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator, manager or other similar person) and is not discharged for 60 days; or

(f) **Insolvency**: the Issuer, the Guarantor or any of the Principal Subsidiaries is (or is, or could be, deemed by law or a court of competent jurisdiction to be) insolvent or bankrupt or unable to pay its debts as and when such debts fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the Issuer, the Guarantor or any of their respective Principal Subsidiaries, as the case may be; or

(g) **Winding-up**: (i) an administrator is appointed, an order from a court of competent jurisdiction is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer, the Guarantor or any of their respective Principal Subsidiaries, or (ii) the Issuer, the Guarantor or any of the Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except for, in each case of (i) or (ii) above, (A) the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (a) on terms approved by an Extraordinary Resolution of the Noteholders, or (b) in the case of a Principal Subsidiary, whereby the undertaking and assets of a Principal Subsidiary are transferred to or otherwise vested in the Guarantor and/or any of its Subsidiaries; or (B) a solvent winding up of any Principal Subsidiary other than the Issuer; or (C) in the case of a disposal of a Principal Subsidiary, including the transfer of full or partial equity ownership in such Principal Subsidiary or the assets of and/or equity interest in such Principal Subsidiary are otherwise disposed, on an arm's length basis where the assets of the Principal Subsidiary resulting from such disposal or the consideration received for such disposal are transferred to or otherwise vested in the Issuer, the Guarantor and/or any of its Subsidiaries; or

(h) **Nationalisation**: any step is taken by any person acting under the authority of any national, regional or local government with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer, the Guarantor or any of the Principal Subsidiaries (except for the purpose of and followed by one or a series of government directed/approved restructurings whereby considerations for such acquisition, expropriation or nationalisation or assets having substantially similar value, shall be transferred to or otherwise vested in the Issuer, the Guarantor or any of its Subsidiaries, which considerations, for the avoidance of doubt, shall include cash, equity stocks and any other type of assets, rights and entitles) that could materially and adversely affect the Issuer's or the Guarantor's ability to perform its respective obligations under the Notes or the Trust Deed; or

(i) **Authorisation and Consents**: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Notes and the Trust Deed, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes and the Trust Deed admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or

(j) **Illegality**: it is or will become unlawful for any of the Issuer or the Guarantor to perform or comply with any one or more of their respective obligations under any of the Notes or the Trust Deed; or

(k) **Unenforceability of Guarantee**: except as permitted under the Trust Deed, upon the completion of the Cross-border Security Registration, any part of the Guarantee is unenforceable or invalid or shall for any reason cease to be in full force and effect or is claimed to be unenforceable, invalid or not in full force and effect by the Issuer or the Guarantor; or

(l) **Analogous Events**: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in this Condition 9.

In this Condition 9, "**Principal Subsidiary**" means any Subsidiary of the Guarantor:

(a) whose revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated revenue, as shown by its latest audited income statement are at least five per cent. of the consolidated revenue as shown by the latest audited consolidated income statement of the Guarantor and its Subsidiaries including, for the avoidance of doubt, the Guarantor and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or

(b) whose net profits or (in the case of a Subsidiary which itself has Subsidiaries) consolidated net profit, as shown by its latest audited income statement are at least five per cent. of the consolidated net profit as shown by the latest audited consolidated income statement of the Guarantor and its Subsidiaries including, for the avoidance of doubt, the Guarantor and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or

(c) whose assets or (in the case of a Subsidiary which itself has Subsidiaries) consolidated assets, as shown by its latest audited balance sheet are at least five per cent. of the amount which equals the amount included in the consolidated total assets of the Guarantor and its Subsidiaries as shown by the latest audited consolidated balance sheet of the Guarantor and its Subsidiaries including, for the avoidance of doubt, the investment of the Guarantor in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Guarantor and after adjustment for minority interests; or

(d) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, **provided that** the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall cease to be a Principal Subsidiary at the date on which the first audited accounts (consolidated, if appropriate), of the Guarantor prepared as of a date later than such transfer are issued unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such accounts by virtue of the provisions of paragraphs (a), (b) or (c) above of this definition;

provided that, in relation to paragraphs (a), (b) or (c) above of this definition:

(i) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Guarantor relate, the reference to the then latest consolidated audited accounts of the Guarantor for the purposes of the calculation above shall, until consolidated audited accounts of the Guarantor for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are available be deemed to be a reference to the then latest consolidated audited accounts of the Guarantor adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

(ii) if at any relevant time in relation to the Guarantor or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, revenue, net profit or assets of the Guarantor and/or any such Subsidiary shall be determined on the basis of *pro forma* consolidated accounts prepared for this purpose by or on behalf of the Guarantor;

(iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its revenue, net profit or assets (consolidated, if appropriate) shall be determined on the basis of *pro forma* accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by or on behalf of the Guarantor; and

(iv) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Guarantor, then the determination of whether or not such subsidiary is a Principal Subsidiary shall be based on a *pro forma* consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Guarantor.

A report by an Authorised Signatory of the Guarantor whether or not addressed to the Trustee that in their opinion a Subsidiary of the Guarantor is or is not or was or was not at any particular time or throughout any specified period a Principal Subsidiary may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall (in the absence of manifest error or an error which is, in the opinion of the Trustee, proven), be conclusive and binding on all parties.

10 PRESCRIPTION

Claims against the Issuer and/or the Guarantor, as applicable, for payment in respect of the Notes shall be prescribed and become void unless made within 10 years (in the case of principal or premium (if any)) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

11 REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or such other Transfer Agent or Paying Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Issuer, the Registrar and/or such Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12 MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

(a) **Meetings of Noteholders**: The Trust Deed contains provisions for convening meetings (including by way of teleconference or videoconference call) of Noteholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee and shall be convened by the Issuer if requested to do so by Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be one or more persons holding or representing a more than 50 per cent. in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to modify the maturity of the Notes or the dates on which interest is payable in respect of the Notes, (ii) to reduce or cancel the principal amount of, any premium payable in respect of, or interest on, the Notes, (iii) to change the currency of payment of the Notes, (iv) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, or (v) to modify or cancel the Guarantee in which case the necessary quorum will be one or more persons holding or representing not less than 75 per cent. or at any adjourned meeting not less than 33 per cent. in principal amount of the Notes for the time being outstanding (each, a "**Reserved Matter**"). Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than 75 per cent. of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes for the time being outstanding (a "**Written Resolution**") and (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the Noteholders of not less than 75 per cent. in principal amount of the Notes outstanding (an "**Electronic Consent**") shall in each case for all purposes be as valid and effective as an Extraordinary Resolution. A Written Resolution may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders. A Written Resolution and/or Electronic Consent will be binding on all Noteholders whether or not they participated in such Written Resolution and/or Electronic Consent, as the case may be.

(b) **Modification of Agreements and Deeds**: The Trustee may (but shall not be obliged to) agree, without the consent of the Noteholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement that is of a formal, minor or technical nature or is made to correct a manifest error or an error which is in the opinion of the Trustee, proven, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement (other than in respect of a Reserved Matter) that is not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and, such modification, authorisation or waiver shall be notified by the Issuer to the Noteholders as soon as practicable thereafter.

(c) **Entitlement of the Trustee**: In connection with the exercise of its functions, rights, powers and discretions (including but not limited to those referred to in this Condition 12) the Trustee shall have regard to the general interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders (whatever their number), and, in particular without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require on behalf of any Noteholders, nor shall any Noteholder be entitled to claim, from the Issuer or the Guarantor any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders except to the extent already provided for in Condition 8 and/or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

13 ENFORCEMENT

The Trustee may, at its discretion and without further notice, institute such actions, steps or proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the terms of the Trust Deed and the Notes, but it need not take any such actions, steps or proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least 25 per cent. in principal amount of the Notes then outstanding, and (b) it shall first have been indemnified and/or secured and/or pre-funded to its satisfaction. No Noteholder may proceed directly against the Issuer and/or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

14 INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce payment unless first indemnified and/or secured and/or pre-funded to its satisfaction.

The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (a) to evaluate its risk in any given circumstance by considering the worst-case scenario and (b) to require that any indemnity or security given to it by the Noteholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

The Trustee and its parent and subsidiaries are entitled (i) to enter into business transactions with the Issuer, the Guarantor and/or any related entity and to act as trustee for the holders of any other securities issued by, or relating to, the Issuer, the Guarantor and any entity related to the Issuer, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer, the Guarantor and any other person appointed by the Issuer in relation to the Notes of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer or the Guarantor to the contrary, the Trustee and each Agent shall assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Noteholder or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Noteholders. The Trustee shall be entitled to rely on any direction, request or resolution of Noteholders given by holders of the requisite principal amount of Notes outstanding or passed at a meeting of Noteholders convened and held in accordance with the Trust Deed. Whenever the Trustee is required or entitled by the terms of the Trust Deed or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to its exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction, to seek directions from the Noteholders by way of an Extraordinary Resolution, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction where the Trustee is seeking such directions or in the event that no such directions are received. The Trustee shall not be under any obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement or these Conditions.

The Trustee may rely without liability to Noteholders on any report, confirmation, opinion or certificate or any advice of any legal advisers, accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, opinion or certificate or advice and, in such event, such report, confirmation, opinion or certificate or advice shall be binding on the Issuer, the Guarantor and the Noteholders.

15 FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders and in accordance with the Trust Deed create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them, the issue date, Cross-border Security Registration or NDRC Post-Issue Filing) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any such other securities issued pursuant to this Condition 15 and forming a single series with the Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

16 NOTICES

Notices to the holders of Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the Notes are represented by a Global Certificate and such Global Certificate is held on behalf of Euroclear Bank SA/NV or Clearstream Banking S.A. or the Alternative Clearing System (as defined in the form of such Global Certificate), notices to the holders of the Notes shall be validly given by the delivery of the relevant notice to Euroclear Bank SA/NV or Clearstream Banking S.A. or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Conditions and such notice shall be deemed to be received by the holders of the Notes on the date of delivery of such notice to Euroclear Bank SA/NV or Clearstream Banking S.A. or the Alternative Clearing System.

17 GOVERNING LAW AND JURISDICTION

(a) **Governing Law**: The Trust Deed, the Agency Agreement, the Guarantee and the Notes, and any non-contractual obligations arising out of or in connection with them, are governed by, and shall be construed in accordance with English law.

(b) **Jurisdiction**: The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with these Conditions, the Notes, the Guarantee, the Trust Deed and the Agency Agreement and accordingly any legal action or proceedings arising out of or in connection with any Notes, these Conditions, the Guarantee, the Trust Deed or the Agency Agreement ("**Proceedings**") may be brought in the courts of Hong Kong. Pursuant to the Trust Deed, each of the Issuer and the Guarantor has irrevocably submitted to the jurisdiction of the courts of Hong Kong and waives any objections to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. For the avoidance of doubt, these submissions shall not limit the Trustee's right to enforce the judgments made by the courts of Hong Kong in any jurisdiction whether pursuant to the bilateral treaties for mutual recognition of civil and commercial judgments between Hong Kong and such jurisdiction or otherwise.

(c) **Agent for Service of Process**: Each of the Issuer and the Guarantor has irrevocably agreed to receive service of process at BAIC Hong Kong Investment Corp. Limited's registered office currently at 21/F, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong in any Proceedings in Hong Kong. If BAIC Hong Kong Investment Corp. Limited ceases to have a place of business in Hong Kong, each of the Issuer and the Guarantor shall promptly appoint a person in Hong Kong to accept service of process on its behalf and deliver to the Trustee a copy of such person's acceptance of that appointment within 30 days. Nothing herein shall affect the right to serve process in any other manner permitted by law.

(d) **Waiver of Immunity**:

(i) Each of the Issuer and the Guarantor hereby waives any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and irrevocably consents to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

18 CURRENCY INDEMNITY

(a) **Currency of Account and Payment**

United States Dollars (the "**Contractual Currency**") is the sole currency of account and payment for all sums payable by the Issuer or the Guarantor (as the case may be) under or in connection with the Notes, including damages.

(b) **Extent of Discharge**

An amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer or otherwise) by any Noteholder in respect of any sum expressed to be due to it from the Issuer or the Guarantor (as the case may be) will only discharge the Issuer or the Guarantor (as the case may be) to the extent of the Contractual Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to be so).

(c) **Indemnity**

If that Contractual Currency amount (which is able to be purchased pursuant to Condition 18(b) above) is less than the Contractual Currency amount expressed to be due to the recipient under the Notes, the Issuer or the Guarantor (as the case may be) will indemnify the recipient against any loss sustained by it as a result. In any event, the Issuer or the Guarantor (as the case may be) will indemnify the recipient against the cost of making any such purchase.

(d) **Indemnity Separate**

For the purpose of this Condition 18, it will be sufficient for the Noteholder to demonstrate that it would have suffered a loss had an actual purchase been made.

The indemnity in this Condition 18 constitutes a separate and independent obligation from the other obligations under the Notes, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by any Noteholder and will continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under the Notes or any other judgment or order.

19 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999 except to the extent (if any) that the Notes expressly provide for such Act to apply to any of their terms.

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The Global Certificate for the Notes contains provisions which apply to the Notes while they are in global form, some of which modify the effect of the Terms and Conditions set out in this Offering Circular. Terms defined in the Terms and Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:

The Notes will be represented by a Global Certificate which will be registered in the name of a nominee of, and deposited with, a common depositary on behalf of Euroclear and Clearstream.

Under the Global Certificate, the Issuer, for value received, will promise to pay the amount payable upon redemption under the Terms and Conditions represented by the Global Certificate to the Noteholders in such circumstances as the same may become payable in accordance with the Terms and Conditions.

Owners of interests in the Notes in respect of which the Global Certificate is issued will be entitled to have title to the Notes registered in their names and to receive individual definitive Certificates if either Euroclear or Clearstream or any other clearing system (an "**Alternative Clearing System**") is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so. In such circumstances, the Issuer will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant holders of the Notes. A person with an interest in the Notes in respect of which the Global Certificate is issued must provide the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such exchange and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

PAYMENT

So long as the Notes are evidenced by the Global Certificate, each payment in respect of the Global Certificate will be made to, or to the order of, the person shown as the holder of the Notes in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day immediately prior to the due date for such payments, where "**Clearing System Business Day**" means a day on which the relevant clearing system is operating and open for business.

NOTICES

So long as the Notes are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear, Clearstream or any Alternative Clearing System, notices to the holders of the Notes shall be given by delivery of the relevant notice to Euroclear, Clearstream or such Alternative Clearing System, for communication by it to accountholders entitled to an interest in the Notes in substitution for notification as required by the Terms and Conditions.

MEETINGS

For the purposes of any meeting of Noteholders, the holder of the Notes represented by the Global Certificate shall (unless the Global Certificate represents only one Note) be treated as being entitled to one vote in respect of each US$1,000 in principal amount of the Notes for which the Global Certificate is issued.

ISSUER'S REDEMPTION

The option of the Issuer provided for in Condition 6(b) shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Terms and Conditions.

NOTEHOLDERS' REDEMPTION

The Noteholder's redemption options in Condition 6(c) may be exercised by the holder of the Global Certificate giving notice to the Principal Paying Agent of the principal amount of Notes in respect of which the relevant option is exercised within the time limits specified in the Terms and Conditions.

TRANSFERS

Transfers of interests in the Notes represented by the Global Certificate will be effected through the records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any Alternative Clearing System) and their respective direct and indirect participants.

CANCELLATION

Cancellation of any Notes by the Issuer following its redemption or purchase by the Issuer and its Subsidiaries will be effected by a reduction in the principal amount of the Notes in the register of Noteholders and the Global Certificate on its presentation to or to the order of the Registrar for annotation (for information only).

TRUSTEE'S POWERS

In considering the interests of the Noteholders whilst the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers appropriate to do so in the circumstances, but without being obligated to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Notes and (b) consider such interests on the basis that such accountholders were the holders of the Notes in respect of which the Global Certificate is issued.

PRC LAWS AND REGULATIONS

OVERVIEW

A summary of the main PRC laws, regulations and rules applicable to the Group's business and operations is set out below.

Regulations Relating to the PRC Automobile Industry

The PRC Automobile Industry

On 21 May 2004, NDRC promulgated the Policy on Development of Automotive Industry (汽車產業發展政策) (the "**Policy**"), which became effective on 21 May 2004, and was further amended jointly by NDRC and the Ministry of Industry and Information Technology on 15 August 2009. The Policy contains provisions relating to, amongst other things, the PRC automobile industry's technology policies, structural adjustments, market access administration, trademarks, product development, spare parts sales and other relevant sub-industries, distribution networks, investment administration, import administration, and automobile consumption.

On 22 December 2011, MOFCOM promulgated the Guidance Opinions on Promoting the Development of Automobile Circulation Industry under the Twelfth Five-Year Plan (關於促進汽車流通業"十二五"發展的指導意見) (the "**Guidance Opinions**"), which set forth the overall objectives and major tasks for the automobile circulation industry. The Guidance Opinions encourage, among other things, the nurturing of large-scale new automobile and used automobile dealers, and foreign investment in the automobile distribution network in middle and western the PRC.

On 22 January 2013, 12 central government agencies, including the Ministry of Industry and Information Technology, NDRC, MOFCOM and China Securities Regulatory Commission, jointly promulgated the Guidance Opinions on Further Promoting the Acquisitions and Restructuring of Enterprises in the Key Industries (關於加快推進重點行業企業兼併重組的指導意見), which sets forth guidelines for nine key industries, including the automobile sector, encouraging domestic and outbound acquisitions and restructuring.

Automobile Sales

The sales of new automobile are subject to the Measures for the Administration of Automobile Sales (汽車銷售管理辦法) (the "**Automobile Sales Measures**"), promulgated by MOFCOM on 5 April 2017, which became effective on 1 July 2017.

The Automobile Sales Measures provide for two categories of automobile distributors, namely suppliers and dealers. "Suppliers" means the domestic manufacturers providing dealers with automobile resources or operators accepting the sales rights transferred by domestic manufacturers and conducting distribution, and operators importing automobiles. "Dealers" means operators that have obtained and sell automobile resources. Suppliers and dealers shall sell automobiles, accessories and other relevant products under the relevant provisions and standards of the state and shall not sell products whose trading is prohibited by laws and regulations of the state.

Without authorisation of a supplier or upon termination of the authorisation, a dealer shall not carry out business activities in the name of sales of automobiles authorised by suppliers. Where a supplier sells automobiles by authorising dealers, an authorisation term (excluding the store construction period) shall generally not be shorter than three years and the first authorisation term shall generally not be shorter than five years.

According to the Automobile Sales Measures, suppliers and dealers shall, within 90 days of the date of obtaining business licenses, file its basic information through the national automobile circulation information management system of MOFCOM. A supplier or dealer whose basic information recorded has been changed shall, within 30 days of the date of information change, update the information accordingly.

Automobile Maintenance and Repair Services

Automobile maintenance and repair services in the PRC are subject to the Regulations on the Administration of Automobile Maintenance and Repair (機動車維修管理規定) (the "**Automobile Repair Regulations**"), promulgated by the Ministry of Transport on 24 June 2005, which became effective on 1 August 2005 and were further amended on 8 August 2015, 19 April 2016 and 21 June 2019.

Under the Automobile Repair Regulations, an operator shall have suitable facilities, equipment and technical personnel to operate an automobile maintenance and repair business. In addition, an operator shall implement quality management systems and safety procedures, provide training to its technical personnel, maintain proper automobile repair and maintenance records and archives, and ensure that there are sufficient safeguards for environmental protection.

Under the Road Transportation Regulations (道路運輸條例), promulgated by the State Council on 30 April 2004, which became effective on 1 July 2004 and as amended on 9 November 2012, 6 February 2016 and 2 March 2019, respectively, an operator shall file with the local department of the Ministry of Transport prior to providing automobile maintenance and repair services. Violation of the Road Transportation Regulations may result in fines, suspension of business, revocation of relevant periods or criminal liabilities. Anyone who engages in motor vehicle maintenance and repair business operations shall: (i) have the necessary site to repair automobiles; (ii) possess necessary equipment, facilities and employees; (iii) have adopted sound administrative rules on repairing automobiles; and (iv) have adopted necessary environmental protection measures.

Anti-congestion

On 23 December 2010, Beijing Municipal Government promulgated the Interim Provisions on Quantity Control for Small Passenger Cars in Beijing (北京市小客車數量調控暫行規定), which became effective as at the same date and were further amended on 11 December 2017, and 1 January 2021. Pursuant to this regulation and its implementation rules, the city imposes an annual quota on the issuance of new vehicle registration plates. On 5 December 2020, Beijing Transportation Committee issued an announcement to amend the Implementation Rules of the Interim Provisions on Quantity Control for Small Passenger Cars in Beijing (the "**Implementation Rules**") accordingly, which became effective on 1 January 2021. According to the Implementation Rules, only candidates who have been allocated a plate in the draw can apply to have their automobiles registered with the local vehicle administration in Beijing. Shanghai has implemented an auction system for the issuance of new vehicle registration plates since 1994. Under this system, each applicant is required to submit a "blind" bid for a vehicle registration plate. Only successful bidders can apply to have their automobiles registered with the local vehicle administration in Shanghai. Out-of-city vehicles bearing non-Shanghai registration plates are not allowed on certain roads during specified rush hours. On 16 December 2013, Tianjin started to implement quality control measures on vehicles similar to those in Beijing.

Automobile Recalls

Provisions on the Administration of the Recall of Defective Auto Products (缺陷汽車產品召回管理規定) (the "**Recall Rules**"), promulgated by General Administration of Quality Supervision, Inspection and Quarantine, NDRC, MOFCOM, and the General Administration of Customs on 12 March 2004, which became effective on 1 October 2004 and was repealed on 1 January 2016, require all automobile outlets to report defects in automobiles and automobile-related products to both the relevant automobile manufacturers and the PRC Government authorities, and to fully co-operate with the automobile manufacturers in the conduct of automobile recall activities and with the PRC Government authorities in any investigations thereto.

Under the Recall Rules, there is a statutory warranty period within which an automobile manufacturer is required to recall an automobile if a relevant defect is discovered in the automobile. This statutory warranty period is the longer of (i) ten years from the date on which the automobile is delivered to its first owner, and (ii) the usage period specified by the automobile manufacturer. The foregoing does not apply to certain automobile parts and components. For example, the Recall Rules provide that the statutory warranty period for automobile tires shall be three years from the first date of delivery and that the statutory warranty period for non-durable components and parts shall be the relevant usage period specified by the automobile manufacturer.

On 22 October 2012, the State Council promulgated the Administrative Regulations on Recall of Defective Auto Products (缺陷汽車產品召回管理條例) (the "**New Recall Rules**"), which became effective on 1 January 2013 and were further amended on 2 March 2019. In accordance with the New Recall Rules, the sellers shall cease selling defective automobile products upon becoming aware of the defects in the automobile products or receiving the recall plan from the manufacturers. The New Recall Rules also provide for higher penalty for violations by the sellers or manufacturers. A penalty fine between RMB500,000 to RMB1 million may be imposed on sellers or manufacturers who fail to cooperate with the defect investigation carried out by product quality supervision authorities, and who refuse to make corrections after receiving the orders from product quality supervision authorities; illegal proceeds, if any, shall be confiscated concurrently; in cases of violations, relevant permits shall be revoked by the licensing authorities.

Product Quality

The principal law governing product liability in the PRC is the Product Quality Law (產品質量法) promulgated by the Standing Committee of the National People's Congress on 22 February 1993, and as amended on 8 July 2000, 27 August 2009 and 29 December 2018.

Pursuant to the Product Quality Law, a seller shall, among other things, adopt measures to keep products for sale in good quality and comply with regulations regarding the labelling of products, and shall not sell defective or damaged products, forge the origin of a product, forge or falsely use another manufacturer's authentication marks, or substitute a fake product for a genuine product or a defective product for a high-quality product.

Violation of the Product Quality Law may result in the imposition of fines, suspension of business operations, revocation of business licenses and criminal liability. Aggrieved consumers may seek compensation from both the manufacturer and the retailer. A retailer may seek reimbursement from the manufacturer in cases where the defect is due to the manufacturer, unless any agreement between the retailer and the manufacturer provides otherwise.

Law of the People's Republic of China on the Protection of Consumer Rights and Interests (消費者權益保護法), promulgated on 31 October 1993 by the Standing Committee of the National People's Congress, which became effective on 1 January 1994, amended for the first time on 27 August 2009 and amended for the second time on 25 October 2013, prescribes standards of behaviour for businesses in dealing with consumers.

Businesses shall, among other things, observe the provisions of the Consumer Protection Law and other relevant laws and regulations regarding personal safety and property protection, provide consumers with truthful information and advertising in relation to goods and services and with truthful and clear answers to consumers' questions in relation to goods and services, ensure that the actual quality of goods and services is consistent with the relevant advertisements, product descriptions or samples, and shall not impose unreasonable or unfair terms on consumers or unreasonably exclude civil liability.

Article 40 of Law of Protection of Consumer Rights and Interests stipulates that consumers whose legitimate rights and interests are infringed during the purchase or use of a product may demand compensation from the relevant vendor. In the event that the liability is attributable to another supplier or the manufacturer, the vendor may in turn demand recovery of any compensation paid to the consumer from the supplier or manufacturer, as the case may be. In addition, consumers who suffer personal injury or property damage due to product defects may demand compensation from either the vendor or the manufacturer. If the liability is attributable to the manufacturer, the vendor may demand recovery of any compensation it paid to the consumer. If the default and liability are attributable to the vendor, the manufacturer may demand recovery of any compensation it paid to the consumer.

In addition, Article 24 of Law of Protection of Consumer Rights and Interests provides that where the commodity or service provided by a business operator does not comply with the quality requirements, the consumer may return the commodity, or require the business operator to perform its obligations such as replacement or repair according to the requirements of the State or agreement between the parties. The consumer may return the commodity within seven days from the date when the commodity is received in the absence of such requirements or agreements. If the legal conditions for contract rescission are satisfied after seven days, the consumer may timely return the commodity, and if the legal conditions for contract rescission are not satisfied, the consumer may require the business operator to perform its obligations such as replacement or repair. If the return, replacement or repair is made as specified in the preceding paragraph, the business operator shall bear such necessary expenses as transportation expenses.

Violation of the Consumer Protection Law may result in the imposition of fines, suspension of business operations, revocation of business licenses and criminal liability. Aggrieved consumers may seek compensation from both the manufacturer and the retailer. A retailer may seek reimbursement from the manufacturer in cases where the defect is due to the manufacturer.

Guarantees for Household Automotive Products

On 29 December 2012, the General Administration of Quality Supervision, Inspection and Quarantine (the "**AQSIQ**") promulgated the Provisions on the Liability for Repair, Replacement and Return of Household Automotive Products (家用汽車產品修理、更換、退貨責任規定), which became effective on 1 October 2013 (the "**Three Guarantees Rules**").

The Three Guarantees Rules provide for the "three guarantees services" responsibilities of the automotive sellers. After discharging the responsibilities for their "three guarantees services", the seller is entitled to claim against and seek compensation from the manufacturers or other dealers of household automotive products if the liabilities are attributable to the manufacturers or other dealers, as the case may be.

According to the Three Guarantees Rules, the repair guarantee period for household automotive products should be no less than three years or 60,000 kilometre mileage, whichever comes first, and the warranty period should be no less than two years or 50,000 kilometre mileage, whichever comes first.

If quality problems with the key components of the engine or the gear box emerge within 60 days from the date of invoice or within 3,000 kilometre mileage, whichever comes first, consumers are entitled to free replacement of the engine or the gear box. Within the prescribed guarantee period, consumers may demand for the replacement or return of the household automotive products if there are serious quality problems such as the cracking of car body, failure of the braking or steering system and fuel leaks, and the seller shall be responsible for free replacement or return.

Also, within the warranty period, consumers are entitled to free replacement or return if, after two repairs, serious safety problems persist or new safety problems emerge. The same applies if quality problems with the engine, gear box or car body are such that normal usage is impossible after two replacements of the assembly concerned; or if normal usage is impossible after two replacements of the same key component of other assemblies or systems expressly specified in the manufacturer's guarantee. The seller shall be responsible for free return or replacement.

Within 15 working days upon a consumer making a demand for replacement, the seller shall provide the consumer with a proof of replacement. Within 15 working days upon a consumer making a demand for return, the seller shall provide the consumer with a proof of return and pay back the invoice price of the car in one lump sum.

In the event of violation of the Three Guarantees Rules, the sellers will be punished for illegal activities according to the relevant laws and regulations; if such violations do not constitute an illegal activity, the sellers will be given formal warnings and ordered to make corrections; and in serious cases, the seller will be made to pay fines up to RMB30,000. Any violation of the Three Guarantees Rules will be publicly published.

Competition and Anti-trust Laws

Pursuant to the Anti-Unfair Competition Law (反不正當競爭法), promulgated by the Standing Committee of the National People's Congress on 2 September 1993, which became effective on 1 December 1993 and was further amended on 1 November 2017 and 23 April 2019, businesses may not engage in improper market activities to undermine their competitors, including infringing trademark rights or confidential business information, generating false publicity through advertising or other means or forging and disseminating false information, infringing upon the goodwill of competitors or the reputation of their products, bribing, establishing cartels, and dumping goods below cost.

The Anti-Monopoly Law (反壟斷法), promulgated by the Standing Committee of the National People's Congress on 30 August 2007, which became effective on 1 August 2008, requires proposals for foreign acquisitions and investment in domestic companies to undergo national security reviews, protects core Chinese industries, and grants the PRC Government authorities substantial discretion in making determinations as to monopolistic agreements, abuses of dominant positions, concentrations of undertakings and abuses of administrative powers to eliminate or restrict competition.

Violation of the Anti-unfair Competition Law or the Anti-Monopoly Law may result in the imposition of fines, revocation of business licenses and criminal liability.

Regulations Relating to Taxation

Consumption Tax

The PRC Government adopted an automobile consumption tax on 1 January 1994. Pursuant to the Notice on Adjusting the Policy of Consumption Tax on Passenger Vehicles (關於調整乘用車消費稅政策的通知) promulgated by Ministry of Finance and State Administration of Taxation, which became effective as at 1 September 2008, the personal automobile consumption tax rate for vehicles with engine displacement capacity of less than 1.0 litre has been reduced from 3 per cent. to 1 per cent., whereas the tax rate for vehicles with larger engine displacements has been increased. In particular, the tax rate for vehicles with engine displacement of 3.0 to 4.0 litres increased from 15 per cent. to 25 per cent., and the tax rate for vehicles with engine displacement of more than 4.0 litres increased from 20 per cent. to 40 per cent.

According to the PRC Vehicle and Vessel Tax Law (中華人民共和國車船稅法) as promulgated by the Standing Committee of The National People's Congress and its implementation regulations effective as at 2 March 2019, tax on passenger cars is calculated and imposed based on the engine displacement capacity. The annual benchmark tax on passenger cars with engine displacement capacity of 1.0 litre and below ranges from RMB60 to RMB360, while that on vehicles with engine displacement between 3.0 and 4.0 litres ranges from RMB2,400 to RMB3,600, and that on vehicles with engine displacement above 4.0 litres ranges from RMB3,600 to RMB5,400.

Environmental Protection

The Environmental Protection Law (環境保護法), promulgated on 26 December 1989 by the Standing Committee of the National People's Congress, which became effective on 26 December 1989, as amended on 24 April 2014 which became effective on 1 January 2015, establishes the legal framework for environmental protection in the PRC. The environmental protection department of the State Council supervises environmental protection work in the PRC, and establishes national standards for the discharge of pollutants. Each of the local environmental protection bureaus is responsible for the environmental protection work within their respective jurisdictions.

Air Pollution

The Air Pollution Prevention Law (大氣污染防治法), promulgated on 29 April 2000 by the Standing Committee of the National People's Congress, which became effective on 1 September 2000 and was further amended on 29 August 2015 and 26 October 2018, establishes the legal framework for air pollution prevention in the PRC. The environmental protection department of the State Council formulates national air quality standards. Each of the local environmental protection bureaus is authorised to regulate air pollution within each of their respective jurisdictions by formulating more specific local standards, and may impose penalties for violation.

Water Pollution

The Water Pollution Prevention Law (水污染防治法), promulgated on 11 May 1984 by the Standing Committee of the National People's Congress, which became effective on 1 November 1984, and was amended on 15 May 1996 and 28 February 2008 and 27 June 2017, establishes the legal framework for water pollution prevention in the PRC. The environmental protection department of the State Council formulates national waste discharge standards. Enterprises that discharge waste into water shall pay a treatment fee. Each of the local environmental protection bureaus is authorised to regulate water pollution within each of their respective jurisdictions by formulating more specific local standards, and may impose penalties for violation, including suspending operations.

Noise Pollution

The Noise Pollution Prevention Law (環境噪聲污染防治法), promulgated by the Standing Committee of the National People's Congress on 29 October 1996, which became effective on 1 March 1997 and was amended on 29 December 2018, establishes the framework for noise pollution prevention in the PRC. Under the Noise Pollution Prevention Law, any person undertaking a construction, decoration or expansion project which might cause environmental noise pollution, shall prepare and submit an environmental impact report to the environmental protection authority for approval. Facilities for prevention and control of environmental noise pollution shall be designed and approved by the environmental protection authority prior to the commencement of the project, and be built and put into use simultaneously with the project works. Facilities for prevention and control of environmental noise pollution may not be dismantled or suspended without the approval of the environmental protection authority.

Construction Projects

The Environmental Impact Appraisal Law (環境影響評價法), promulgated by the Standing Committee of the National People's Congress on 28 October 2002, which became effective on 1 September 2003 and was further amended on 2 July 2016 and 29 December 2018, the Administration Rules on Environmental Protection of Construction Projects (建設項目環境保護管理條例), promulgated by the State Council on 29 November 1998, which became effective on the same day, and were further amended on 16 July 2017, and the Interim Measures for Environmental Protection Acceptance of Construction Projects (建設項目竣工環境保護驗收暫行辦法), promulgated by the Ministry of Ecology and Environment on 20 November 2017 requires enterprises planning construction projects to engage qualified professionals to provide assessment reports on the environmental impact of such projects. The assessment report shall be filed with and approved by the relevant environmental protection bureau, prior to the commencement of any construction work. The construction project shall not commence operation, unless inspected and approved by the relevant environmental protection bureau.

Labour

Employment Contracts

The Labour Contract Law (勞動合同法), promulgated by the Standing Committee of the National People's Congress on 29 June 2007, which became effective on 1 January 2008 and was amended on 28 December 2012 and became effective on 1 July 2013, governs the relationship between employers and employees and provides for specific provisions in relation to the terms and conditions of an employee contract. The Labour Contract Law stipulates that employee contracts shall be in writing and signed. It imposes more stringent requirements on employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees. Pursuant to the Labour Contract Law, employment contracts lawfully concluded prior to the implementation of the Labour Contract Law and continuing as at the date of its implementation shall continue to be performed. Where an employment relationship was established prior to the implementation of the Labour Contract Law, but no written employment contract was concluded, a contract shall be concluded within one month after its implementation.

Employee Funds

Under applicable PRC laws, regulations and rules, including the Social Insurance Law (社會保險法), promulgated by the Standing Committee of the National People's Congress on 28 October 2010, which became effective on 1 July 2011 and was amended on 29 December 2018 and 24 March 2019, the Interim Regulations on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例), promulgated by the State Council on 22 January 1999, which became effective on 22 January 1999, and Administrative Regulations on the Housing Provident Fund (住房公積金管理條例), promulgated by the State Council on 3 April 1999, which became effective on 3 April 1999 and as amended on 24 March 2002 and 24 March 2019, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and to housing provident funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to pay the outstanding amount within a stipulated time period.

DESCRIPTION OF THE ISSUER

FORMATION

The Issuer is a business company incorporated under the laws of the BVI on 9 April 2015 with company number 1869457. The registered office of the Issuer is located at Ritter House, Wickhams Cay II, Road Town, Tortola VG1110, British Virgin Islands. The Issuer is an indirect wholly-owned subsidiary of the Guarantor.

NUMBER OF SHARES

As at the date of this Offering Circular, the Issuer has issued one share with no par value. The share has been fully paid by the Issuer's sole shareholder, BAIC Hong Kong Investment Corp. Limited. The share of the Issuer is not listed on any stock exchange and no listing or permission to deal in such share is being or is proposed to be sought as at the date of this Offering Circular.

BUSINESS ACTIVITIES

The Issuer was established only for the purpose of issuing the Notes. So long as any Note remains outstanding, the Issuer will not conduct any business or other matters other than the activities in connection with the Notes. Such activities in connection with the Notes shall, for the avoidance of doubt, include (i) the offering, sale or issuance of the Notes (including any further securities issued in accordance with Condition 15) and the incurrence of indebtedness represented by the Notes; (ii) the on-lending of the proceeds of the offering to the Guarantor or any of its Subsidiaries; (iii) the activities directly related to the establishment and/or maintenance of the Issuer's corporate existence; and (iv) any other incidental activities in connection with the foregoing. As at the date of this Offering Circular, the Issuer has not engaged, since its incorporation, in any material activities other than entering into arrangements for the proposed issue of the Notes and on-lending of the proceeds thereof to the Group. As at the same date, the Issuer neither has any outstanding borrowings or contingent liabilities other than the proposed issue of the Notes nor has any subsidiaries or employees.

FINANCIAL STATEMENTS

Under the laws of the BVI, the Issuer is not required to publish condensed or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep proper books of account as are necessary to give a true and fair view of the state of the Issuer's affairs and to explain its transactions.

DIRECTORS

As at the date of this Offering Circular, the directors of the Issuer are Mr. Chen Hongliang and Mr. Li Deren. None of the directors holds any shares or options to acquire shares of the Issuer. There are no potential conflicts of interest between any duties of the Issuer's directors and their respective private interests and/or other duties.

LEGAL PROCEEDINGS

The Issuer is not involved in any litigation or arbitration proceedings, and it is not aware of any pending or threatened action against it.

DESCRIPTION OF THE GROUP

OVERVIEW

The Group is a leading manufacturer of passenger vehicles in China as the flagship listed company within the BAIC Group. The Group believes that it has the most optimised brand portfolio in the industry to meet market demand. The Group has BAIC Group's premium assets in passenger vehicle segment and offers a diversified and highly complementary brand portfolio of passenger vehicles covering different market segments that possesses high growth potential. The vehicle models in its product offering cover mid-to large-size sedan, mid-size sedan, compact sedan, small-size sedan, SUV and MPV products to satisfy customer demands for different types of vehicles. The Group's brands cover business segments of premium passenger vehicles, such as, Beijing Benz and Fujian Benz, joint venture mid-to high-end passenger vehicles, such as Beijing Hyundai, and proprietary brand passenger vehicles, such as Beijing Brand. The Group is also the leader of pure electric passenger vehicle market in China. The Company completed its H Shares initial public offering and was listed on the Main Board of the SEHK on 19 December 2014 (stock code: 1958).

The Company is a principal subsidiary of BAIC Group, which is one of the leading domestic automotive manufacturers in China. BAIC Group ranked 134th among the "Fortune Global 500" companies in 2020. The Company is the flagship company and a key business development platform for passenger vehicles of BAIC Group. The revenue and net profit of the Group contributed to a substantial part of the revenue and net profit of BAIC Group respectively for the year ended 31 December 2019 and for the six months ended 30 June 2020. Since February 2013, Daimler AG has been the Company's third-largest shareholder. Daimler AG holds 9.55 per cent. of the total share capital of the Company. Daimler AG ranked 20th among the "Fortune Global 500" companies in 2020. The Group has a proven track record of successful joint venturing with world-leading automotive manufacturers. These joint ventures provide the Group with exclusive arrangements with international partners which are considered as leaders in their respective fields, such as Daimler AG and Hyundai Motor. The Group believes that these joint ventures have offered unparalleled advantage and created synergies for its development. The strong sales momentum from the Group's joint venture brands has contributed to the substantial growth of its business and sales over the past years.

The Company ranked 61st among the "Fortune China 500" companies in 2020. In recognition of its overall strengths and outstanding business performance, the Group has received numerous awards and recognitions, such as China Securities Golden Bauhinia Awards, in recent years. In addition, Beijing Benz has won several honorary titles, such as "2016 Global Best Operating Factory – Best Manufacturer in Large Scale", "Green Plant Model", "Benchmark Enterprise of Intelligent Manufacturing in Beijing" and "Sino-German Intelligent Manufacturing Cooperation Demonstration Pilot Project", in recent years. In recognition of its efforts on quality enhancement, the Group has received several quality and customer satisfaction related awards, such as 2016 National Machinery Industry Quality Award, 2018 National Quality Benchmark award, J.D. Power awards and CACSI awards. For details, see "– *Awards and Recognitions*".

The Group's major business operations include R&D, manufacturing and sales and after-sale services of passenger vehicles, production of core parts and components for passenger vehicles, car financing and other related businesses. The Group offers a comprehensive brand portfolio and product portfolio. The Group's business operation consists principally of the following segments:

- *Passenger vehicles.* The Group's passenger vehicle business covers R&D, manufacturing and sales and after-sale services of passenger vehicles. The Group has a diversified product offering and brands portfolio. The Group's passenger vehicle business consists of four sub-segments, namely Beijing Brand, Beijing Benz, Beijing Hyundai and Fujian Benz. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, the Group sold approximately1,465.9 thousand units, 1,460.0 thousand units, 1,425.1 thousand units and 503.1 thousand units of passenger vehicles, respectively. The Group sells its products primarily in China.

  – Beijing Brand is a proprietary brand of the Company. Beijing Brand has almost ten key models on the market, covering traditional oil-powered vehicles, new energy vehicles and PHEVs. In 2017, 2018 and 2019 and for the six months ended 30 June 2020, the sales volume under the Beijing Brand was approximately 235.8 thousand units, 156.2 thousand units, 167.0 thousand units and 35.1 thousand units of Beijing Brand passenger vehicles, respectively. Due to strategic considerations including optimisation of the product mix, the Group has ceased to manufacture and sell passenger vehicles of Wevan brand since 2019 and ceased to sell certain "BJ" series off-road vehicle products (mainly BJ40 and BJ80 vehicle models) from June 2019.

- Beijing Benz is one of the subsidiaries of the Company. The Company holds 51.0 per cent. equity interest of Beijing Benz, while Daimler AG and its wholly-owned subsidiary, Daimler Greater China, together hold 49.0 per cent. equity interest of Beijing Benz. Beijing Benz commenced the manufacturing and sale of passenger vehicles of Mercedes-Benz brand in 2006. In 2017, 2018 and 2019 and for the six months ended 30 June 2020, the sales volume of Beijing Benz was approximately 422.6 thousand units, 485.0 thousand units, 567.3 thousand units and 270.1 thousand units of Beijing Benz passenger vehicles, respectively. Mercedes-Benz is a brand licensed to Beijing Benz by its owner, Daimler AG.

- Beijing Hyundai is a joint venture of the Company. The Company holds 50.0 per cent. equity interest of Beijing Hyundai through its subsidiary BAIC Investment, while Hyundai Motor holds the remaining 50.0 per cent. equity interest of Beijing Hyundai. Beijing Hyundai commenced the manufacturing and sale of passenger vehicles of Hyundai brand in 2002. In 2017, 2018 and 2019 and for the six months ended 30 June 2018, the sales volume of Beijing Hyundai was approximately 785.0 thousand units, 790.2 thousand units, 662.6 thousand units and 184.3 thousand units of Beijing Hyundai passenger vehicles, respectively. 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, to fully meet the needs of different consumers. The Group's vehicle models for sale mainly include fourth-generation Santa Fe, fourth-generation TUCSON, LA FESTA EV and ENCINO EV.

- Fujian Benz is a joint venture of the Company. The Company holds 35.0 per cent. equity interest in Fujian Benz and entered into an act-in-concert agreement with FJMOTOR, which holds 15.0 per cent. equity interest in Fujian Benz. Daimler Vans Limited (Hong Kong) holds the remaining 50.0 per cent. equity interest of Fujian Benz. Fujian Benz commenced the manufacturing and sale of multi-purpose passenger vehicles and light passenger vehicles of Mercedes-Benz brand in 2010. Fujian Benz has been one of the market leaders in the field of joint venture premium business purpose vehicles, with production and sale of Mercedes-Benz V-class vehicles and New Vito products. In 2017, 2018 and 2019 and for the six months ended 30 June 2020, the sales volume of Fujian Benz was approximately 22.5 thousand units, 28.6 thousand units, 28.2 thousand units and 13.6 thousand units of Fujian Benz passenger vehicles, respectively.

• *Core parts and components for passenger vehicles*. The Group manufactures engines, powertrain, and other core parts and components for passenger vehicles through the production bases of Beijing Brand, Beijing Benz and Beijing Hyundai. These core parts and components are used not only for manufacturing the Group's vehicles, but also for sale to other automobile manufacturers, exports or sale to overseas factories of Hyundai Motor.

• *Car financing and other related businesses*. The Group conducts car financing and automobile aftermarket-related businesses of Beijing Brand, Mercedes-Benz brand and Hyundai brand. In addition, the Group conducts sales and service business and international business focusing on exporting passenger vehicle products of Beijing Brand. The Group also conducts R&D of light materials, new energy technology changes, information big data and used car businesses through relevant joint ventures.

The Group has established independent marketing channels for its passenger vehicle brands. Sales and marketing activities are primarily carried out separately through dealers of Beijing Brand, Beijing Benz, Beijing Hyundai and Fujian Benz, each of which has established an extensive distribution network in China.

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, the Group's revenue from operations was approximately RMB134,158.5 million, RMB151,920.4 million, RMB174,632.7 million and RMB77,854.4 million, respectively, representing a CAGR of approximately 9.2 per cent. from 2017 to 2019. As at 30 June 2020, the Group had total assets of approximately RMB196,560.9 million.

COMPETITIVE STRENGTHS

The Group believes that its leading position in the PRC passenger vehicle market is primarily attributable to the following competitive strengths:

The Company benefits from its strategic role within the BAIC Group as its controlling shareholder and various resources attributable to its other shareholders.

The Company's shareholders include BAIC Group, Daimler AG, state-owned investment platform and other strategic and financial investors, representing a diversified shareholding structure and international investor base. The Company is considered as a principal subsidiary of BAIC Group, which is one of the leading domestic automotive manufacturers in China. BAIC Group is a leading automotive group specialised in the development, manufacturing, distribution and after-sales services of a wide range of passenger and commercial vehicles with a focus on the mid- to high-end markets. BAIC Group is a key corporation wholly-owned by the Beijing SASAC and ranked 134th among the "Fortune Global 500" companies in 2020. BAIC Group is the largest state-owned enterprise under Beijing SASAC in terms of revenue, tax and employment contribution to Beijing Municipal Government. BAIC Group benefits from government subsidies, favourable tax rate, as well as Beijing SASAC's capital injection. BAIC Group plays a critical role in developing the automotive industry in China, serving as the sole platform of the Beijing Municipal Government in the automotive industry. BAIC Group has been assigned a corporate credit rating of "Baa3" with a stable outlook by Moody's, a long-term issuer credit rating of "BBB" with a negative outlook by S&P and a long-term issuer default rating and foreign-currency senior unsecured rating of "BBB+" with a stable outlook by Fitch.

The Group, as the key business platform for manufacturing of passenger vehicle within the BAIC Group, has benefited from BAIC Group's leading position in the automotive industry in China and the intra-group resources and synergies. BAIC Group holds 42.63 per cent. equity interest in the Company. BAIC Group also appoints the Company's senior management members ranking vice president or above, including the chief financial officer. The Company is one of the most important subsidiaries of BAIC Group in terms of business and revenue. The revenue and net profit of the Group contributed to a substantial part of the revenue and net profit of BAIC Group respectively for the year ended 31 December 2019 and for the six months ended 30 June 2020.

Since February 2013, Daimler AG has been the Company's third-largest shareholder. Daimler AG holds 9.55 per cent. of the total share capital of the Company and takes two seats on the Board. Daimler AG ranked 20th among the "Fortune Global 500" companies in 2020. The Group benefits from Daimler AG's world-leading management system and business strategies. Moreover, as a renowned century-old company, Daimler AG also shares its advanced financial control system and funds deployment strategy with the Group. A substantial majority of the Group's revenue derives from the revenue from Beijing Benz, which is jointly owned by the Company and Daimler AG. The Group believes that a diversified and international shareholding structure will enhance its management structure and corporate governance, which in turn will enhance its brand value and recognition internationally and provide strong support for its long-term growth.

The Group is positioned as a strategically important enterprise in Beijing's economic development with continuous support from the PRC government.

The Group plays a leading role in the development of the automotive industry and regional economy. The Group has also made significant contribution to Beijing's GDP and tax revenue, as well as creating many employment opportunities in the automobile manufacturing industry and its upstream and downstream industries. The Group has several plants in Beijing owned by Beijing Benz and Beijing Hyundai respectively. In the past three years, the Group contributed almost RMB100 billion to Beijing's tax revenue. The Group has contributed to the regional economic development in China and South Africa. BAIC Automobile SA Proprietary Limited (北汽南非汽車有限公司) ("**BAIC Automobile SA**"), a joint venture of the Company, is the Sino-South Africa project model under the "Belt and Road" Initiative of China.

In July 2017, Beijing Hyundai established its Chongqing plant to support the "Belt and Road" Initiative of China. In 2017, the Group established its first overseas production base in South Africa, which created more employment opportunities there. The Group also set up production bases in Hebei Province, which enhanced the coordinated development of Beijing-Tianjin-Hebei Region. The Group's production activities and development in Yangtze River Economic Belt, Guangdong-Hong Kong-Macao Greater Bay Area, Guangzhou and Chongqing also facilitated regional technology and culture exchange, as well as enhancing regional economic and social development.

The Group has received continuous financial and policy support from the PRC government. In 2017, 2018 and 2019 and for the six months ended 30 June 2020, government grants received by the Group amounted to approximately RMB313.0 million, RMB1,313.6 million, RMB2,356.7 million and RMB166.2 million, respectively. In addition, policy support from the PRC government has enabled the Group to develop its new energy vehicles. For instance, the NDRC issued its first new energy vehicle production qualification to the Group on 17 March 2016; and the PRC government launched the Dual Credit Policy in favour of the development of new energy vehicles on 1 April 2018.

The Group has a sound corporate governance and a well thought-out business development plan.

The Group believes that its development strategies has led to its success and leading position in the automobile manufacturing industry. It has established a sound strategic planning process including a meeting mechanism and discussion platform for strategic planning, strategy announcement and corresponding execution plans. All of the Group's production facilities are equipped with flexible production lines, each of which is capable of producing different models of passenger vehicles. The Group has also laid out a roadmap for quality enhancement. From 2014 to 2016, it focuses on quality improvements; from 2017 to 2019, it focuses on quality breakthroughs and establishing its quality culture; from 2020 onwards, it focuses on quality advancement and compliance with industrial quality standard. In recognition of its efforts on quality enhancement, the Group has received several quality and customer satisfaction related awards, such as 2016 National Machinery Industry Quality Award, 2018 National Quality Benchmark award, J.D. Power awards and CACSI awards.

The Group's development plan adheres to "two adjustments, three enhancements and four key points". "Two adjustments" focus on adjustments of the Group's product structure and factory layout. "Three enhancements" focus on enhancing the Group's strengths in products portfolio, marketing efforts and brand recognition. "Four key points" emphasise on the Group's commitment to product innovation, R&D, cost control and cultivation of international market and Sino-foreign joint ventures and cooperation.

The Group is a leading manufacturer of passenger vehicles in China, with a portfolio of complementary brands and products and sustainable growth momentum.

The Group is a leading manufacturer of passenger vehicles in China. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, the Group sold approximately 1,465.9 thousand units, 1,460.0 thousand units, 1,425.1 thousand units and 503.1 thousand units of passenger vehicles, respectively. The Company ranked 61st among the "Fortune China 500" companies in 2020.

The Group offers a complementary brand portfolio of passenger vehicles covering the market segments of premium passenger vehicles, joint venture mid-to high-end passenger vehicles and proprietary brand passenger vehicles. Its brands include:

- *Beijing Brand*, a proprietary brand with advanced technologies, comprising:
  - BEIJING (traditional oil-powered vehicles), a leading mid-to high-end proprietary product series in China. BEIJING models are developed using wholly-owned Saab-derived technology and focus on the fast-growing market of proprietary mid-to high-end passenger vehicles;
  - BJ, focusing on the hard style off-road vehicle;
  - BEIJING (new energy vehicles), covering a full range of sedan and SUV models; and
  - BEIJING (PHEVs), Beijing Brand launched a key vehicle model, BEIJING-X7PHEV, in the first half of 2020.
- *Mercedes-Benz brand*, a leading premium brand with a long global history; and
  - Beijing Benz currently manufactures and sells several types of Mercedes-Benz vehicles, including E-Class long-wheelbase sedan, C-Class long-wheelbase and standard-wheelbase sedan, A-Class long-wheelbase sedan, long-wheelbase GLC SUV, GLA SUV, GLB SUV, EQC pure electric SUV and AMG A 35 L; and
  - Fujian Benz currently manufactures and sells Mercedes-Benz V-Class vehicles and New Vito products.

- *Hyundai brand*, a leading global mid-to high-end brand.

  – 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, to fully meet the needs of different consumers. The Group's vehicle models for sale mainly include fourth-generation Santa Fe, fourth-generation TUCSON, LA FESTA EV and ENCINO EV.

In particular, the Group offers strong exposure to outperformance in two key segment markets, namely premium passenger vehicles and SUVs. The SUV models offered by Beijing Benz and Beijing Hyundai, namely GLC, GLA, New Santa Fe, New TUCSON, New ix35, ix25 and ENCINO, have received market recognition, laying a solid foundation for its continued development in the SUV market in China. The Group believes its comprehensive product portfolio has allowed it, and will continue to allow it, to capture opportunities in China's fast-growing passenger vehicle market.

The Group's Beijing Brand has a long operating history, advanced technology and precise market positioning.

The history of the Group's proprietary brand can be traced back to 1958. The Group has revived the Beijing Brand in recent years. In 2013, its Beijing brand was recognised as a "Well-known Trademark" by the PRC government. Its proprietary product series is equipped with world-leading production facilities and advanced technologies supported by R&D personnel including overseas professionals from South Korea, the United States, Canada, Japan and other countries, which enable it to achieve high efficiency and product quality, and to reduce per unit costs as its production grows.

Leveraging its in-depth knowledge of the PRC market, the Group believes that it has achieved precise market positioning for its models and its proprietary brand business has grown rapidly. It launched BJ E-Series sedan in 2012 and sold over 20,000 units that year. In May 2013, it launched Senova D70 sedan and sold over 10,000 units that year, ranking first among mid- to high-end mid-size sedans of proprietary brands in terms of sales volume, according to All China Marketing Research Co., Ltd. (北京華通人商用信息有限公司). The sales volume of its Senova Small E-Series vehicles exceeded 60,000 units in 2013, making it one of the two best-selling small size proprietary brand models in China. From 1 January 2017 to 30 June 2020, Beijing Brand launched several new models of passenger vehicles, namely U5 series, U7 series and X7 series. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, the Group sold approximately 235.8 thousand units, 156.2 thousand units, 167.0 thousand units and 35.1 thousand units of Beijing Brand passenger vehicles, respectively.

Senova 2.0 products have received good market response. As the first type of products in the "Product 2.0" era, the new Senova D50 provided consumers with more-than-expected value experience. The Company believes that such market recognition mainly attributed to the factors including (i) the application of big data and computer simulation technology; (ii) the ultra high "Smart Manufacturing Standard" of "Benz"; (iii) the intelligent driver assistance system guarantees safety; (iv) the intelligent human-machine interactive experience; (v) the use of the diverse proactive safety configurations; and (vi) the intelligent R&D. The Group also entered into strategic cooperation agreements with Xiaomi, Baidu, IFLYTEK and Yanfeng, respectively, so as to comprehensively promote the implementation of the "NOVA-PLS" intelligent strategy and enhance the product strength, thus laying a solid foundation for subsequent development of Beijing Brand. In addition, the Group has carried out the platform-based development of various pure electric vehicles based on mid-size SUVs and sedans. Over the years, the Group has also strengthened its cooperation with Huawei, Microsoft, Bosch, Didi and IFLYTEK and other scientific and technological enterprises, so as to comprehensively promote the implementation of the "two-wheel drive" strategy in its sub-sectors, including automatic self-driving, intelligent cabin and networking. In 2019, the new "BEIJING" brand was launched, with the features of Beijing culture, namely confidence, grandness, refinement and leading, and the brand philosophy of "being a green smart travel expert". As at 30 June 2020, "BEIJING" brand had BEIJING-X3 compact SUV, BEIJING-U5 compact sedan, BEIJING-U7 middle class sedan and other best-selling vehicle models.

In addition, Beijing Brand accelerates the electrification process, developing many pure electric new energy vehicle models based on traditional oil-powered car models. It has BEIJING-EU5, BEIJING-EU7 and other best-selling electric vehicle products. Its major vehicle models have a mileage range in the integrated operating condition reaching 500 km. In the first half of 2020, the Group continuously promoted the product strategy driven by "new energy + intelligentization" to enhance the brand strength and the intelligentization level. It launched two key vehicle models (i.e. BEIJING-X7 and BEIJING-X7PHEV) as planned, thus promoting a steady increase in the sales volume of SUV vehicle models and achieving a year-on-year increase against the adverse market environment brought by the global outbreak of COVID-19. For the years ended 31 December 2017, 2018, 2019 and the six months ended 30 June 2020, the sales volume of passenger vehicles under Beijing Brand amounted to approximately 235.8 thousand units, 156.2 thousand units, 167.0 thousand units and 35.1 thousand units, respectively. As at the date of this Offering Circular, Beijing Brand is arranging for and promoting electrification work for the diversity of products including 48V hybrid models and PHEV plug-in hybrid models.

The Group's management and expert teams include individuals with international background and extensive experience. Most of the management members of its proprietary brand business have experience with leading domestic and foreign automobile manufacturers. Their experience, combined with the Group's R&D capabilities, translates into its strength in technology development and product innovation, allowing for the rapid development of its proprietary brand business.

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

Through its 51.0 per cent. equity interest in Beijing Benz, the Group is the only manufacturer of Mercedes-Benz sedans and SUVs in China. The acquisition of Beijing Benz and its consolidation into the Group in November 2013 had a positive impact on the Group's results of operations and financial condition. Beijing Benz has shown significant increase. In 2017, 2018 and 2019 and for the six months ended 30 June 2020, the sales volume of Beijing Benz was approximately 422.6 thousand units, 485.0 thousand units, 567.3 thousand units and 270.1 thousand units of Beijing Benz passenger vehicles, respectively. Beijing Benz has outperformed its competitors in terms of sales volume growth, and has continuously taken the leading position in the premium vehicle market in China, while achieving rapid development. For the six months ended 30 June 2020, Beijing Benz had a strong sales performance with the average monthly sales volumes of its three major vehicle models, namely E-Class sedan, C-Class sedan and GLC SUV, exceeding ten thousand units.

Because China is one of the world's largest market in terms of passenger vehicles unit sales and is expected to continue to grow, Daimler's commitment to and strategies in China are pivotal to achieving its goal. The number of dealerships outlets of Mercedes-Benz brand in China and the number of cities covered reached the leading level in the industry. Mercedes-Benz also helps dealership outlets enhance their core strength, through methods including the improvement in the comprehensive performance, the quality and efficiency of marketing activity, and the guidance provided to the new dealers. As a result, the Group and Daimler AG announced the intention to further develop its long-term strategic partnership. For instance, the Company and Daimler Greater China entered into two capital increase agreements on 28 March 2019 and 5 December 2019 for Mercedes-Benz Leasing Co. Ltd (梅賽德斯-奔馳租賃有限公司) ("**MBLC**"), with an expectation that MBLC would effectively enhance the profitability of Beijing Benz. Pursuant to the capital increase agreements, the Company and Daimler Greater China shall respectively make additional capital contributions of RMB700 million and RMB500 million in aggregate to MBLC in proportion to their respective shareholding.

Benefiting from its historical roots, the strategic relationship between the Group and Daimler AG has been deepening in recent years.

The Group believes that Beijing Benz will improve its profitability rapidly through the following measures to improve production capacity, expand sales channel and upgrade the technologies:

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

- Beijing Benz will greatly benefit from the launch of new models and increased localisation of production;

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

- Beijing Benz has reorganised and expanded its sales network and distribution platform;

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

- Beijing Benz has built up strong R&D capabilities.

Beijing Hyundai is a mainstream mid-to high-end passenger vehicle business with a competitive product portfolio.

Beijing Hyundai is the only joint venture manufacturer of Hyundai-branded passenger vehicles in China. Adhere to the strategy of Hyundai brand, Beijing Hyundai satisfies customer needs through changes in its product mix. In 2017, 2018 and 2019 and for the six months ended 30 June 2018, the sales volume of Beijing Hyundai was approximately 785.0 thousand units, 790.2 thousand units, 662.6 thousand units and 184.3 thousand units of Beijing Hyundai passenger vehicles, respectively.

Beijing Hyundai continues to introduce new models to meet market demand and to further improve its product mix and overall pricing position and is able to capture opportunities in China's fast-growing passenger vehicle market. In 2017, in order to improve the market competitiveness of products, Beijing Hyundai launched facelifted vehicle models of ix25, Sonata 9, new Verna, the new-generation ix35, new Elantra and other new vehicle models. In addition, Beijing Hyundai launched new Elantra EV, the first pure electric vehicle model in domestic joint venture enterprises, to adapt to the development trend of new energy vehicles. Beijing Hyundai also independently developed an in-car intelligent network system and installed such system in the new-generation ix35 and new Verna. Such technical upgrade received high recognition by the market. In the first half of 2020, Beijing Hyundai successfully launched LA FESTA EV, a pure electric sedan of Beijing Hyundai, thus further enriching the product lines of its new energy vehicle models.

Beijing Hyundai follows Hyundai Motor's global passenger vehicle platform strategy by meeting customer demand through product variation based on a relatively small number of passenger vehicle model platforms. Beijing Hyundai also has high single-model sales volume.

Beijing Hyundai benefits from being the only Hyundai-branded passenger vehicle production joint venture in China, which enables it to benefit from significantly larger production scale than most other joint ventures that often share a brand's products with another automobile manufacturer in China.

In 2017, according to the automobile product satisfaction survey conducted by J.D. Power, Beijing Hyundai ranked the first in its industry segment in terms of (i) Sales Satisfaction Index (SSI), (ii) Customer Service Index (CSI); and (iii) Initial Quality Study (IQS). Beijing Hyundai has also won several CACSI awards in recent years. For instance, Beijing Hyundai was recognised as the best after-sales services provider among the joint venture brands in China from 2014 to 2020 according to CACSI.

The Group has diversified financing channels to optimise capital structure and liquidity.

The Group tapped into a variety of funding sources, including bank loans, debt offerings and equity financing. Leveraging on the credit strengths of state-owned enterprises, the Group has established stable business relationships or even strategic cooperation model with a number of banks in the PRC and overseas, which has significantly improved its financing efficiency and lowered its financing cost. The Group has been able to obtain credit lines from onshore and offshore banks, including, among others, Export-Import Bank of China, China Development Bank, Industrial and Commercial Bank of China, Bank of China, China CITIC Bank, DBS Bank Ltd., Bank of Communications and China Everbright Bank. As at 30 June 2020, the Group had unused bank credit lines of approximately RMB25,732.6 million. In 2017, 2018 and 2019, the weighted average annual interest rate of the Group's borrowings from financial institutions was approximately 3.71 per cent., 3.54 per cent. and 3.43 per cent. The Group expects to maintain its sound relationships with various PRC and overseas banks, enabling it to secure funding at a low cost. In 2017, 2018 and 2019, the weighted average annual interest rate of the Group's corporate bonds was approximately 3.99 per cent., 4.17 per cent. and 3.87 per cent. As at the date of this Offering Circular, the Group has outstanding debt securities in an aggregate principal amount of RMB10.7 billion on the onshore bonds market. The Group has also received extensive financial support from BAIC Group Finance Co., Ltd. (北京汽車集團財務有限公司) ("**BAIC Finance**"), a non-banking financial institution and a related person of the Company. In addition, the Group has raised funds through the initial public offering and placement of its H shares. In December 2014, the Company completed its H Shares initial public offering on the SEHK. In May 2018, the Company completed the placing of 420,000,000 H Share to 33 institutional investors for net proceeds (after detecting all applicable costs and expenses, including commission and professional fee) of approximately HK$3,266.3 million. Furthermore, the Group has abundant cash-on-hand cushions against potential adversities. The Group continued to maintain a net cash position as at 31 December 2017, 2018 and 2019 and 30 June 2020.

The Group has a management team with international background and excellent track record, supported by a professional workforce.

The Group's outstanding management team is critical to its long-term business growth. The Group's senior management members have extensive industry experience and have rich experience in corporate management in many leading international and domestic automobile companies, which the Group believes enables it to position for future passenger vehicle trends, and technology and industry developments, and to formulate effective and visionary development strategies. Most of the Group's senior management members have over 20 years of industry and management experience. The Group's directors and senior management members are dedicated to creating value with their in-depth understanding of market dynamics, internal training and customer demands. The Group believes the knowledge of the management team is essential to its success and enables it to seize market opportunities, formulate effective business strategies, evaluate and control risks, implement management and production plans, and enhance its profitability. BAIC Group appoints the Company's senior management members ranking vice president or above and its senior management members also play an important role in other group companies, so as to facilitate talent sharing among the Group.

The Group's professional employees with extensive experience provided strong support to its management and development. The Group focuses on the selection, hiring and training of talented individuals. Based on its experience, the Group has formulated comprehensive training courses with standardised procedures in order to continuously improve the skills of its employees. The Group believes that the continuous improvement of its staff provides a solid basis for the sustainable development of its business.

The Group has industry leading R&D capabilities and maintains continuous R&D investment.

The Company believes its R&D capabilities are crucial to its future growth. The Company is committed to maintaining its first-class R&D strengths in the automobile industry in China. The Group has a R&D team with excellent quality and reasonable structure, which has comprehensive development capabilities including product research, engineering development, trial production and testing. The Group's core R&D team consists of overseas and local senior professionals in relevant fields with strong R&D capabilities and extensive experience. Its core R&D team has contributed to product innovation and upgrade of the Group's technologies and product quality. It continuously improves quality, cost and progress control capabilities. The Group's project development, standard system, product verification and patent management have become more mature, and breakthroughs have been made in intelligentization, low carbonisation and refinement. Furthermore, the headquarters of the Company is located in Beijing, where many leading scientific research institutions, colleges and top universities locate. By virtue of its geographic location, the Company is able to obtain high-quality human resource support, attract high-end industry talents and keep abreast of innovative technologies in the industry, which has further enhanced its R&D capabilities.

The Company's R&D efforts stem from both its proprietary R&D efforts and alliances with its cooperative partners. For instance, Beijing Brand continues to carry out in-depth strategic cooperation with intelligent technology companies including Beidou Zhilian, Microsoft, Huawei and ByteDance, so as to continuously promote the process of R&D of new energy products including 48V hybrid electric vehicles; and Beijing Hyundai implemented a "Three-in-one" R&D system by integration of the resources of the R&D team of Beijing Hyundai, Nanyang Research Institute and China Technology Research Institute. In 2019, all of the Group's brands have proactively promoted the construction of R&D system and capacity. Beijing Brand made several achievements in terms of innovation in R&D management and new vehicle model R&D. Beijing Brand's new products, BEIJING-X3 and BEIJING-EU7, were successfully launched and highly rated in the market. The new products demonstrated Beijing Brand's the latest achievements and product capacity improvement in various aspects, such as intelligent networking, electrification, styling upgrade and perceived quality. Beijing Benz has the largest R&D center and the first prototype vehicle factory among all joint venture enterprises of Daimler AG. In 2019, it introduced the Mercedes-Benz Development System (MDS) to shorten its development cycle and strengthen its digital verification capability. The R&D

center has seven advanced laboratories which have been established and operated strictly according to the standards of Daimler AG, such as climate corrosion, vehicle emissions, engine and vibration noise. The R&D center also has prototype vehicle factories and test runways. New energy power battery testing centers which have been introduced specially for pure electric new energy vehicle models, which providing important technical support for R&D and manufacturing of domestic traditional vehicle models and new energy vehicle models of Mercedes-Benz in China. In 2019, Beijing Hyundai completed the development and mass production of over ten types of new passenger vehicles. Beijing Hyundai also promoted the launch of the third-generation platform (i-GMP) and intelligentization technology reserve, as well as the establishment of a new energy R&D system in 2019. The operation and inter-connection of Beijing Hyundai Technology Center, Namyang R&D Center in South Korea and Hyundai Motor Yantai R&D Center has enabled the Group to supply tailor-made products and services targeting the PRC market.

In 2017, 2018 and 2019 and for the six months ended 30 June 2020, the aggregate R&D expenses of the Group amounted to RMB2,788.3 million, RMB2,402.9 million, RMB3,080.6 million and RMB1,131.6 million, respectively. The significant amount of such expenses reflects the Group's strong commitment to R&D. When certain conditions are met, R&D costs will be capitalised and recorded as development costs, which include costs of raw materials and services, as well as employee costs. The capitalised development costs will be amortised using the straight-line method over the estimated useful lives of the relevant assets.

The Group has established extensive distribution network underpinned by diverse sales channels and tailored marketing strategies.

The Group has placed great emphasis on promoting and marketing its brands and products to its end-user customers. The Group intends to strengthen its marketing and promotion efforts continuously. The Group attaches great importance to meet customers' demand and strives to optimise its product-service system. The Group is also committed to enabling product distributors and customers to receive timely, efficient, accurate and high-quality service guarantee. All brands have established an extensive distribution network and independent marketing channels in China. The Group mainly relies on its dealership network to carry out regional marketing campaigns. Sales and marketing activities are primarily carried out separately through dealers of Beijing Brand, Beijing Benz, Beijing Hyundai and Fujian Benz. For details, see "*– Dealers, Sales and Marketing*".

In 2019, the Group continued to maintain an extensive distribution network. For example, Beijing Brand continued to optimise its network planning and stabilise its network structure. Beijing Benz upgraded its dealer network to build a "smart" dealer network. Beijing Hyundai also maintained stable channel operations and actively managed the development of its distribution network. Beijing Hyundai has a large distribution network covering most cities in China.

BUSINESS STRATEGIES

The Group intends to consolidate and enhance its leading position in the automotive industry in China by pursuing the following key business strategies:

To further expand the Group's product portfolio and offer new vehicle models

The Group will continue to expand its product portfolio to meet China's evolving market demands for high-quality passenger vehicles. The Group plans to further expand its passenger vehicles product portfolio by developing and launching new proprietary brand vehicles. The Group will introduce more high-quality vehicles, new energy vehicles and products with distinctive features. The Group will continue to focus on the development of new passenger vehicles in order to further expand its product portfolio. The Group will continue to actively respond to industry changes, and formulate and determine an operation policy for steady development. In terms of Beijing Brand, under the guidance of the overall management principle of "brand upgrade, three strengths, and breakthrough through reform", efforts will be made to continue to promote the improvement in the brand strength of "BEIJING" and product upgrades. With focus on key vehicle models including BEIJING-X3 and BEIJING-X7, efforts will be made to promote the increase in sales volume.

In addition, the Group will further cooperate with its joint-venture partners and introduce other popular models to China. Beijing Benz focuses on ensuring the completion of new factories and the launch of new vehicle models, so as to consolidate its leading position in the high-end premium vehicle market.

Beijing Hyundai 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. For the years ended 31 December 2017, 2018, 2019 and the six months ended 30 June 2020, the sales volume of passenger vehicles under Beijing Hyundai amounted to approximately 785.0 thousand units, 790.2 thousand units, 662.6 thousand units and 184.3 thousand units, respectively. Beijing Hyundai will also comprehensively promote localisation strategies, improve product and cost competitiveness, adjust the structure of production capacity, optimise the organisational structure and the management system, seek to maximise the profits while improving the sales volume, so as to regain its status as a mainstream enterprise in the industry. Beijing Hyundai will increase the brand strength and sales volume through the management innovation of the launch of new vehicles.

To continue to improve the cost structure of the Group and improve its profitability

The Group will seek to employ other strategies, including using modular components and leveraging its scale as the Group ramps up production, to further reduce procurement costs. In addition, the Group will focus on the enhancement of its strengths in products portfolio, marketing efforts and brand recognition, and will make efforts to make a breakthrough in its core competitiveness. In the meanwhile, the Group will do some strategic adjustment, integrate its resources, eliminate any bad practice, optimise processes and efficiency in order to improve its smart power. Fujian Benz will also innovate new methods for company development, make efforts for quality assurance, cost control, risk prevention and safe production, continue to progress towards becoming a benchmarking manufacturer of high-end multi-purpose passenger vehicles in China, and endeavour for a leading position in terms of share of the Chinese multi-purpose passenger vehicle market.

To further strengthen the Group's R&D capabilities, enhance its competitiveness and achieve sustainable development

The Group will continue to invest significant resources in the development of its R&D capabilities. The Group will continue to cooperate with domestic and international research institutions with the aim of enhancing its R&D capabilities, in particular the capacity to develop its proprietary brand models, improve its existing technology, and successfully industrialise its proprietary technology.

Beijing Brand continued to invest in R&D and achieved excellent results in terms of establishment of a R&D system and new vehicle model R&D. As at 30 June 2020, the Company has achieved certain development in areas including intelligent human-computer interaction, in-vehicle intelligence and artificial intelligence technology, big data analysis, intelligent vehicle networking platform and marketing resources. The Company also has had three Beijing municipal-level named studios, six municipal-level studios and six innovative studios of the research institute level. Beijing Brand continuously cooperated with Beijing Union University in carrying out development and testing of C70G driverless cars, participated in famous events and activities of the industry for many times, and achieved satisfactory results.

Beijing Hyundai is devoted to technology innovation. It has upgraded its "innovative – Global Modular Platform (i-GMP)", which integrates the latest modular technology of Hyundai brand and makes innovative changes in various areas, such as safety, lightweight and driving performance. Beijing Hyundai plans to accelerate its layout in new energy vehicles and implement mass production in the three largest new energy vehicle sub-segments, namely, EV, HEV and PHEV.

The Group will continue to attract and hire professional talent from different backgrounds, in particular, those with work experience at leading domestic and foreign automobile manufacturers, and researchers with work experience in countries with a developed automobile industry. The Group will also change operating ideas, innovate working methods and adhere to transformation of the staff to operators to promote sound development.

To further explore business models in automobile sales and expand the Group's sales network

In order to promote the long-term development of its automotive business, the Group plans to explore business opportunities in automobile sales and related service areas. For example, the Group will continue to improve the customer experience and service by hosting the "Saab Land Fly Show," inviting potential customers to participate in test drives and other activities. The Group will also cooperate with domestic and international research institutions.

The Group intends to further expand its sales network through dealership outlets in the PRC to increase its sales volume and market share. The Group also intends to explore opportunities in overseas markets, in particular in emerging markets, which will broaden its revenue sources and promote its brand image. For example, Beijing Benz will pay close attention to production-sales linkage and seek for quick entry of high-end new energy market. In terms of sales efforts, Beijing Benz has built on its successful marketing management experience, keep in line with the principles of development of selected local markets and the strategy of driving growth in the wholesale by increasing retail business, and thoroughly explore every key process of sales management, in order to materialise the organic interaction between supply chain, information flow and value chain. The Group will continue to adhere to the successful marketing management experience, extensively explore local markets, carry out reasonable allocation and ensure the smooth driving experience. The Group will also adhere to the concept of people oriented and construct a brand-new distribution network ecology. In addition, it plans to build a young brand image and deliver the best customer experience through the integration of online and offline marketing. The Group will expand the its market share in the car financing and automobile aftermarket-related businesses to develop synergies amongst different business segments. Further, the Group will also seize any suitable invest opportunities for upstream products and participated in the manufactured of the key components.

RECENT DEVELOPMENTS

On 9 September 2020, Mr. Xu Heyi resigned as the Chairman of the Board, a non-executive Director, the chairman of the Strategy Committee and the chairman of the nomination committee under the Board due to work re-designation. Mr. Jiang Deyi and Mr. Liao Zhenbo were appointed as non-executive directors of the Company at its first EGM held on 27 October 2020. Each of them was appointed for a term commencing from 27 October 2020 until the expiration of the term of the third session of the Board. The Board also resolved at a meeting held on 27 October 2020 to appoint Mr. Jiang Deyi as the Chairman of the Board, the chairman of the strategic committee and the chairman of the nomination committee under the Board for a term commencing from 27 October 2020 until the expiration of the term of the third session of the Board.

On 27 October 2020, the Company published its operating results for the third quarter ended 30 September 2020 on the SEHK. Such operating results were prepared in accordance with the Accounting Standards for Business Enterprises of the PRC, which have been publicly disclosed on the designated media and/or stock exchanges or otherwise in the PRC. As at 30 September 2020, the Group's total assets and total liabilities decrease slightly as compared to 31 December 2019. For the nine months ended 30 September 2020, the Group recorded a slight decrease in total operating income as compared to the same period in 2019. The Group also recorded a significant decrease in total profit and net profit for the nine months ended 30 September 2020 as compared to the same period in 2019, mainly attributable to the asset divestitures conducted by BAIC International before the Company becoming its shareholder in April 2020.

In December 2020, the Company redeemed its corporate bonds in an aggregate principal amount of RMB1,500 million in full together with accrued interest and super and short-term commercial paper in an aggregate principal amount of RMB3,000 million in full together with accrued interest at maturity.

The Company was assigned a rating of A level in the environmental, social and corporate governance (ESG) rating of MSCI for the year of 2020. This is the second consecutive year in which the Company was assigned a rating of A level. In the rating assessment, MSCI assessed the Company from various aspects, including clean technology, product carbon footprint, product safety and quality, corporate governance and labour management.

On 31 December 2020, Mr. Chen Hongliang resigned as the executive director and president of the Company due to job reassignment. He has been redesignated as a non-executive director of the Company. Mr. Huang Wenbing has been appointed as the president of the Company, with a term of office commencing from 31 December 2020 until the expiration of the term of the third session of the Board.

AWARDS AND RECOGNITIONS

The Group has received various honours and awards in recognition of its overall strengths and outstanding business performance. The table below sets forth a selection of honours and awards the Group received:

Year	Awards and Recognitions	Awarding Organisations
2020	MSCI-ESG A level	MSCI
2019	Influence Enterprise of the Year (年度影響力企業)	Together (南方週末)
2018	China Securities Golden Bauhinia Award – Listed Company with the Best Brand Value (中國證券金紫荊獎–最具品牌價值上市公司獎)	Golden Bauhinia Hong Kong International Finance Week – Hong Kong Ta Kung Wen Wei Media Group and others
	China Securities Golden Bauhinia Award – Best Listed Company for Practicing the "Belt and Road" Initiative of China (中國證券金紫荊獎–"一帶一路"最佳實踐上市公司獎)	Golden Bauhinia Hong Kong International Finance Week – Hong Kong Ta Kung Wen Wei Media Group and others
	2018 National Quality Benchmark (2018年全國質量標桿)	China Association for Quality (中國質量協會)
2017	China Securities Golden Bauhinia Award – Best Listed Company for Investor Relation Management (中國證券金紫荊獎–最佳投資者關係管理上市公司)	Golden Bauhinia Hong Kong International Finance Week – Hong Kong Ta Kung Wen Wei Media Group and others
	China Securities Golden Bauhinia Award – Listed Company with the Best Investment Value during the 13th Five-Year Plan Period (中國證券金紫荊獎–十三五最具投資價值上市公司)	Golden Bauhinia Hong Kong International Finance Week – Hong Kong Ta Kung Wen Wei Media Group and others
2016	China Securities Golden Bauhinia Award – Listed Company with the Best Investment Value (中國證券金紫荊獎–最具投資價值上市公司)	Golden Bauhinia Hong Kong International Finance Week – Hong Kong Ta Kung Wen Wei Media Group and others
	National Machinery Industry Quality Award (全國機械工業質量獎)	China Machine Building Quality Management Association (中國機械工業質量管理協會)
2015	China Securities Golden Bauhinia Award – Best Listed Company (中國證券金紫荊獎–最佳上市公司)	Golden Bauhinia Hong Kong International Finance Week – Hong Kong Ta Kung Wen Wei Media Group and others
	China Securities Golden Bauhinia Award – Best Listed Company for Investor Relation Management (中國證券金紫荊獎–最佳投資者關係管理上市公司)	Hong Kong Ta Kung Wen Wei Media Group and others

The Group's brands and passenger vehicles have received numerous awards and recognitions in recent years, including the following:

Brands	Year	Models	Awards and Recognitions	Awarding Organisations
Beijing Brand	2020	–	CACSI – Best After-sales Services among New Energy Vehicles	China Association for Quality (中國質量協會)
	2019	BEIJING-X5	CACSI – Sub-segment Champion	China Association for Quality (中國質量協會)
	2018	Senova D50	CACSI – Sub-segment Champion	China Association for Quality (中國質量協會)
	2017	Senova X35 (BEIJING-X3)	CACSI – Sub-segment Champion	China Association for Quality (中國質量協會)
Beijing Benz	2020	A-Class sedan and GLB SUV	CACSI – Sub-segment Champion	China Association for Quality (中國質量協會)
	2019	A-Class sedan and E-Class sedan	CACSI – Sub-segment Champion	China Association for Quality (中國質量協會)
		E300L	Safe Vehicle of 2019	World Auto Magazine
	2018	C-Class sedan, E-Class sedan and GLC SUV	CACSI – Sub-segment Champion	China Association for Quality (中國質量協會)
		–	CACSI – Best Sales and After-sales Services among Luxury Brands	China Association for Quality (中國質量協會)
	2017	GLA SUV and GLC SUV	CACSI – Sub-segment Champion	China Association for Quality (中國質量協會)
	2016	–	2016 Global Best Operating Factory – Best Manufacturer in Large Scale	A.T. Kearney and "Producktion"
Beijing Hyundai. . . .	2020	All-new REINA and New ix35	CACSI – Sub-segment Champion	China Association for Quality (中國質量協會)
		–	Hebei Province Green Factory (河北省綠色工廠)	Industry and Information Technology Department of Hebei Province (河北省工業和信息化廳)
	2014-2020	–	CACSI – Best After-sales Services among Joint Venture Brands	China Association for Quality (中國質量協會)
	2019	All-new REINA, LA FESTA and New ix35	CACSI – Sub-segment Champion	China Association for Quality (中國質量協會)
		–	Vehicle Dependability Study (VDS) – 1st among all mainstream passenger vehicle brands in China	J.D. Power
		–	Initial Quality Study (IQS) – 3rd among all mainstream passenger vehicle brands in China	J.D. Power

Brands	Year	Models	Awards and Recognitions	Awarding Organisations
		–	National After-sales Service Quality Consumers' word-of-mouth – 3rd among all joint venture brands in China	China Automobile Data Platform of Service Quality Monitoring (CADA Yun Shu Ju) (中國汽車售後服務質量監測大數據平台(CADA雲數聚))
		–	National Top 10 4S Shops	China Automobile Data Platform of Service Quality Monitoring (CADA Yun Shu Ju) (中國汽車售後服務質量監測大數據平台(CADA雲數聚))
	2018	Mistra, Elantra, New TUCSON and New ix35	CACSI – Sub-segment Champion	China Association for Quality (中國質量協會)
	2017	Elantra, Mistra, Verna, All-new CELESTA and TUCSON	CACSI – Sub-segment Champion	China Association for Quality (中國質量協會)
		–	Sales Satisfaction Index (SSI), Customer Service Index (CSI) and Initial Quality Study (IQS) – 1st in its industry segment	J.D. Power

HISTORY AND DEVELOPMENT

The Company was established as a joint stock company in the PRC with limited liability on 20 September 2010. As one of the leading manufacturers of passenger vehicles in China, the Group traces its origins back to 1958. Set forth below are certain milestone events in the Group's history.

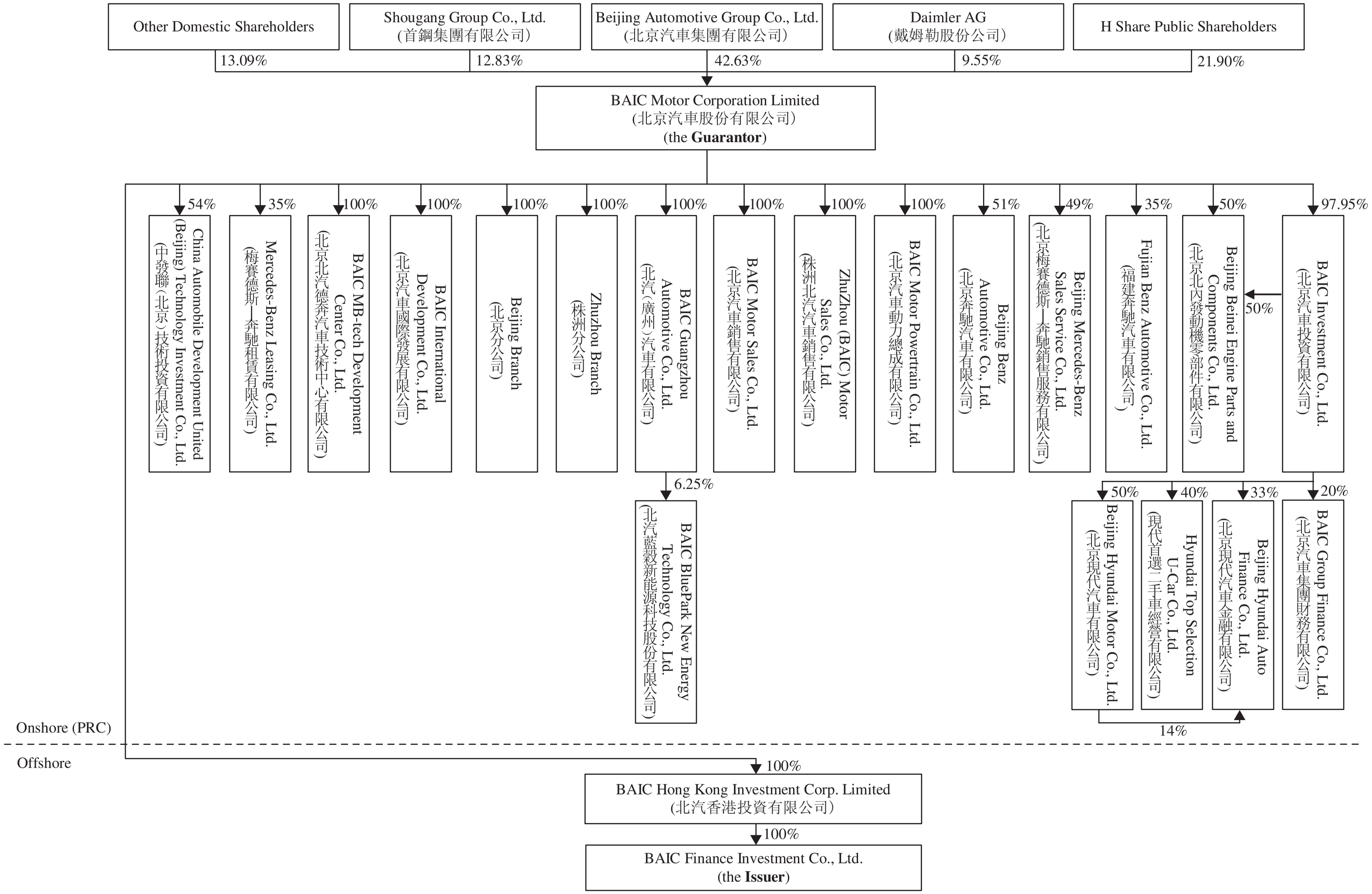
Year	Events
1958	Establishment of Beijing Automobile Factory, the predecessor of the Company's controlling shareholder, BAIC Group.
1983	Beijing Jeep Motor Co., Ltd., the predecessor of Beijing Benz and the first Sino-foreign joint venture automobile company founded in China, mainly engaged in the development and manufacturing of off-road vehicles, was incorporated by Beijing Automobile Factory and American Motors Corporation.
1994	Establishment of BAIC Automotive Industry Holding Co., Ltd., the predecessor of the Company's controlling shareholder, BAIC Group.
2002	The Company's controlling shareholder, BAIC Group, established Beijing Hyundai with Hyundai Motor. Beijing Hyundai was the first approved joint venture vehicle manufacturer after China's accession to the World Trade Organization. In the same year, Beijing Hyundai passenger vehicle No. 1 factory commenced production.
2005	BAIC Group, the Company's controlling shareholder, and Daimler AG recognised Beijing Benz and thus BAIC Group entered into the premium passenger vehicle market.
2006	Beijing Benz MRA factory commenced production.
2008	Beijing Hyundai passenger vehicle No. 2 factory commenced production.

Year	Events
2009	The Company's controlling shareholder, BAIC Group, acquired Saab technology through BAIC Hong Kong Investment Corp. Limited (北汽香港投資有限公司).
2010	Establishment of the Company; contribution to the Company's capital by injection of core passenger vehicles assets (including equity interest in Beijing Hyundai) by the Company's controlling shareholder, BAIC Group.
2011	The Company acquired the entire equity interest in BAIC Hong Kong Investment Corp. Limited from BAIC Group and obtained Saab technology.
2012	The BJ E-series was launched into the market (rebranded as Senova D20 in November 2014).
	The engine factory of Powertrain, the Company's subsidiary, commenced production.
	Beijing Hyundai passenger vehicle No. 3 factory commenced production.
	The Company successfully passed the ISO9001:2008 quality management review.
	The Company entered into a series of agreements with BAIC Group and Daimler AG to further strengthen its strategic alliance by (a) establishing Beijing Mercedes-Benz Sales Service Co., Ltd. (北京梅賽德斯–奔馳銷售服務有限公司) ("**Benz Sales Service**"), and (b) obtaining on a royalty-free basis, the permanent license to use the Mercedes-Benz E-Class LWB V212 platform and related technologies.
2013	The passenger vehicle factory of the Beijing branch of the Company commenced production, the Senova D70 sedan was launched into the market.
	50 per cent. equity interest in Beijing Benz was acquired by the Company from BAIC Group. In the same year, Beijing Benz became a subsidiary of the Company and the only Sino-foreign joint venture focused on passenger vehicle manufacturing that was controlled by a Chinese automobile manufacturer after the promulgation of the "Policy on Development of Automotive Industry" (汽車產業發展政策) in 2004.
	The engine factory of Beijing Benz commenced production.
	The Company, BAIC Group, and Daimler AG entered into the Share Subscription Agreement and Daimler AG became the Group's pre-IPO strategic investor.
2014	The Senova D50 sedan was launched into the market.
	The Company completed its acquisition of the entire equity interest in BAIC Guangzhou Automotive Co., Ltd. (北汽(廣州)汽車有限公司) from BAIC Group.
	The Company completed its H Shares initial Public Offering and was listed on the Main Board of the SEHK (Stock Code: 1958).
2015	The Company and MBtech Group GmbH & Co. KGaA jointly established BAIC MB-tech Development Center Co., Ltd. (北京北汽德奔汽車技術中心有限公司) to develop new vehicle models and engaged in R&D on core parts and components through the cooperation on the development and technology of automobile products.

Year	Events
2016	The Company acquired 35 per cent. equity interest in Fujian Benz Automotive Co., Ltd. (福建奔馳汽車工業有限公司) from Fujian Motor Industry Group Co. (福建省汽車工業集團有限公司). The Company and The Industrial Development Corporation of South Africa Limited and Investment Universe Co., Limited established BAIC Automobile SA in South Africa. Beijing Hyundai's Cangzhou factory commenced operation. The Company completed the acquisition of 8.15 per cent. equity interest in Beijing Qian Feng Electronic Co., Ltd. (北京前鋒電子股份有限公司) (formerly known as Beijing Electric Vehicle Co., Ltd. and currently known as BAIC BluePark New Energy Technology Co., Ltd. (北汽藍穀新能源科技股份有限公司) ("**BAIC BluePark**")).
2017	Beijing Brand launched three types of pure electric new energy products, namely EX260, EH300 and EU400, further diversified its product series and increased the endurance mileage in the integrated operating condition to 360km. The Company entered into a framework agreement with Daimler AG for the purpose of introducing the pure electric vehicles products of Daimler AG for Beijing Benz and establishing localised battery production and R&D capability for new energy vehicles. The Chongqing plant of Beijing Hyundai was completed. The Company was awarded as the "Listed Company with Best Investment Value" during the Thirteenth Five-Year Plan by Hong Kong Ta Kung Wen Wei Media Group. The Company was awarded as "Listed Company with Best Investor Relations Management" by Hong Kong Ta Kung Wen Wei Media Group.
2018	The Company completed the placing of 420,000,000 H Shares to 33 institutional investors for net proceeds (after detecting all applicable costs and expenses, including commission and professional fee) of approximately HK$3,266.3 million. The Company advanced the disposal of the business and related assets of Wevan brand to BAIC Group and its subsidiaries.
2019	The Company ceased to manufacture and sell passenger vehicles of Wevan brand. The Company completed the brand upgrade from "Senova" to "BEIJING" brand, thus reshaping and upgrading the brand positioning.
2020	In April 2020, the Company purchased the entire equity interest in BAIC International and 24.78 per cent. equity interest in BAIC Ruili from BAIC Group respectively at a total cash consideration of approximately RMB80 million. In April 2020, the Company and BAIC BluePark jointly established BAIC BluePark Marketing Services Co., Ltd. (北京汽車藍穀營銷服務有限公司) ("**BAIC Marketing Services**").

CORPORATE STRUCTURE

The following chart sets forth a simplified corporate structure of the Group as at 30 June 2020:



BUSINESS SEGMENTS

The Group's Brands and Products Portfolio

The Group's major business operations include R&D, manufacturing and sales and after-sale services of passenger vehicles, production of core parts and components for passenger vehicles, car financing and other related businesses. The Group offers a complementary brand portfolio and product portfolio. The Group is principally engaged in the manufacture, marketing and distribution of passenger vehicles under the Group's proprietary brand, the Beijing Brand, covering traditional oil-powered vehicles, new energy vehicles and PHEVs. The Group also manufactures and distributes passenger vehicles through Beijing Benz, Beijing Hyundai and Fujian Benz.

In addition, the Group manufactures engines, powertrain, and other core parts and components for passenger vehicles, which are used for manufacturing the Group's passenger vehicles, as well as for sale to other automobile manufacturers, exports or sale to overseas factories of Hyundai Motor.

To complement and support its passenger vehicles and automobile parts core businesses and develop synergies amongst different business segments, the Group also conducts complementary car financing and other related businesses.

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, the Group's revenue from operations was approximately RMB134,158.5 million, RMB151,920.4 million, RMB174,632.7 million and RMB77,854.4 million, respectively, representing a CAGR of approximately 9.2 per cent. from 2017 to 2019. The following table sets forth a breakdown of the Group's revenue by business segments for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June	
	2017		2018		2019		2020	
	Amount	per cent.	Amount	per cent.	Amount	per cent.	Amount	per cent.
	(audited)		(audited)		(audited)		(unaudited)	
	(RMB in millions, except for percentages)							
Passenger vehicles	130,776.1	97.5	146,912.1	96.7	167,205.2	95.7	76,201.2	97.9
Other businesses[1]	3,382.4	2.5	5,008.3	3.3	7,427.5	4.3	1,653.2	2.1
Total	**134,158.5**	**100.0**	**151,920.4**	**100.0**	**174,632.7**	**100.0**	**77,854.4**	**100.0**

Note:

1. Revenue from other businesses primarily includes revenue from sales of core parts and components for passenger vehicles the Group manufactured and revenue from other related businesses.

Passenger Vehicles

The Group's passenger vehicle business covers R&D, manufacturing and sales and after-sale services of passenger vehicles. The Group has a diversified product offering and brands portfolio. The Group's passenger vehicle business consists of four sub-segments, namely Beijing Brand, Beijing Benz, Beijing Hyundai and Fujian Benz.

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, the Group sold approximately1,465.9 thousand units, 1,460.0 thousand units, 1,425.1 thousand units and 503.1 thousand units of passenger vehicles, respectively. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, the Group sold passenger vehicles, namely sedan, SUV and MPV products, across four sub-segments. The following table sets forth a breakdown of the Group's sales volume by sub-segments for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2017	**2018**	**2019**	**2020**
		Sales volume (units)		
Beijing Brand[1]	235,841	156,159	166,992	35,065
Beijing Benz	422,558	485,006	567,306	270,112
Beijing Hyundai	785,006	790,177	662,590	184,314
Fujian Benz	22,476	28,616	28,182	13,560
Total	**1,465,881**	**1,459,958**	**1,425,070**	**503,051**

Note:

1. In 2017 and 2018, the sales volume of Beijing Brand included passenger vehicles of Wevan brand. The Group has ceased to sell passenger vehicles of Wevan brand since 2019. The Group has ceased to sell certain "BJ" series off-road vehicle products (mainly BJ40 and BJ80 vehicle models) from June 2019.

Beijing Brand

The Beijing Brand business currently manufactures passenger vehicles mainly under BEIJING product series. Beijing Brand has almost ten key models on the market, covering traditional oil-powered vehicles, new energy vehicles and PHEVs. The following table sets forth the key existing passenger vehicle models sold under Beijing Brand:

Traditional Oil-powered Vehicles	New Energy Vehicles	PHEVs
 BEIJING·U5	 BEIJING·EU5	 BEIJING·X7 PHEV
 BEIJING·U7	 BEIJING·EU7	
 BEIJING·X3	 BEIJING·EX5	
 BEIJING·X5		
 BEIJING·X7		

In recent years, the Group has actively promoted the optimisation and integration of the resources and business system of Beijing Brand in order to focus on superior products and enhance its competitive strength. Due to strategic considerations including optimisation of the product mix, the Group advanced the disposal of the business and related assets of Wevan brand to BAIC Group and its subsidiaries in 2018 and ceased to manufacture and sell passenger vehicles of Wevan brand in 2019; and has ceased to sell certain "BJ" series off-road vehicle products (mainly BJ40 and BJ80 vehicle models) from June 2019. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, the Group sold approximately 235.8 thousand units, 156.2 thousand units, 167.0 thousand units and 35.1 thousand units of Beijing Brand passenger vehicles, respectively.

Traditional oil-powered models under Beijing Brand are targeted at consumers who value both vehicle performance and high-quality life, with the "metropolitan beauty" design philosophy and continual quality improvement. In 2019, the new "BEIJING" brand was launched, with the features of Beijing culture, namely confidence, grandness, refinement and leading, and the brand philosophy of "becoming the leader of the new four automobile modernisations and guarding the beautiful travel dream of mankind". In the first half of 2020, the Group continuously promoted the product strategy driven by "new energy + intelligentisation" to enhance the brand strength and the intelligentisation level. It launched two key vehicle models (i.e. BEIJING-X7 and BEIJING-X7PHEV) as planned, thus promoting a steady increase in the sales volume of SUV vehicle models and achieving a year-on-year increase against the adverse market environment brought by the global outbreak of COVID-19. Beijing Brand will continue to promote its transformation in terms of electrification and intelligent networking.

Traditional Oil-powered Vehicles

BEIJING (formally known as Senova)

The Group commenced the sale of Senova passenger vehicles in May 2013. Senova passenger vehicles are based on the Saab technologies acquired in 2009, which the Group has further developed. Senova is a mid-to high-end proprietary passenger vehicle product series, and targets customers who value both vehicle performance and cost-efficiency. The Group completed the brand upgrade from "Senova" to "BEIJING" brand, thus reshaping and upgrading the brand positioning in 2019. At present, under the "BEIJING" brand traditional oil-powered models, the Group manufactures and sells the BEIJING-X3 compact SUVs, BEIJING-X7 middle class SUVs, BEIJING-U5 compact sedans, BEIJING-U7 middle class sedans and other best-selling vehicle models.

BJ

The Group commenced the sale of "BJ" series off-road vehicles in 2012. Due to strategic considerations including optimisation of the product mix, the Group has ceased to sell certain "BJ" series off-road vehicle products (mainly BJ40 and BJ80 vehicle models) from June 2019.

Wevan

The Group commenced the sale of Wevan passenger vehicles in 2011. The Group's Wevan product series focused on MPV and CUV models, which targeted at small and micro businesses and individuals in China. Due to strategic considerations including optimisation of the product mix, the Group advanced the disposal of the business and related assets of Wevan brand to BAIC Group and its subsidiaries in 2018.

New Energy Vehicles

Beijing Brand's new energy vehicles cover a full range of sedan and SUV models. The Group is committed to improving the battery, motor and power electronics equipment and other technologies relating to new energy vehicles. The Group completed the upgrading for new energy production technologies in all manufacturing bases in 2015. Beijing Brand accelerates the electrification process, developing many pure electric new energy vehicle models based on traditional oil-powered car models. It has BEIJING-EU5, BEIJING-EU7 and other best-selling electric vehicle products. Its major vehicle models have a mileage range in the integrated operating condition reaching 500 km. Beijing Brand is arranging for and promoting electrification work for the diversity of products including 48V hybrid models and PHEV plug-in hybrid models.

PHEVs

Beijing Brand launched a key vehicle model, BEIJING-X7PHEV, in the first half of 2020.

Beijing Benz

Beijing Benz commenced the manufacturing and sales of passenger vehicles of Mercedes-Benz brand in 2006. The Company holds 51.0 per cent. equity interest of Beijing Benz, while Daimler AG and its wholly-owned subsidiary, Daimler Greater China, together hold 49.0 per cent. equity interest of Beijing

Benz. Beijing Benz currently manufactures and sells several types of Mercedes-Benz vehicles, including E-Class long-wheelbase sedan, C-Class long-wheelbase and standard-wheelbase sedan, A-Class long-wheelbase sedan, long-wheelbase GLC SUV, GLA SUV, GLB SUV, EQC pure electric SUV and AMG A 35 L. The following table sets forth the existing passenger vehicle models sold by Beijing Benz:

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, the Group sold approximately 422.6 thousand units, 485.0 thousand units, 567.3 thousand units and 270.1 thousand units of Beijing Benz passenger vehicles, respectively. Beijing Benz has Mercedes-Benz's most comprehensive production base, with the highest production volume and largest scale, in the world. Beijing Benz has the largest R&D center and the first prototype vehicle factory among all joint venture enterprises of Daimler AG. During 2016, Beijing Benz won the title of "2016 Global Best Operating Factory – Best Manufacturer in Large Scale", becoming the first vehicle manufacturing enterprise in China granted this award. This Award was jointly organised by A.T. Kearney and "Producktion", a financial journal in Germany, with an aim to identify and recognise enterprise models in global manufacturing industry. In recent years, it has won other honorary titles of "Green Plant Model", "Benchmark Enterprise of Intelligent Manufacturing in Beijing" and "Sino-German Intelligent Manufacturing Cooperation Demonstration Pilot Project", etc.

Beijing Benz owns the platforms of three main vehicle models, namely front-wheel drive vehicle, rear-wheel drive vehicle and electric vehicle, as well as two engine factories and a power battery factory. It has exported core engine parts and engines and become an important part of the global production network of Mercedes-Benz. Beijing Benz has Daimler AG's first engine factory and first power battery factory outside Germany. Beijing Benz is the only high-end joint venture vehicle enterprise of Daimler AG in the world owning three major platforms, namely front-wheel drive vehicle, rear-wheel drive vehicle and power system, as well as engine factories and a power battery factory.

In 2020, Beijing Benz continued to develop green and intelligent manufacturing, as well as accelerating transformation and upgrading. Under the guidance of BAIC Group's "premium, innovation and specialty" strategy and Mercedes-Benz's "Ambition 2039", Beijing Benz has continued to pursue flexible, efficient, digital and sustainable development as it accelerates transformation and upgrading. The Shunyi Plant, which officially started operation in 2020, manifests Beijing Benz's commitment to and achievements in green and intelligent manufacturing.

Beijing Hyundai

Beijing Hyundai is a joint venture of the Company. The Company holds 50.0 per cent. equity interest of Beijing Hyundai through its subsidiary BAIC Investment, while Hyundai Motor holds another 50.0 per cent. equity interest of Beijing Hyundai. Beijing Hyundai commenced the manufacturing and sale of passenger vehicles of Hyundai brand in 2002 and is recognised as an outstanding brand in the market. Beijing Hyundai is one of the most outstanding Sino-foreign passenger vehicle joint venture brands in

China. Beijing Hyundai was the first government-approved joint venture vehicle manufacturer after China's admission to the World Trade Organization. It has been recognised as a leading and demonstration project for revitalising Beijing's modern manufacturing industry and developing the local economy. It has won several J.D. Power awards and CACSI awards in recent years. Beijing Hyundai has several vehicles plants and corresponding engine plants in China and one technology center in Beijing. 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, to fully meet the needs of different consumers. The Group's vehicle models for sale mainly include fourth-generation Santa Fe, fourth-generation TUCSON, LA FESTA EV and ENCINO EV. The following table sets forth the key existing passenger vehicle models sold by Beijing Hyundai:

Sedan	SUV	New Energy Vehicles
		
Seventh-generation Elantra	**Fourth-generation TUCSON**	**LA FESTA EV**
		
Tenth-generation Sonata	**New ix25**	**ENCINO EV**
		
New Verna	**New ix35**	**Elantra PHEV**
		
LA FESTA	**Fourth-generation Santa Fe**	**All-new Sonata PHEV**
		
All-new REINA		
		
New Mistra		
		
All-new CELESTA		

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, the Group sold approximately 785.0 thousand units, 790.2 thousand units, 662.6 thousand units and 184.3 thousand units of Beijing Hyundai passenger vehicles, respectively.

In October 2016, Beijing Hyundai's Cangzhou factory was officially put into operation so as to effectively alleviate the pressure on production capacity of Beijing Hyundai, and provide capacity reserves for seizing market share in future. The Chongqing plant of Beijing Hyundai was completed in July 2017. Beijing Hyundai aims to establish such plant as a world-leading high-quality, intelligent and environmental-friendly factory, which constitutes the integral part of the initiatives to implement the national development strategies of "Yangtze River Economic Zone" and the "Belt and Road" Initiative. Beijing Hyundai aims to deepen its localised operational strategy in a comprehensive manner, give full play to its geographical advantages, accelerate its integration into the development of economy, culture and society in the Southwest region, and fully meet the demand of local consumers. At present, Beijing Hyundai has capacities in Beijing, Hebei and Chongqing, which form a nationwide production and marketing system.

Fujian Benz

Fujian Benz is a joint venture of the Company. The Company holds 35.0 per cent. equity interest of Fujian Benz and entered into an act-in-concert agreement with FJMOTOR, which holds 15.0 per cent. equity interest of 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 per cent. equity interest of Fujian Benz. Fujian Benz commenced the manufacturing and sale of multi-purpose passenger vehicles and light passenger vehicles of Mercedes-Benz brand in 2010.

In March 2016, Fujian Benz released the Mercedes-Benz V-Class MPVs. In September 2016, Fujian Benz released the Mercedes-Benz New Vito MPVs. Fujian Benz currently stays on the leading edge in the field of joint venture premium business purpose vehicles, with production and sale of Mercedes-Benz V-class vehicles and New Vito products. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, the Group sold approximately 22.5 thousand units, 28.6 thousand units, 28.2 thousand units and 13.6 thousand units of Fujian Benz passenger vehicles, respectively.

Production Facilities and Process

The Group has specialised production facilities to manufacture and assemble passenger vehicles to improve efficiency and maintain product quality standards, as well as to save unit product cost through production expansion. All of its manufacturing bases are located in China and are equipped with advanced production facilities, which not only allow it to improve efficiency and maintain the high quality of its products, but also to reduce per unit product cost as its volume ramps up. All of its production facilities are equipped with flexible production lines, each of which is capable of producing different models of passenger vehicles. The Group believes that this not only enables it to flexibly change production plans and respond quickly to changes in market demand, but also reduces its capital expenditures and operating costs.

Beijing Benz continuously builds Mercedes-Benz's most comprehensive production base in the world to meet the requirements of Made in China 2025 and green manufacturing system construction: The factory in Shunyi District will be constructed as a high-end production base based on the standard of a digitalised and green intelligent factory.

All factories of Beijing Hyundai are equipped with state-of-the art production equipment, with the equipment automation rate exceeding 90 per cent., so as to ensure the precision and production of products with high quality. Meanwhile, Beijing Hyundai is capable of effectively and flexibly arranging factory production plans and mixed-model production to further reduce the manufacturing cost reasonably.

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

The sales department and the production department meet every month to review the sales and production for the current month and finalise the monthly sales plan and production plan for the following month. The sales department sends the adjustment request for the monthly production plans to the production department from time to time by closely following the performance of the dealers and the changing market conditions. Similarly, the production department may also adjust the production plans with a view to reducing production costs and improving the Group's profitability.

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

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

Stamping → Welding → Painting → Final assembly → Final inspection

Stamping: Steel plates are stamped onto body parts of vehicles. Most of the stamping operation is completed at the Group's production facilities. Inspection facilities are installed at the end of the stamping lines.

Welding: Welding is a process whereby the vehicle bodies are formed by welding together the relevant vehicle body parts manufactured by the Group's stamping workshops and other stamped parts and components procured from its suppliers.

Painting: Painting involves mid-electrophoresis painting, layer painting and surface coating to protect against corrosion. The Group has adopted environmental protection treatment processes for its painting facilities.

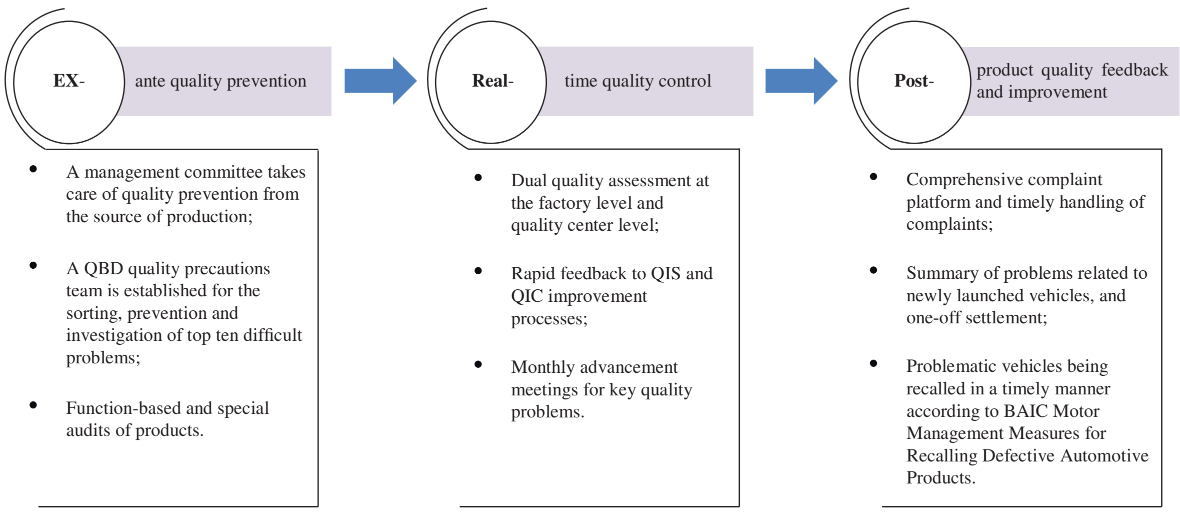
Final assembly: At the final stage of the assembling process, the complete chassis, powertrain, principal auxiliary system, glazing, tires, and other parts and components are assembled together to form the complete vehicle.

Final inspection: Final inspection involves road tests and final product inspections, including the inspections of exhaust emissions, steering, braking, engine, transmission and electrical appliances. It also involves an inspection of the vehicle's interior, exterior and performance, including its emission level, the drive and the braking function.

It usually takes about 24 hours to 36 hours to manufacture one passenger vehicle. The quality control procedure is engaged in each stage of the Company's manufacturing process, in order to ensure that the Company's products shall comply with its strict quality control standards.

The Group carries out regular maintenance of its production facilities. In addition, during periods of intensive production, additional maintenance work will be conducted to ensure the normal operation of its production facilities.

In addition, the Group has implemented the closed-loop quality management to ensure product quality in a top-down manner.



Core parts and components for passenger vehicles

Apart from manufacturing of whole vehicles, the Group also manufactures 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, the Group manufactures engines, transmissions, new energy reducers and other core automobile parts and components through entities including BAIC Motor Powertrain Co., Ltd. (北京汽車動力總成有限公司), mainly for use in the Group's whole vehicles, as well as for sale to other automobile manufacturers. By digesting and assimilating Saab technology and through the combination of co-operative and independent development, the Group has completed the product development of engines and gear boxes one after another. Mass production of these products has commenced and they are widely used on Beijing Brand passenger vehicles. At the same time, the Group manufactures core parts and components including camshafts and connecting rods for supply to Mercedes-Benz, Hyundai and a dozen other automobile manufacturers.

Beijing Benz commenced to manufacture engines in 2013. At present, it owns two engine factories. Beijing Benz has Daimler AG's first engine factory and first power battery factory outside Germany. Its products include M270, M274, M264 and M282 engines and the first new energy power battery product. It has exported core engine parts and engines. It is promoting the development of Shunyi Plant under the proprietary brand of the Company into a production base for high-end passenger vehicles. All of the aforesaid production facilities are located in Beijing.

Beijing Hyundai commenced to manufacture engines in 2004, and currently has several engine factories. Its specific product offerings cover five major series including Gamma 1.6 MPI/GDI and Gamma 1.6 Turbo-GDI. These engines are industry-leading in terms of technology and power, mainly for use in Hyundai-branded passenger vehicles manufactured by Beijing Hyundai. Certain products are also sold to overseas factories of Hyundai Motor.

Car Financing and other related businesses

The Group conducts car financing and automobile aftermarket-related businesses of Beijing Brand, Mercedes-Benz brand and Hyundai brand. In addition, the Group conducts sales and service business and international business focusing on exporting passenger vehicle products of Beijing Brand. The Group also conducts R&D of light materials, new energy technology changes, information big data and used car businesses through relevant joint ventures.

Car Financing

The Group conducts car financing and automobile aftermarket related businesses of Beijing Brand, Mercedes-Benz brand and Hyundai brand through its associates. These associated companies include BAIC Finance, MBLC, Beijing Hyundai Auto Finance Co., Ltd. (北京現代汽車金融有限公司) ("**BHAF**") and BH Leasing Co., Ltd. (北現租賃有限公司) ("**BH Leasing**"). The Group continuously promotes rapid development of car financing businesses by methods including capital investment and business cooperation.

Sales and Service Business

In April 2020, the Company and BAIC BluePark jointly established BAIC Marketing Services. BAIC Marketing Services is committed to providing the Group and BAIC BluePark with marketing business consultation, signing service agreements, promoting the sharing of channels, service resources and sales resources, etc., and enhancing the marketing competitiveness of the "BEIJING" brand as a whole.

International Business

The Group promotes rapid development of international business (i) through the production and operation businesses of the South African production base and the marketing business in South African and Southern African Development Community (SADC) markets conducted by BAIC Automobile SA, a joint venture of the Company; (ii) through international marketing business in markets outside China and South Africa conducted by BAIC International, a wholly-owned subsidiary of the Company; and (iii) through overseas sales companies, knocked-down technology cooperation, vehicle distribution, etc. International business focuses on exporting passenger vehicle products of Beijing Brand.

Other Related Businesses

The Group conducts R&D of light materials, new energy technology changes, information big data and used car businesses through relevant joint ventures.

DEALERS, SALES AND MARKETING

As an industry norm, the Group primarily distributes its products through its dealers. The Group has established extensive distribution networks in China. The Group has a seller-buyer relationship with its dealers. The Group retains no ownership control over the passenger vehicles sold to its dealers. All brands have independent marketing channels, and thus, sales and marketing activities are primarily carried out separately through dealers of Beijing Brand, Beijing Benz, Beijing Hyundai and Fujian Benz, each of which has established an extensive distribution network in China.

The Group enters into a dealership agreement with each of its dealers, which stipulates the products sold by the dealers and annual sales targets. The Group provides the base sales prices of its products sold to its distributors every year, and the actual sales prices may be adjusted pursuant to the market conditions during the year. The Group follows the "customer first" principle and continues to optimise and upgrade the dealer network to enhance its overall competitiveness. Beijing Benz and Beijing Hyundai always pay attention to network efficiency and quality, and are committed to improving the profitability of dealers and OEMs so as to establish mutual trust and realise win-win results.

The Group is committed to providing excellent after-sales service to its end-user customers. The Group complies strictly with the repair, replacement and return policies as required by relevant PRC laws and regulations. Beijing Brand offers similar services to the Group's end-user customers one year earlier than required under the PRC government regulations on liabilities of manufacturers for repair, replacement and return of faulty automobiles. The Group believes its commitment to after-sales service has contributed to its brand recognition, business growth, improved performance and enlarged end-user customer base.

The Group's end-user customers may seek free repair and maintenance services, including replacement of parts and components due to quality defects, during the warranty period. End-user customers are entitled to services from any of the Group's dealership outlets, regardless of their purchase location. The Group generally offers limited warranty coverage for certain types of repairs for new passenger vehicles. The Group generally does not conduct warranty repair services. Instead, it provides in-warranty repair services through dealership outlets, and reimburses the dealers for in-warranty repairs conducted.

Out-of-warranty repair services are provided by the Company's dealers on a fee-basis, which includes replacement of parts due to wear and tear or repair of damage resulting from collisions or other accidents. Other than quality issues, and in compliance with the applicable PRC laws, the Group does not accept any return of products.

The Group has placed great emphasis on promoting and marketing its brands and products to its end-user customers. The Group intends to strengthen its marketing and promotion efforts continuously. The Group's marketing and brand-building activities include advertisements on television, print media and the internet, participating in and organising new model launch events, seminars, trade shows and exhibitions to showcase and seek end-user feedback for its products. Beijing Brand markets its products over the Internet. It has an established marketing platform on social networks, such as Weibo and WeChat, to promote its products and closely communicate with its existing and potential end-user customers.

The Group relies on its dealers to carry out regional marketing campaigns. It requires its dealers to submit their annual marketing budgets and plans at the beginning of every year. The Group will review and provide its comments on these plans, and its dealers are required to obtain the Company's approval before they can carry out the marketing campaigns. The Group also invites its dealers to participate in its own marketing campaigns, including new model launches, sponsorships, owner club activities and other events.

MAJOR CUSTOMERS

The Group's passenger vehicles are generally sold through its dealers to individual customers in the PRC. The Group also sells automobile parts and components to other automobile manufacturers in China and also the international markets. A portion of the automobile parts manufactured by the Group are purchased internally for the Group's complete vehicle manufacturing.

Certain of the Group's customers were its related parties, such as Daimler AG, Beijing New Energy Automobile Co., Ltd. (北京新能源汽車股份有限公司) and Mercedes-benz (China) Automotive Sales Co., Ltd. (梅賽德斯-奔馳(中國)汽車銷售有限公司).

MAJOR SUPPLIERS

The Group has established broad and in-depth partnerships and cooperation with world-class automobile parts manufacturers and such cooperation has significantly boosted the quality and technology standards of the Group's products.

Certain of the Group's suppliers were its related parties, such as Beijing Beiqi Yanfeng Automobile Accessories Co., Ltd. (北京北汽延鋒汽車部件有限公司), Daimler AG, Beijing Hainachuan Lear Automotive System Co., Ltd. (北京海納川李爾汽車系統有限公司) and Beijing New Energy Automobile Co., Ltd. Typically, in the automotive industry, each brand has a selection of its own suppliers.

INVENTORY MANAGEMENT

Each major brand of the Group has established its respective inventory control system to monitor the stock level of raw materials, automobile parts and components, work-in-progress and finished goods. The Group uses an enterprise resources planning (or "**ERP**") system to ensure the efficient and effective management of its inventories. This ERP system keeps a record of its inventories so that the Group has ready access to inventory levels and movement. The Group has management procedures that monitor the planning and allocation of warehouse space and inventory of raw materials and finished products to meet the delivery requirements and schedules. The Group also carries out inventory counts on a regular basis to ensure that its records are up-to-date.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the balance of the Group's inventories was RMB16,875.9 million, RMB18,962.6 million, RMB19,924.6 million and RMB18,843.4 million, respectively.

Raw Materials, Auto Parts and Components and Work-in-Progress

The Group implements just-in-time inventory policy to minimise its inventory costs and improve its operational efficiency. Under the just-in-time inventory system, raw materials and automobile parts and components procured are delivered directly to the production lines or delivered to a centralised temporary storage area for further delivery to the relevant production lines. Generally, the raw materials and automobile parts and components are placed into the production process only when they are used. The volume of semi-manufactured products is minimised and kept at an appropriate level to facilitate the production process. Detailed data of inventory levels is timely updated into a central database and can be checked and monitored at all times. In addition to the just-in-time inventory policy, the Group also issues detailed guidelines in order to conduct proper reviews of inventory levels.

Finished Products

In order to shorten the lead time for delivery of its products, the Group adjusts its planned inventory levels according to its current inventory level and the estimated demand for the coming month. The Group closely monitors its finished vehicles' inventory level. The Group also implements detailed guidelines on the recording of finished products.

In addition, the dealers of the Company and Beijing Benz are equipped with their respective proprietary information technology systems, which are installed in the dealership outlets to track the sales and inventory level of its dealers. Through this system, the Group is able to closely monitor the sale of, and demand for, its products in order to manage its production process and its supply, with a view to minimising its inventory, while allowing it to meet the market demands for its products on a timely basis. Based on such information, the Group may adjust its production and inventory plans accordingly.

COMPETITION

The passenger vehicle industry in China is highly competitive. The Group faces increasing competition from international automobile manufacturers, Sino-foreign joint-ventures and other domestic automobile manufacturers. Beijing Brand's passenger vehicles mainly face competition from brands such as Chang'an Auto and Geely Auto, all of which are manufactured by domestic automobile manufacturers. Mercedes-Benz-brand passenger vehicles mainly face competition from brands such as BMW and Audi, which are all international premium brands and are either imported into China or manufactured by Sino-foreign joint ventures of these brands. Hyundai-brand passenger vehicles mainly face competition from international brands, such as Volkswagen, Nissan, Buick, Toyota and Honda, the majority of which include those manufactured in China by Sino-foreign joint ventures of these brands and a few of which are imported into China. Competition among automobile manufacturers depends on the ability to develop and launch new models accepted by the market, production capacity, pricing, distribution network, brand and services.

QUALITY CONTROL

The Company believes that the quality of the Group's products is crucial to its brand recognition and sustainable growth. The Group has established and implemented a stringent quality control system which conforms to national and international standards. The Group places a strong emphasis on maintaining consistent quality across its products and services at all levels of its management and staff for the entire production process. The Group has introduced various quality control measures at every stage of its operations, such as utilising error prevention equipment, so as to avoid product defects. Parts, components and unfinished products that fail to meet its quality control requirements will not be processed at the next stage of production.

The Group has implemented stringent quality control systems and devoted significant resources to improve quality control. The Group also devotes significant resources to improve quality control management and the training programs provided to its employees with a view to ensuring the best quality of its products.

- The quality control personnel of the Company are familiar with the relevant PRC national standards, applicable ISO standards, industry standards and the legal and regulatory requirements applicable to its products. They are also required to attend professional trainings before performing certain quality assurance tasks.

- The Group has adopted product tracking systems, under which the Group records the identities of the personnel involved in each step of the manufacturing process of its products. Any issues discovered by the Group internally, or by end-user customers, will be directed to the quality control department for analysis, and then traced back to the responsible production personnel at the relevant production stage. This system helps ensure the quality of its products and also helps the Group gather valuable information from end-user customers for the development of new products.

- The Group has formulated its evaluation standards and established an internal audit team to review and evaluate its product quality and production processes. The Group conducts regular internal audits and management evaluations to ensure that its quality control system is proper, effective and adequate. Its quality control departments hold meetings from time to time with the various production departments and suppliers in order to identify and rectify any product quality issues on a timely basis.

The Company, Beijing Benz and Beijing Hyundai have attained excellent results in the Initial Quality Study (IQS) survey in recent years, ranking among the top players in the same categories. For details, see "*– Awards and Recognitions*". Since 2016, the Group has started to include IQS as a group-level quality indicator to monitor product quality.

INTELLECTUAL PROPERTY

The Group places great importance on the protection of its intellectual property rights. The Group regards copyrights, trademarks, patents, trade secrets and other intellectual rights as critical to the success of its business. The Group protects and will continue to seek to protect these intellectual property rights through copyrights, patents, trademarks and other contractual rights. As at 30 June 2020, the Group owned 67 copyrights, 6,477 patents (with 348 invention patents, 5,344 utility model patents and 785 design patents) and 125 trademarks.

INSURANCE

The Group carries occupational injury, medical and unemployment insurance and other state-mandated insurance for its employees in compliance with applicable PRC laws and regulations. The Group has also maintained commercial insurance for its assets, as well as business interruption insurance, public liability insurance and machinery damage insurance.

Based on an assessment of the risk exposure of its operations, the Group believes that its insurance coverage is consistent with its risk profile and the customary practice for passenger vehicle manufacturers in the PRC. The Group will continue to review and assess the risk exposure of its insurance coverage in line with its needs and industry practice and in compliance with regulatory requirements. However, the Group may still be subject to losses resulting from risks that are not covered by the insurance it currently carries, such as losses caused by weather, disease, civil strife, difficulties or delays in obtaining raw materials and equipment, natural disasters, terrorist incidents, industrial accidents or other causes. For details, see "*Risk Factors – Risks Relating to the Group's and its Business – The Group's insurance coverage may not be sufficient.*"

As at the date of this Offering Circular, the Group has not received any material product liability or third-party liability claims from its end-user customers or any other third parties and has not experienced any material business interruptions.

ENVIRONMENTAL MATTERS

The operations of the Group are regulated by and are required to comply with extensive national and local environmental laws and regulations relating to noise control, air emissions, water and soil protection, hazardous substances, waste disposal and the remediation of environmental pollution. The products of the Group must comply with the applicable safety, emission and performance standards adopted by the respective jurisdictions into which they are sold. The Group has been committed to clean production, reducing the emission of waste gas and lowering the consumption of energy and resources. The Group has adopted advanced technologies and equipment to prevent and minimise pollution and has not experienced any major accident causing environmental pollution as at the date of this Offering Circular. As at the date of this Offering Circular, the Company, Beijing Benz and Beijing Hyundai have obtained the ISO 14001 Environmental Management Certification.

HEALTH AND SAFETY

The Group regards occupational health and safety as one of its important corporate and social responsibilities. Some of the Group's business operations involve significant risks and hazards that could result in damage or destruction of property, death and personal injury, business interruption and possible legal liabilities. Pursuant to applicable PRC laws, the Group has implemented a variety of internal rules and operating procedures for work safety, accident handling and safety training.

EMPLOYEES

As at 30 June 2020, the Group had approximately 20,715 employees. Staff benefits that the Group provide to its employees include competitive salaries, social insurance and housing fund contribution. In order to motivate its employees, the Group has adopted a performance-based remuneration policy.

The Group values social responsibility towards its employees and believes that its employees are critical to its success. The Group is committed to investing in the career development of its employees through continuing education and training, as well as the creation of opportunities for career growth. For example, the Group has adopted a tiered training system and both senior management personnel and entry-level employees may receive targeted and diversified training courses. The Group also cooperates with leading international firms and top universities to enhance its employees' management skills and professional expertise.

LEGAL PROCEEDINGS

The Group may be involved in legal proceedings from time to time arising in the ordinary course of its business. See "*Risk Factors – Risks Relating to the Group's Business – The Group may be involved in legal and other proceedings arising in the ordinary course of its business.*" To the best of its knowledge, as at the date of this Offering Circular, there are no pending litigation or arbitration proceedings against the Group that could have a material adverse effect on its financial condition or results of operations.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

The Board consists of 15 members, including one chairman and 14 directors. The board of directors is the final decision-making body of the Company and is primarily responsible for determining the business plans and investment proposals, making the annual financial budget plans and major financing and restructuring plans, determining the management structure of the Company and appointing general manager and other senior management of the Company.

The following table sets forth the members of the Board as at the date of this Offering Circular.

Name	Age	Position
Mr. Jiang Deyi (姜德義)	57	Chairman and Non-executive director
Mr. Liao Zhenbo (廖振波)	59	Non-executive director
Mr. Chen Hongliang (陳宏良)	56	Non-executive director
Ms. Shang Yuanxian (尚元賢)	55	Non-executive director
Mr. Xie Wei (謝偉)	50	Non-executive director
Mr. Qiu Yinfu (邱銀富)	53	Non-executive director
Mr. Hubertus Troska	60	Non-executive director
Mr. Harald Emil Wilhelm	54	Non-executive director
Mr. Jin Wei (金偉)	48	Non-executive director
Mr. Lei Hai (雷海)	52	Non-executive director
Mr. Ge Songlin (葛松林)	65	Independent non-executive director
Mr. Wong Lung Tak Patrick (黃龍德)	72	Independent non-executive director
Mr. Bao Robert Xiaochen (包曉晨)	54	Independent non-executive director
Mr. Zhao Fuquan (趙福全)	57	Independent non-executive director
Mr. Liu Kaixiang (劉凱湘)	56	Independent non-executive director

Mr. Jiang Deyi (姜德義), 57, is the Chairman of the Board and a non-executive director of the Company. He also serves as the secretary of the CCP committee and the chairman of BAIC Group.

Mr. Jiang holds a doctoral degree in engineering. He is a senior economist and senior engineer. He served in various positions, including a cadre of the technical department, the factory manager assistant, the deputy chief engineer, the deputy factory manager, the executive deputy factory manager, and the factory manager of Beijing Liulihe Cement Plant (北京市琉璃河水泥廠), and the deputy chief engineer, the general manager assistant, the head of the cement business department and the manager of the cement branch of BBMG Group Company Limited (北京金隅集團有限責任公司) ("**BBMG Group**"), the deputy general manager of BBMG Corporation (北京金隅股份有限公司) ("**BBMG Corporation**"), the head of the cement business department of BBMG Corporation, the general manager of Hebei Taihang Huaxin Building Materials Co., Ltd. (河北太行華信建材有限責任公司), the chairman and general manager of Hebei Taihang Cement Co., Ltd. (河北太行水泥股份有限公司), an executive director, the general manager and the president of BBMG Corporation, a member of the standing committee of the CCP committee of each of BBMG Group and BBMG Corporation, an executive director and the general manager of BBMG Corporation, the chairman, the secretary of the CCP committee of each of BBMG Group and BBMG Corporation, the chairman of BBMG Group, the secretary of the CCP committee, the chairman and an executive director of BBMG Corporation.

Mr. Liao Zhenbo (廖振波), 59, is a non-executive director of the Company, the deputy general manager of BAIC Group as well as a member of the strategy committee under the Board.

Mr. Liao holds a bachelor's degree in engineering. He served in various positions, including the assistant engineer, the engineer and the senior engineer of technology foundation department and vehicle test department under technology centre of Dongfeng Motor Corporation (東風汽車集團有限公司) ("**Dongfeng**"), the project manager, the deputy director (section chief) and the senior international business operator of international cooperation section under international cooperation department of Dongfeng, the director of international cooperation division under strategic planning department of Dongfeng, the deputy head of the strategic planning department and the director of international cooperation division of Dongfeng, the head of the strategic planning department of Dongfeng, the deputy chief engineer and the chief engineer for corporate planning in Dongfeng, the vice president of Shenzhen

Bak Battery Co., Ltd. (深圳市比克電池有限公司), the general manager of prismatic batteries business unit of Shenzhen Bak Power Battery Co., Ltd. (深圳市比克動力電池有限公司) ("**Bak Power**"), and the president of Bak Power.

Mr. Chen Hongliang (陳宏良), 56, is a non-executive director of the Company. He concurrently also serves as the chairman of the board of directors of Beijing Hyundai, a director of Beijing Benz, the chairman of the board of directors of Fujian Benz, a director of Benz Sales Service, a director of MBLC, the chairman of the board of directors of BAIC Hong Kong Investment Corp. Limited (北汽香港投資有限公司), an executive director of BAIC Investment, a director of CAAM, a standing director of Beijing Association of Automobile Manufacturers (北京汽車行業協會), and a standing director of Beijing Automobile Economic Research Association (北京汽車經濟研究會).

Mr. Chen holds a master's degree in engineering and is a researcher-level senior engineer. Mr. Chen has about 30 years of experience in the automobile industry. He held various positions, including 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 CCP committee of the assembly plant, the deputy general manager and the deputy secretary of the CCP committee of NAVECO Ltd., the deputy general manager of the passenger vehicle business department of BAIC Group, the general manager and secretary of the CCP committee of Zhuzhou Branch, a member of the CCP committee and the specialised vice president of the Company, the secretary of the CCP committee and the senior executive vice president of Beijing Benz, and an executive director, the president and the deputy secretary of the CCP committee of the Company.

Ms. Shang Yuanxian (尚元賢), 55, is a non-executive director of the Company, a director of Bohai Automotive Systems Co., Ltd. (渤海汽車系統股份有限公司, stock code: 600960.SH) ("**Bohai Automotive Systems**") and the secretary to the board of directors and the director of the office under the board of directors of BAIC Group.

Ms. Shang holds a bachelor's degree in economics and is a certified public accountant as well as a senior accountant and a senior economist. She served in various positions, including 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 department of state-owned assets management in Beijing Automotive Industry Holding Co., Ltd. (北京汽車工業控股有限責任公司) ("**BAIC Holding**", the predecessor of BAIC Group), the head of the department of state-owned assets management, the supervisor of capital operation, the head of the department of capital operation and the director of the office under the board of directors of BAIC Group.

Mr. Xie Wei (謝偉), 50, is a non-executive director of the Company, the secretary of the CCP committee and the president of Beijing Automotive Research Center Co., Ltd. (北京汽車研究總院有限公司) ("**Beijing Automotive Research**").

Mr. Xie holds a doctoral degree in management. He served in various positions, including 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 Research, the head of human resources department, a member of the CCP committee and the head of management office of Beijing Hyundai, and a member of the CCP committee and vice president of the Company.

Mr. Qiu Yinfu (邱銀富), 53, is a non-executive director of the Company. Mr. Qiu is also a director of Beijing Shougang Co., Ltd. (北京首鋼股份有限公司) ("**Beijing Shougang**"), the secretary of the CCP committee and the chairman of the board of directors of Shougang Jingtang United Iron and Steel Company Limited (首鋼京唐鋼鐵聯合有限責任公司) ("**Shougang Jingtang**").

Mr. Qiu holds a master's degree in business administration ("**MBA**") and is a senior engineer of metallurgical equipment. He has more than 20 years of experience in the industry and in management. He served in various positions, including, among others, the assistant to the general manager and the deputy general manager of Hebei Shougang Qian'an Iron & Steel Co., Ltd.; the chairman of the board of directors, the deputy secretary of the CCP committee and the 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**"); a member and the deputy secretary of the CCP committee, the chairman of the labor union, a director and the deputy general manager of Beijing Shougang.

Mr. Hubertus Troska, 60, is a non-executive director of the Company, the deputy chairman of the board of directors and a director of Beijing Benz. He is also a member of the management committee of Daimler AG and serves as the chairman of the board of directors or a member of the board of directors at a subsidiary or joint venture company of Daimler AG in Greater China.

Mr. Troska holds a bachelor's degree in English language and literature. He has more than 30 years of experience in the automobile industry. He served in various positions, including a director and a member of the board of management of Mercedes-Benz (Turkey) Company, the president of Mercedes-Benz AMG GmbH. He was the global executive vice president of Daimler AG (the head of Mercedes-Benz truck).

Mr. Harald Emil Wilhelm, 54, is a non-executive director of the Company. He has served as a chief financial officer of Airbus SE and Airbus Commercial Aircraft since June 2012.

Mr. Wilhelm holds an MBA degree. He has nearly 30 years of enterprise management experience since he worked for Deutsche Aerospace AG. He served in various positions, including the vice president in charge of mergers & acquisitions at Daimler-Benz Aerospace AG.

Mr. Jin Wei (金偉), 48, is a non-executive director of the Company and the general manager of No. 1 investment management department at Beijing State-owned Capital Operation and Management Center (北京國有資本經營管理中心) ("**Beijing State-owned Capital**").

Mr. Wei holds master's degree in management. He has approximately 20 years of enterprise management experience. He has successively served as the industry research director of Beijing Guofu Investment Management Company Limited (北京國富投資管理有限公司), the capital operation director of the investment banking department and the deputy manager of the planning and finance department at Beijing International Power Development and Investment Company (北京國際電力開發投資公司) ("**Beijing International Power**"), the deputy manager of the property right management department at Beijing Energy Investment (Group) Company (北京能源投資(集團)有限公司) ("**Beijing Energy Investmen**t"), the deputy director and deputy general manager of the preparatory office at the asset management branch of Beijing Energy Investment, the deputy general manager of the financing management department and the equity management department at Beijing State-owned Capital. He also served in various positions, including the assistant to the head of the General Affairs Department (Department of Policies, Laws and Regulations) of SAFE, and the general manager of the No. 1 investment management department at Beijing State-owned Capital.

Mr. Lei Hai (雷海), 52, is a non-executive director of the Company and an assistant to director of the industrial management department of Beijing Energy Holding Co., Ltd. (北京能源集團有限責任公司) ("**Beijing Energy Holding**").

Mr. Lei holds an MBA degree. He has more than 20 years of experience of corporate management. He previously served as the project manager of the venture capital investment department of Beijing International Power, 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) ("**Beijing Energy Investment**"), 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.

Mr. Ge Songlin (葛松林), 65, is an independent non-executive director of the Company, the deputy secretary of Society of Automotive Engineering of China and a senior engineer at researcher level.

Mr. Ge holds a doctoral degree in mechanical engineering. He has more than 20 years of experience in the automobile industry. He served in various positions, including a senior engineer in the automobile industry department of the Ministry of Machine Industry, an associate professor of the automotive department of Hefei University of Technology, the senior engineer in the industry department of the Ministry of Machine Industry, the editor-in-chief of the academic journal Automotive Engineering, a part-time professor at Hefei University of Technology, a part-time professor at Jiangsu University, a part-time professor at Changsha University of Science and Technology and a member of the academic committee of Shanghai Jiaotong University.

Mr. Wong Lung Tak Patrick (黃龍德), 72, is an independent non-executive director of the Company and the chief practicing director of Patrick Wong C.P.A. Limited. Mr. Wong concurrently 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 holds a doctoral degree in science of commerce. He 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. Mr. Wong served in various positions, including an independent non-executive director of Real Nutriceutical Group Limited, an independent non-executive director of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (formerly known as Guangzhou Pharmaceutical Company Limited).

Mr. Bao Robert Xiaochen (包曉晨), 54, is an independent non-executive director of the Company, and the director and general manager of Meihe (China) Management Consultancy Co., Ltd.

Mr. Bao holds a bachelor's degree in engineering, a Master of Science degree and an MBA degree. He has more than 20 years of experience in the industry and management. He served various positions, including the North America product quality engineer, the product reliability expert, the finished vehicle development product assurance expert of Chrysler Corporation, the warranty cost expert for suppliers in North America of Daimler Chrysler AG, the associate/project manager in the China divisions of EDS/A.T. Kearney of the U.S., the director of automobile business in Greater China of EDS PLM/UGS Solutions of the U.S., the China operation and sales general manager of Motorola Automotive Electronics Co., Asia-Pacific sales, the marketing director/Asia-Pacific business platform director of electronics and safety of Delphi Automotive System (China) Holdings Co., Limited, and the director manager of Accenture (China) Co., Ltd and Accenture (Detroit, U.S.) Co., Ltd.

Mr. Zhao Fuquan (趙福全), 57, is an independent non-executive director of the Company, a professor and doctoral supervisor of the department of the School of Vehicle and Mobility, the head of the Automotive Industry and Strategy Research Institute in Tsinghua University.

Mr. Zhao holds a doctoral degree in engineering. He has more than 20 years of experience in the industry. Mr. Zhao served various positions, including the senior engineering specialist and research director of US Daimler Chrysler, the vice president and general manager of research & development center of Shenyang HuaChen Jinbei Vehicle Manufacturing Co., Ltd., the president of Geely Automobile Research Institute, the vice president of Zhejiang Geely Holding Group and the executive director of Geely Automobile Holdings Limited.

Mr. Liu Kaixiang (劉凱湘), 56, is an independent non-executive director of the Company. Mr. Liu concurrently also serves as the independent director of Chongqing Sokon Industry Group Co.,Ltd., People.Cn Co., Ltd. (人民網股份有限公司) (stock code: 603000.SH) and Beijing Hanjian Heshan Pipe Co., Ltd (stock code: 603616.SH). He is also a professor and doctoral supervisor of Peking University Law School, the 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 holds a doctoral degree in law. He 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.

SUPERVISORS

The board of supervisors is responsible for monitoring the Company's financial matters and overseeing the actions of the Board and the management of the Company. The board of supervisors currently consists of nine supervisors, four of which are shareholder representatives who may be elected and removed by the Company's shareholders at the shareholders general meeting and three of which are representative of the employees and were elected by the Company's labour union.

The following table sets forth the Group's board of supervisors as at the date of this Offering Circular:

Name	Age	Position
Mr. Gu Zhangfei (顧章飛)	54	Chairman of the board of supervisors
Mr. Wang Min (王敏)	55	Supervisor
Mr. Qi Chunyu (齊春雨)	44	Supervisor
Mr. Meng Meng (孟猛)	47	Supervisor
Ms. Wang Bin (王彬)	38	Employee representative supervisor
Ms. Li Chengjun (李承軍)	52	Employee representative supervisor
Mr. Li Shuangshuang (李雙雙)	39	Employee representative supervisor
Mr. Pang Minjing (龐民京)	65	Independent supervisor
Mr. Zhan Zhaohui (詹朝暉)	51	Independent supervisor

Mr. Gu Zhangfei (顧章飛), 54, is the chairman of the board of supervisors of the Company.

Mr. Gu holds a bachelor's degree in management and an MBA degree and is a senior engineer. He has nearly 30 years of experience in enterprise management. He served various positions, including the section head, the deputy division head of the spare parts division, the head of the raw materials division and assistant to the general manager of Shougang 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) ("**Shougang Corporation**"), the deputy general manager and the general manager of Shougang Sales Company, the deputy general manager of Xingang Company, the director, the general manager and the deputy secretary of the CCP committee 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 Corporation, the deputy secretary and the secretary of the CCP committee and the secretary of the discipline inspection commission of Shougang Jingtang, the secretary of the CCP 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), 55, is a shareholder representative supervisor of the Company and the director of the office of full-time supervisor of BAIC Group.

Mr. Wang holds a master's degree in industrial engineering and is a senior accountant. He has over 30 years of experience in financial management and business management. He served in various positions, including the profit tax administrator, the office head assistant and deputy office head of price and tax office of audit and finance department of Shougang Group, the chief accountant of Beijing Shougang, the vice president of the Company, the general manager of Beijing Rocar Automotive Trading Co., Ltd. (北京鵬龍行汽車貿易有限公司) ("**Rocar**") and the general manager of BAIC ROCAR Automobile Service & Trade Co., Ltd. (北京北汽鵬龍汽車服務貿易股份有限公司) ("**BAIC ROCAR**"), among others.

Mr. Qi Chunyu (齊春雨), 44, is a shareholder representative supervisor of the Company, and the member and the deputy secretary of the CCP committee and the deputy general manager (in charge of work) of Shougang Cold-Rolled.

Mr. Qi holds a doctoral degree in materials science from Central Iron & Steel Research Institute (鋼鐵研究總院). He served in various positions, including the process engineer of the preparation team of Shougang Cold-Rolled, the electrical engineer of Beijing Shougang Fulushi Color Coated Sheet Co., Ltd. (北京首鋼富路仕彩塗板有限公司), the head of the hot galvanising group of the preparation team of Shougang Cold-Rolled, the head of the hot galvanising group, the deputy operation head in the galvanisation area and the vice-director of the processing line factory of Shunyi Cold-Rolled Branch of Beijing Shougang Co., Ltd. (北京首鋼股份有限公司順義冷軋分公司), the chief operation head and the secretary of the CCP branch of the galvanisation area, the expert, and the deputy general manager of Shougang Cold-Rolled and the deputy director of manufacturing department of Beijing Shougang.

Mr. Meng Meng (孟猛), 47, is 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 holds an MBA degree. He served in various positions, including the 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).

Ms. Wang Bin (王彬), 38, is an employee representative Supervisor of the Company, the deputy secretary of the CCP committee and the chairman of the labor union of the Company, the deputy secretary of the CCP committee and chairman of the labor union of the automobile research institute of the Company.

Mr. Wang holds a bachelor's degree in law and an MBA degree and is an assistant political work professional. She has over 10 years of experience in management. She served in various positions, including the director of the public relations department and the secretary of the youth league committee in Beijing Hyundai, the head of the administrative department of Beijing Automotive Technology Center Co., Ltd., the secretary of the youth league committee of BAIC Group, the head of the work department of the CCP committee, the secretary of the youth league committee, the secretary of the CCP committee and the secretary of the discipline inspection commission of the automobile research institute and the president of the labor union in the Company.

Ms. Li Chengjun (李承軍), 52, is an employee representative supervisor of the Company, a committee member of the CCP 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 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. She has more than 30 years of working experience. Ms. Li served in various positions, including 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.

Mr. Li Shuangshuang (李雙雙), 39, is an employee representative supervisor of the Company and the deputy secretary of the CCP committee, the secretary of the discipline inspection commission and the chairman of the labor union of Beijing Hyundai.

Mr. Li holds a master's degree in materials processing engineering and an MBA degree and is a senior political work professional. He has over 10 years of management experience. He served in various positions, including the secretary of the youth league committee of Beijing Hyundai, the CCP building director of the organisation department of the CCP committee in BAIC Group, the deputy secretary of the CCP committee, the secretary of the discipline inspection commission and the chairman of the labor union of BAIC International Development Co., Ltd., the member of the CCP committee and the secretary of the discipline inspection commission of the Company.

Mr. Pang Minjing (龐民京), 65, is an independent supervisor of the Company and a senior lawyer.

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

Mr. Zhan Zhaohui (詹朝輝), 51, is an independent supervisor of the Company.

Mr. Zhan holds a master's degree and is a certified accountant, certified public assets valuer, certified tax agent, and international certified internal auditor. He has more than 20 years of experience in accounting and corporate management. He served in various positions, including 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. 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 since 2013.

SENIOR MANAGEMENT

The following table sets forth the Company's senior management as at the date of this Offering Circular:

Name	Age	Position
Mr. Huang Wenbing (黃文炳)	47	President
Mr. Chen Wei (陳巍)	51	Vice president
Mr. Du Junbao (杜君保)	53	Vice president
Mr. Li Deren (李德仁)	54	Vice president
Mr. Yang Xueguang (楊學光)	48	Vice president
Mr. Wu Zhoutao (吳周濤)	44	Vice president
Mr. Li Xingxing (李星星)	59	Vice president
Mr. Wang Jianhui (王建輝)	43	Vice president, Secretary to the Board and Company Secretary

Mr. Huang Wenbing (黃文炳), 47, is the president and the secretary of the CCP committee of the Company. He concurrently also serves as the director of Beijing Benz and Benz Sales Service, an executive director of BAIC Motor Powertrain Co., Ltd. (北京汽車動力總成有限公司) ("**Powertrain**"), an executive director of BAIC Guangzhou Automotive Co., Ltd. (北汽(廣州)汽車有限公司), an executive director of Beijing Beinei Engine Parts and Components Co., Ltd. (北京北內發動機零部件有限公司), an executive director of BAIC Powertrain System (Zhuzhou) Co., Ltd. (北汽動力系統(株洲)有限公司) and the chairman of the board of directors of China Automobile Development United (Beijing) Technology Investment Co., Ltd. (中發聯(北京)技術投資有限公司).

Mr. Huang holds a bachelor's degree and is a senior engineer. He has more than 20 years of experience in the automotive industry. He has served in various positions, including the technician of quality management in Yuejin Motor Group (躍進汽車集團公司) ("**Yuejin Motor**"), the quality supervisor of the assembly plant of Nanjing FIAT, the head of quality management department in Wu Xi Branch of Yuejin Motor, the head of quality management in 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, the head of quality control department and deputy general manager of Zhuzhou Branch of the Company, the deputy head of quality center of the Company, the general manager of Zhuzhou Branch of the Company, and the vice president of the Company, and the vice president, the director of the production and technology center and the director of the operation center of the Company.

Mr. Chen Wei (陳巍), 51, is a vice president of the Company, the secretary of the CCP committee and senior executive vice president of Beijing Benz.

Mr. Chen holds a bachelor's degree in engineering and an executive MBA degree and is a senior engineer. He has more than 20 years of experience in the automobile industry. He served various positions, including 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 CCP branch in Beijing Benz-Daimler Chrysler Automotive Co., Ltd., the general manager of the corporate and legal affairs department, the secretary of the general CCP branch, the member of the CCP committee and the vice president of production and manufacturing in Beijing Benz.

Mr. Du Junbao (杜君保), 53, is a vice president and the member of the CCP committee of the Company, and the secretary of the CCP committee (one-year trial period) and the standing deputy general manager of Beijing Hyundai.

Mr. Du holds a bachelor's degree in engineering. He served various positions, including a technician, a chief technology officer and the deputy branch factory manager of Beijing Light Vehicle Co., Ltd. (北京輕型汽車有限公司), the director of the painting workshop of the automobile plant, the secretary of the CCP branch and the factory manager of the plant one of Beijing Hyundai, the director of the CCP committee office, the deputy secretary of disciplinary committee and the vice chairman of the labour union of Beijing Hyundai, the leader of construction team of the preparatory group of the plant three of Beijing Hyundai, the secretary of the CCP committee, the factory manager, a member of the CCP committee and the director of the production department of Yangzhen plant of Beijing Hyundai, the secretary of the CCP committee and the general manager of the Beijing branch of the Company, and the deputy secretary of the CCP committee and the director of the production department of Beijing Hyundai.

Mr. Li Deren (李德仁), 54, is a 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 Service, a supervisor of Fujian Benz and the deputy chairman of Hyundai Top Selection U-Car Co., Ltd.

Mr. Li holds a bachelor's degree in economics, a master's degree in laws and an MBA degree and is a senior accountant. He has over 20 years of experience in finance, audit and business management. He served in various positions, including 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 R&D and finance department of the Center, a member of the CCP committee of Powertrain, and the assistant to president of the Company.

Mr. Yang Xueguang (楊學光), 48, is a vice president of the Company and the director of the quality center and the management center.

Mr. Yang holds a bachelor's degree in engineering and is an engineer. He has more than 20 years of experience in the automotive industry. He successively served as an employee of Beijing Light Duty Automobile Co., Ltd., a technical support engineer of Beijing Beizhao Olympus Optical Co., Ltd. (北京北照奧林巴斯光學有限公司), the director of the processing center of the Institute of Electronics, Chinese Academy of Sciences, an employee of the assembly shop in the 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, 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 deputy director of the procurement center and the head of the parts purchase department of Beijing branch of the Company.

Mr. Wu Zhoutao (吳周濤), aged 44, is a vice president of the Company, and an executive director and the general manager of BAIC Motor Sales Co., Ltd.

Mr. Wu holds an MBA degree. He has about 20 years of experience in marketing and enterprise management. He served various position, including 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.

Mr. Li Xingxing (李星星), 59, is a vice president of the Company and the secretary of the CCP committee and the president of BAIC Automobile SA.

Mr. Li holds a bachelor's degree in engineering. He has served various positions, including a technician, the deputy director and the director of the office of the chief engineer, the deputy chief engineer, the assistant of the factory manager and the manager of sales company of Xi'an Diesel Engine Factory (西安柴油機廠), the deputy director of the sales department of Xi'an Rongxing Machinery Co., Ltd. (西安榮興機械股份有限公司), the manager of the components supply station of Xi'an Gear Factory Tongda Electromechanical Factory (西安齒輪廠通達機電工廠), the manager of several marketing branches of Beiqi Foton Vehicle Co., Ltd. (北汽福田車輛股份公司), the brand manager of Aoling business, the manager of Aoling sales branch, the director of the passenger car overseas business, the deputy general manager of the overseas business department, the director of truck business, the general director of the overseas business department and the deputy general manager of Ouhui bus of Beiqi Foton Motor Co., Ltd. (北汽福田汽車股份公司), the senior vice president, a member of the CCP committee, the deputy general manager and the standing deputy general manager of BAIC International.

Mr. Wang Jianhui (王建輝), 43, is a vice president of the Company, the secretary to the Board, the company secretary of the Company, and the deputy director of the investment and planning center of the Company. He concurrently also serves as a director of Beijing Hyundai, a director of Fujian Benz, the chairman of Beijing Bai Das Auto System Co., Ltd. (北京北汽大世汽車系統有限公司) ("**Bai Das**"), a director of BHAF, a director of BH Leasing Co., Ltd., a supervisor of MBLC, a director of Beijing Lear Hyundai Transys Automotive Systems Co., Ltd. (北京李爾現代坦迪斯汽車系統有限公司) and a director of Shougang Cold-Rolled.

Mr. Wang holds a bachelor's degree in metallurgical machinery and an MBA degree. Mr. Wang has extensive experience in corporate governance, investment management and capital operations. 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 Bai Das, and the professional chief officer of the planning center of the Company.

BOARD COMMITTEES

The Board has established an audit committee, a nomination committee, a remuneration committee and a strategic committee. These committees operate in accordance with terms of reference adopted by its board of directors.

Audit Committee

The Company's 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 audit committee currently consists of three directors, including Mr. Wong Lung Tak Patrick as the chairman, Ms. Shang Yuanxian, and Mr. Liu Kaixiang.

Nomination Committee

The Company's nomination committee is mainly responsible for researching the structure, size and composition of the board, reviewing the suitable candidates of directors and senior management and making proposals to Board.

The nomination committee currently consists of five directors of the Company, including Mr. Jiang Deyi as the chairman, Ms. Shang Yuanxian, Mr. Ge Songlin, Mr. Bao Robert Xiaochen and Mr. Zhao Fuquan.

Remuneration Committee

The Company's remuneration committee is mainly responsible for formulating assessment standards of Directors and senior management and evaluating their performance to confirm and determine and review the remuneration policies and plans of senior management, including, among others, formulating the remuneration plans or proposals with regard to remuneration packages for directors and senior management personnel including but not limited to performance evaluation standard, procedure and main evaluation system, main plan, rule and system for reward and punishment, based on their duties, responsibilities, importance and the pay levels of related positions in similar companies; reviewing the performance of duties by directors and senior management personnel of the Company and conducting appraisals of their performance; monitoring the implementation of remuneration system of the Company.

The remuneration committee currently consists of five directors of the Company, including Mr. Bao Robert Xiaochen as the chairman, Mr. Chen Hongliang, Mr. Jin Wei, Mr. Wong Lung Tak Patrick and Mr. Liu Kaixiang.

Strategy Committee

The Company's 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 strategy committee currently consists of 10 directors of the Company, including Mr. Jiang Deyi as the chairman, Mr. Liao Zhenbo, Mr. Chen Hongliang, Ms. Shang Yuanxian, Mr. Xie Wei, Mr. Qiu Yinfu, Mr. Hubertus Troska, Mr. Lei Hai, Mr. Ge Songlin and Mr. Zhao Fuquan.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of the Notes is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any Noteholder or any persons acquiring, selling or otherwise dealing in the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. Persons considering the purchase of the Notes should consult their own tax advisers concerning the possible tax consequences of buying, holding or selling any Notes under the laws of their country of citizenship, residence or domicile.

BRITISH VIRGIN ISLANDS

Payments of interest, premium or principal on the Notes will not be subject to taxation in the British Virgin Islands and no withholding tax will be required on payments of principal and interest to any holder of the Notes nor will gains derived from the disposal of the Notes be subject to British Virgin Islands income or corporation tax, provided that the payments are made to persons who are not resident in the British Virgin Islands.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the British Virgin Islands with respect to the Notes.

There are currently no withholding tax or exchange control regulations in the British Virgin Islands applicable to the Issuer.

If neither the Issuer nor any subsidiary holds an interest in real estate in the British Virgin Islands, no stamp duty is payable in respect of the issue of the Notes or an instrument of transfer in respect of the Notes.

PRC

The following summary describes the principal PRC tax consequences of ownership of the Notes by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as non PRC Noteholders in this section. In considering whether to invest in the Notes, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008.

Pursuant to the EIT Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose "**de facto management bodies**" are within the territory of the PRC shall be PRC tax resident enterprises for the purpose of the EIT Law and they shall pay enterprise income tax at the rate of 25 per cent. in respect of their income sourced from both within and outside the PRC. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "**de facto management body**" of the Issuer is within the territory of the PRC, the Issuer may be held to be a PRC tax resident enterprise for the purpose of the EIT Tax Law and be subject to enterprise income tax at the rate of 25 per cent. for its income sourced from both within and outside the PRC. As at the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. On that basis, unless the relevant income is considered by the PRC tax authorities as income sourced from within the PRC, holders of the Notes will not be subject to withholding tax or income tax imposed by any governmental authority in the PRC in respect of the holding of the Notes or any repayment of principal and payment of interest made thereon.

However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future. Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without establishment within the PRC or whose income has no actual connection to its establishment inside the PRC shall pay enterprise income tax at the rate of 10 per cent. on the income sourced inside the PRC, unless a preferential rate is provided by tax treaties or arrangements entered into between the country or region where the non-resident is established and the PRC, and such income tax shall be withheld by sources with the PRC payer acting as the obligatory withholder, who shall withhold the tax amount from each payment or payment due. Similarly, according to the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) (the "**IIT Law**"), the non-resident individual shall pay individual income tax on his or her income obtained inside PRC in accordance with the IIT Law. Accordingly, if the Issuer is treated as a PRC tax resident enterprise by the PRC tax authorities, the Issuer may be required to withhold income tax from the payments of interest in respect of the Notes to any non PRC Noteholder, and gain from the disposition of the Notes may be subject to PRC tax, if the income or gain is treated as PRC-source. The tax rate is generally 10 per cent. for non-resident enterprise and 20 per cent. in the case of non-resident individuals, subject to the provisions of an applicable tax treaty. However, despite the potential withholding of PRC tax by the Issuer, the Issuer has agreed to pay additional amounts to holders of the Notes, subject to certain exceptions, so that holders of the Notes would receive the full amount of the scheduled payment, as further set out in the "*Terms and Conditions of the Notes*".

In addition, in the event that the Guarantor is required to discharge its obligations under the Guarantee of the Notes, the Guarantor will be obliged to withhold PRC enterprise income tax at the rate up to 10 per cent. in the case of payments to non PRC resident enterprise Noteholders and 20 per cent. in the case of payments to non-resident individual holders on the payments of interest made by it under the Guarantee of the Notes as such payments of interest will be regarded as being derived from sources within the PRC. To the extent that the PRC has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified non PRC resident enterprise Noteholders. Repayment of the principal will not be subject to PRC withholding tax.

Non PRC Noteholders will not be subject to the PRC tax on any capital gains derived from a sale or exchange of Notes consummated outside mainland China between non PRC Noteholders, except however, if the Issuer is treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future, any gain realised by the non PRC enterprise Noteholders from the transfer of the Notes may be regarded as being derived from sources within the PRC and accordingly would be subject to up to 10 per cent. of PRC withholding tax.

No PRC stamp duty will be chargeable upon the issue or transfer (for so long as the register of Noteholders is maintained outside the PRC, and all the relevant transaction documents are executed outside the PRC) of a Note.

VAT (for interest payments from 1 May 2016)

On 23 March 2016, MOF and the State Administration of Taxation (the "**SAT**") issued the Circular of Full Implementation of Business Tax to VAT Reform (關於全面推開營業稅改徵增值稅試點的通知 (Caishui [2016] No. 36)) ("**Circular 36**"), which confirms that business tax will be completely replaced by VAT from 1 May 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by and be subject to VAT.

According to Circular 36, the entities and individuals providing the services within China shall be subject to VAT. The services are treated as being provided within China where either the service provider or the service recipient is located in China. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of "loans" under Circular 36, the issuance of Notes is likely to be treated as the holders of the Notes providing loans to the Issuer, which thus shall be regarded as financial services subject to VAT. VAT is unlikely to apply to the Issuer's payments of interest and other amounts on the Notes to investors who are located outside of the PRC but there is uncertainty as to the applicability of VAT as this will depend on how the PRC tax authorities interpret, apply or enforce the Circular 36 and its implementation rules. However, the payments of the interest and other interest like earnings may be subject to VAT at the rate of 6 per cent. in the event that the Guarantor is required to discharge its obligations under the Guarantee as the Guarantor is located in the PRC.

However, Circular 36 and laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties, and the above statement may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of Circular 36.

HONG KONG

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal (including any premium payable on redemption of the Notes) or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "**Inland Revenue Ordinance**") as it is currently applied by the Inland Revenue Department, interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(a) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(b) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation (other than a financial institution) carrying on a trade, profession or business in Hong Kong; or

(c) interest on the Notes is derived from Hong Kong and is received by or accrues to a person (other than a corporation) carrying on a trade, profession or business in Hong Kong and is in respect of the funds of the trade, profession or business; or

(d) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the Inland Revenue Ordinance).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Notes will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the Inland Revenue Ordinance) from the sale, disposal or other redemption of Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a corporation, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisers to ascertain the applicability of any exemptions to their individual position.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of the Notes.

Estate Duty

No Hong Kong estate duty is payable in respect of the Notes.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the PRC) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and the Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes.

SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with DBS Bank Ltd., Bank of Communications Co., Ltd. Hong Kong Branch and China Everbright Bank Co., Ltd., Hong Kong Branch as Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers, and China CITIC Bank International Limited, China International Capital Corporation Hong Kong Securities Limited, China PA Securities (Hong Kong) Company Limited, Industrial Bank Co., Ltd. Hong Kong Branch and CMBC Securities Company Limited as Joint Bookrunners and Joint Lead Managers dated 10 March 2021 (the "**Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have, severally and not jointly, agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Notes set forth opposite their names as indicated below:

Joint Lead Managers	**Principal Amount of the Notes to be Subscribed**
DBS Bank Ltd.	US$100,000,000
Bank of Communications Co., Ltd. Hong Kong Branch	US$100,000,000
China Everbright Bank Co., Ltd., Hong Kong Branch	US$100,000,000
China CITIC Bank International Limited	US$10,000,000
China International Capital Corporation Hong Kong Securities Limited	US$10,000,000
China PA Securities (Hong Kong) Company Limited	US$10,000,000
Industrial Bank Co., Ltd. Hong Kong Branch	US$10,000,000
CMBC Securities Company Limited	US$10,000,000
Total	**US$350,000,000**

The Subscription Agreement provides that the Issuer and the Guarantor will jointly and severally, indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Notes. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Joint Lead Managers and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities ("**Banking Services or Transactions**"). The Joint Lead Managers and their affiliates may have, from time to time, performed, and may in the future perform, various Banking Services or Transactions with the Issuer and the Guarantor for which they have received, or will receive, customary fees and expenses.

In connection with the Offering of the Notes, the Joint Lead Managers and/or their affiliates may place orders, receive allocations, purchase Notes for their own account and allocation of the Notes for asset management and/or proprietary purpose (without a view to distributing such Notes). Such entities may hold or sell such Notes or purchase further Notes for their own account in the secondary market or deal in any other securities of the Issuer or the Guarantor, and therefore, they may offer or sell the Notes or other securities otherwise than in connection with the offering. Accordingly, references herein to the Notes being "offered" should be read as including any offering of the Notes to the Joint Lead Managers and/or their affiliates for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. Furthermore, it is possible that only a limited number of investors may subscribe for a significant proportion of the Notes. If this is the case, liquidity of trading in the Notes may be constrained. See "*Risk Factors – Risks Relating to the Notes and the Guarantee – The liquidity and price of the Notes following this offering may be volatile*". The Issuer, the Guarantor and the Joint Lead Managers are under no obligation to disclose the extent of the distribution of the Notes amongst individual investors.

In the ordinary course of their various business activities, the Joint Lead Managers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer and the Guarantor, including but not limited to the Notes. Certain Joint Lead Managers or their respective affiliates that have a lending relationship with the Issuer or the Guarantor may routinely hedge their credit exposure to the Issuer or the Guarantor pursuant to their customary risk management policies. Typically, the Joint Lead Managers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's or the Guarantor's securities, including potentially without limitation the Notes offered hereby. Any such short positions may adversely affect future trading prices of the Notes offered hereby. Any of the Joint Lead Managers and their respective affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Notes or other financial instruments of the Issuer and/or the Guarantor, and may recommend to their clients that they acquire long and/or short positions in the Notes or other financial instruments.

In connection with the issue of the Notes, any one of the Joint Lead Managers as Stabilising Manager (other than China CITIC Bank International Limited) (or persons acting on behalf of the Stabilising Manager) may, to the extent permitted by applicable laws and rules, over allot Notes or effect transactions with a view to supporting the price of the Notes at a level higher than that which might otherwise prevail, but in so doing, the Stabilising Manager shall act as principal and not as agent of the Issuer or the Guarantor. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Notes. Any loss or profit sustained as a consequence of any such over-allotment or stabilisation shall be for the account of the Stabilising Manager or, the Joint Lead Managers, if agreed between the Joint Lead Managers. The Joint Lead Managers acknowledge that neither the Issuer nor the Guarantor has authorised the Issue of the Notes in aggregate principal amount exceeding US$350,000,000.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any of its affiliates is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by it or such affiliate on behalf of the Issuer in such jurisdiction.

Some of the Joint Lead Managers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer and/or the Guarantor. The Joint Lead Managers and their respective affiliates have received, or may in the future receive, customary fees and commission for these transactions.

GENERAL

The Notes are a new issue of securities with no established trading market. No assurance can be given as to the liquidity of any trading market for the Notes.

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Notes is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised. No action has been taken or will be taken in any jurisdiction that would permit a public offering of this Offering Circular or any amendment or supplement thereto or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

UNITED STATES

The Notes and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or the securities laws of any of the states of the United States and, subject to certain exceptions, may not be offered or sold within the United States.

The Notes are being offered outside the United States pursuant to the exemption from registration under Regulation S under the Securities Act.

There is no public market for the Notes and no such market is expected to develop in the future. The Notes offered hereby are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws pursuant to registration or exemption therefrom.

Each Joint Lead Manager has represented, warranted and agreed to the Issuer and the Guarantor that it has not offered or sold, and will not offer or sell, any notes constituting part of its allotment within the United States except in accordance with Regulation S under the Securities Act and, accordingly, that neither it nor any of its affiliates (including any person acting on behalf of such Joint Lead Manager or any of its affiliates) has engaged or will engage in any directed selling efforts with respect to the Notes. Terms used in the paragraph above have the meanings given to them by Regulation S under the Securities Act.

EUROPEAN ECONOMIC AREA

Each of the Joint Lead Managers has represented, warranted and agreed that, in relation to each member state of the EEA and the United Kingdom (each a "**Relevant State**"), it has not made and will not make an offer of the Notes which are the subject of the offering contemplated by this Offering Circular to the public in that Relevant State other than at any time:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Joint Lead Manager or Joint Lead Managers nominated by the Issuer for any such offer; or

(c) in any other circumstances falling within Articles 1(3), 1(4) and/or 3(2)(b) of the Prospectus Regulation (as may be locally implemented),

provided that no such offer of the Notes shall require the Issuer or any Joint Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Regulation.

For the purposes of this provision, the expression an "offer of the Notes to the public" in relation to any Notes in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, and the expression "Prospectus Regulation" means (Regulation (EU) 2017/1129), and includes any relevant implementing measure in the Relevant State.

UNITED KINGDOM

Each of the Joint Lead Managers has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Market Act (the "**FSMA**") received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

HONG KONG

Each of the Joint Lead Managers has represented, warranted and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to "**professional investors**" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a "**prospectus**" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under that Ordinance.

BVI

Each of the Joint Lead Managers has represented, warranted and agreed that it has not made and will not make any offer to the public or to any person in the BVI for purchase or subscription of the Notes.

THE PEOPLE'S REPUBLIC OF CHINA

Each of the Joint Lead Managers has represented, warranted and agreed that that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, to or for the benefit of, legal or natural persons of the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan).

SINGAPORE

Each of the Joint Lead Managers has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Joint Lead Managers has represented, warranted and agreed that this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes have not been or will not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA, as modified or amended from time to time) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor;

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 except:

(i) to an institutional investor or to a relevant person, or to any person where the transfer arises from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law; or

(iv) as specified in Section 276(7) of the SFA.

JAPAN

Each of the Joint Lead Managers has represented, warranted and agreed that the Notes have not been and will not be registered pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) (the "**FIEL**"). Accordingly, each of the Joint Lead Managers has represented, warranted and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes nor any interest therein, in Japan or to any Japanese person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For this purpose, a "Japanese person" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

GENERAL INFORMATION

1. **Legal Entity Identifier:** The Legal Entity Identifier (LEI) code of the Issuer is 30030035X92QA3KXDQ61.

2. **Clearing System:** The Notes have been accepted for clearance through Euroclear and Clearstream under Common Code number 231128611 and the International Securities Identification Number for the Notes is XS2311286111.

3. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Notes, the Trust Deed and the Agency Agreement. The issue of the Notes was authorised by the resolutions of the board of directors of the Issuer dated 5 March 2021. The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the giving and performance of the Guarantee, the execution of the Trust Deed, the Agency Agreement and the Deed of Guarantee. The giving of the Guarantee was authorised by resolutions of the board of directors of the Guarantor on 27 April 2020 and resolutions of the shareholders of the Guarantor on 18 June 2020.

4. **Registration and Filings:** Pursuant to the NDRC Circular, the BAIC Group has registered the issuance of the Notes with NDRC and obtained an Enterprise Foreign Debt Filing Registration Certificate from NDRC on 23 October 2020 evidencing such registration and intends to provide the requisite information on the issuance of the Notes to NDRC within 10 PRC Business Days (as defined in the Terms and Conditions) after the Issue Date (as defined in the Terms and Conditions).

   Pursuant to the Foreign Exchange Administration Rules on Cross-border Security of the PRC (跨境擔保外匯管理規定), the Guarantor shall apply to SAFE or its local counterparts for the registration of the Deed of Guarantee within 15 Registration Business Days (as defined in the Terms and Conditions) after its execution. The Guarantor undertakes under the Terms and Conditions to register the Deed of Guarantee within such timeframe and use its best endeavors to complete the Cross-border Security Registration (as defined in the Terms and Conditions) on or before the Registration Deadline (as defined in Terms and Conditions).

5. **No Material Adverse Change:** Since 30 June 2020, there has been no material adverse change, nor any development or event involving a prospective material adverse change, in or affecting the general affairs, financial condition, results of operations or prospects of the Issuer, the Guarantor and any of their respective subsidiaries.

6. **Litigation:** There are no legal or arbitration proceedings against or affecting the Issuer, the Guarantor, any of their respective subsidiaries or any of their respective assets, and each of the Issuer and the Guarantor is not aware of any pending or threatened proceedings, which are material in the context of the issue of the Notes or the giving of the Guarantee.

7. **Available Documents:** Copies of the 2018 Audited Financial Statements, 2019 Audited Financial Statements, the 2020 Interim Financial Statements and the articles of association of the Issuer and the Guarantor will be available for inspection from the Issue Date at the Guarantor's registered office at A5-061, Unit 101, 5th Floor, Building No. 1, Courtyard No. 99, Shuanghe Street, Shunyi District, Beijing 101300, China during normal business hours, so long as any Note is outstanding. Copies of the Trust Deed and the Agency Agreement will be (i) available for inspection upon prior written request and proof of holding during usual business hours (being 9.00 a.m. to 3.00 p.m.) from the principal office of the Principal Paying Agent (presently at One Canada Square, London E14 5AL, United Kingdom) or (ii) available electronically via e-mail from the Principal Paying Agent.

8. **Audited Financial Statements:** The consolidated audited financial statements of the Guarantor as at and for the years ended 31 December 2018 and 2019, which are included elsewhere in this Offering Circular, have been audited by PwC in accordance with the International Standard on Auditing, as stated in its report appearing therein. The consolidated reviewed financial statements of the Guarantor as at and for the six months ended 30 June 2020 which are included elsewhere in this Offering Circular, have been reviewed but not audited by PwC, as stated in its report appearing therein.

9. **Listing of Notes:** Application will be made to the SEHK for the listing of, and permission to deal in, the Notes by way of debt issues to Professional Investors only, and such permission is expected to become effective on or about 17 March 2021.

10. **Rating:** The Guarantor was rated "BBB" with a negative outlook by S&P and "BBB+" with a stable outlook by Fitch. These ratings are only correct as at the date of this Offering Circular. The Notes are expected to be assigned a rating of "BBB" by S&P and "BBB+" by Fitch.

INDEX TO FINANCIAL STATEMENTS

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP AS AT AND FOR THE SIX MONTHS ENDED 30 JUNE 2020

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2019

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018

Notes:

1 The unaudited interim condensed consolidated financial information as at and for the six months ended 30 June 2020 set forth herein has been reproduced from the interim report of the Group as at and for the six months ended 30 June 2020 and page references are references to pages set forth in such report. The unaudited interim condensed consolidated financial information has not been prepared for the inclusion in this Offering Circular.

2 The audited consolidated financial information as at and for the years ended 31 December 2018 and 2019 set forth herein have been reproduced from the annual reports of the Group as at and for the years ended 31 December 2018 and 2019 and page references are references to pages set forth in such reports. The audited consolidated financial statements have not been prepared for the inclusion in this Offering Circular.

Part Six
Report on Review of Unaudited Interim Condensed Consolidated Financial Information
For the six months ended June 30, 2020

pwc

羅兵咸永道

Report on Review of Interim Financial Information
To the Board of Directors of BAIC Motor Corporation Limited
(incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 24 to 47, which comprises the interim condensed consolidated balance sheet of BAIC Motor Corporation Limited (the "Company") and its subsidiaries (together, the "Group") as at June 30, 2020 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, August 31, 2020

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Part Seven
Interim Condensed Consolidated Balance Sheet
As at June 30, 2020

	Note	June 30, 2020 (Unaudited) RMB'000	December 31, 2019 (Restated) RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**49,273,912**	48,758,070
Land use rights	6	**7,249,241**	7,339,955
Intangible assets	6	**12,924,596**	13,047,095
Investments accounted for using equity method		**15,083,193**	15,938,613
Financial assets at fair value through other comprehensive income		**1,407,526**	1,278,650
Deferred income tax assets		**9,739,674**	10,540,458
Other non-current assets		**1,030,608**	662,081
		96,708,750	97,564,922
Current assets			
Inventories		**18,843,363**	20,192,070
Accounts receivable	7	**22,559,294**	21,094,943
Advances to suppliers		**346,200**	390,990
Other receivables and prepayments		**5,450,223**	5,040,559
Restricted cash		**931,670**	1,878,230
Cash and cash equivalents		**51,721,352**	50,231,353
		99,852,102	98,828,145
Total assets		**196,560,852**	196,393,067

Part Seven

Interim Condensed Consolidated Balance Sheet

As at June 30, 2020

	Note	June 30, 2020 (Unaudited) RMB'000	December 31, 2019 (Restated) RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	8	**8,015,338**	8,015,338
Perpetual bond	9	**1,998,160**	1,998,160
Other reserves		**20,589,838**	20,667,653
Retained earnings		**18,898,259**	19,325,921
		49,501,595	50,007,072
Non-controlling interests		**17,770,431**	22,367,709
Total equity		**67,272,026**	72,374,781
LIABILITIES			
Non-current liabilities			
Borrowings	10	**8,229,620**	9,815,277
Lease liabilities		**108,080**	77,045
Deferred income tax liabilities		**721,151**	731,315
Provisions		**2,552,673**	2,562,269
Deferred income		**3,815,128**	3,867,752
Other payables		**154,016**	174,676
		15,580,668	17,228,334
Current liabilities			
Accounts payable	11	**45,657,033**	45,443,866
Contract liabilities		**1,071,409**	1,007,754
Other payables and accruals		**47,127,710**	39,416,198
Current income tax liabilities		**822,707**	4,442,695
Borrowings	10	**17,014,813**	14,319,995
Lease liabilities		**120,477**	33,195
Provisions		**1,894,009**	2,126,249
		113,708,158	106,789,952
Total liabilities		**129,288,826**	124,018,286
Total equity and liabilities		**196,560,852**	196,393,067

Part Eight

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2020

	Note	For the six months ended June 30, 2020 (Unaudited) RMB'000	2019 (Unaudited) (Restated) RMB'000
Revenue	5	**77,854,370**	88,101,327
Cost of sales		**(59,824,034)**	(67,443,294)
Gross profit		**18,030,336**	20,658,033
Selling and distribution expenses		**(5,089,547)**	(6,272,412)
General and administrative expenses		**(2,655,873)**	(3,022,451)
Net impairment losses on financial assets		**(121,932)**	(206,164)
Other gains, net		**69,800**	981,289
Operating profit	12	**10,232,784**	12,138,295
Finance income		**485,374**	416,339
Finance costs		**(465,405)**	(525,149)
Finance income/(costs), net		**19,969**	(108,810)
Share of loss of investments accounted for using equity method		**(1,164,871)**	(373,450)
Profit before income tax		**9,087,882**	11,656,035
Income tax expense	13	**(3,276,537)**	(3,506,355)
Profit for the period		**5,811,345**	8,149,680
Profit attributable to:			
Equity holders of the Company		**1,046,945**	3,053,553
Non-controlling interests		**4,764,400**	5,096,127
		5,811,345	8,149,680
Earnings per share for profit attributable to ordinary shareholders of the Company for the period (expressed in RMB)			
Basic and diluted	14	**0.12**	0.37

Part Eight
Interim Condensed Consolidated Statement of Comprehensive Income
For the six months ended June 30, 2020

	For the six months ended June 30,	
	2020 (Unaudited) RMB'000	2019 (Unaudited) (Restated) RMB'000
Profit for the period	**5,811,345**	8,149,680
Other comprehensive income		
Items that may be reclassified to profit or loss		
Gain/(loss) on cash flow hedges, net of tax	**41,098**	(34,737)
Share of other comprehensive income of investments accounted for using the equity method	**4,918**	–
Currency translation differences	**(198,180)**	49,463
Items that will not be reclassified to profit or loss		
Changes in fair value of financial assets at fair value through other comprehensive income	**128,876**	(296,585)
Other comprehensive loss for the period	**(23,288)**	(281,859)
Total comprehensive income for the period	**5,788,057**	7,867,821
Attributable to:		
Equity holders of the Company	**1,049,724**	2,786,589
Non-controlling interests	**4,738,333**	5,081,232
	5,788,057	7,867,821

Part Nine
Interim Condensed Consolidated Statement of Changes in Equity
For the six months ended June 30, 2020

	(Unaudited)						
	Attributable to equity holders of the Company						
	Share capital RMB'000	Perpetual bond RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
For the six months ended June 30, 2020							
Balance at January 1, 2020, as previously reported	8,015,338	1,998,160	21,008,386	19,381,328	50,403,212	22,223,988	72,627,200
Effect of business combinations under common control (Note 2.1(b))	–	–	(340,733)	(55,407)	(396,140)	143,721	(252,419)
Balance at January 1, 2020, as restated	8,015,338	1,998,160	20,667,653	19,325,921	50,007,072	22,367,709	72,374,781
Profit for the period	–	112,000	–	934,945	1,046,945	4,764,400	5,811,345
Other comprehensive income/(loss)	–	–	2,779	–	2,779	(26,067)	(23,288)
Total comprehensive income for the period	–	112,000	2,779	934,945	1,049,724	4,738,333	5,788,057
Transactions with owners							
Consideration for business combinations under common control (Note 2.1(b))	–	–	(80,594)	–	(80,594)	–	(80,594)
Interest of perpetual bond	–	(112,000)	–	–	(112,000)	–	(112,000)
2019 final dividends	–	–	–	(1,362,607)	(1,362,607)	–	(1,362,607)
Dividends to non-controlling interests of a subsidiary	–	–	–	–	–	(9,310,000)	(9,310,000)
Disposal of a subsidiary	–	–	–	–	–	(18,953)	(18,953)
Acquisition of non-controlling interests of a subsidiary	–	–	–	–	–	(6,658)	(6,658)
	–	(112,000)	(80,594)	(1,362,607)	(1,555,201)	(9,335,611)	(10,890,812)
Balance at June 30, 2020	8,015,338	1,998,160	20,589,838	18,898,259	49,501,595	17,770,431	67,272,026

Part Nine

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2020

	(Unaudited) (Restated)						
	Attributable to equity holders of the Company						
	Share capital RMB'000	Perpetual bond RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
For the six months ended June 30, 2019							
Balance at January 1, 2019, as previously reported	8,015,338	1,998,160	21,041,578	17,360,387	48,415,463	20,822,318	69,237,781
Effect of business combinations under common control (Note 2.1(b))	–	–	(205,727)	(968,988)	(1,174,715)	41,811	(1,132,904)
Balance at January 1, 2019, as restated	8,015,338	1,998,160	20,835,851	16,391,399	47,240,748	20,864,129	68,104,877
Profit for the period	–	112,000	–	2,941,553	3,053,553	5,096,127	8,149,680
Other comprehensive loss	–	–	(266,964)	–	(266,964)	(14,895)	(281,859)
Total comprehensive income/(loss) for the period	–	112,000	(266,964)	2,941,553	2,786,589	5,081,232	7,867,821
Transactions with owners							
Interest of perpetual bond	–	(112,000)	–	–	(112,000)	–	(112,000)
2018 final dividends	–	–	–	(1,522,914)	(1,522,914)	–	(1,522,914)
Dividends to non-controlling interests of a subsidiary	–	–	–	–	–	(8,820,000)	(8,820,000)
Disposal of subsidiaries	–	–	177,894	–	177,894	(5,763)	172,131
	–	(112,000)	177,894	(1,522,914)	(1,457,020)	(8,825,763)	(10,282,783)
Balance at June 30, 2019, as restated	8,015,338	1,998,160	20,746,781	17,810,038	48,570,317	17,119,598	65,689,915

Part Ten
Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2020

	For the six months ended June 30,	
	2020 (Unaudited) RMB'000	2019 (Unaudited) (Restated) RMB'000
Cash flows from operating activities		
Cash generated from operations	**11,341,254**	15,439,353
Interest paid	**(446,282)**	(428,619)
Interest received	**485,374**	416,339
Income tax paid	**(6,114,805)**	(4,239,865)
Net cash generated from operating activities	**5,265,541**	11,187,208
Cash flows from investing activities		
Purchase of property, plant and equipment	**(4,161,007)**	(2,725,331)
Addition of intangible assets	**(842,012)**	(1,038,559)
Addition of investments accounted for using equity method	**(625,000)**	(245,000)
Receipt of government grants for capital expenditures	**262,088**	159,284
Proceeds from disposals of property, plant and equipment and intangible assets	**15,033**	61,963
Proceeds from disposal of subsidiaries, net of cash disposed	**(35,626)**	(13,400,564)
Dividends received from investments accounted for using equity method	**319,993**	217,257
Purchase of financial assets	**–**	(5,417,920)
Dividends received from financial assets	**–**	968,323
Decrease of restricted cash	**500,000**	261,730
Net cash used in investing activities	**(4,566,531)**	(21,158,817)
Cash flows from financing activities		
Proceeds from borrowings	**12,719,628**	28,931,968
Repayments of borrowings	**(11,749,139)**	(7,928,491)
Loans from immediate parent company	**–**	200,000
Principal elements of lease payments	**(56,044)**	(3,565)
Interests paid to perpetual bondholders	**(112,000)**	(112,000)
Acquisition of non-controlling interests of a subsidiary	**(6,658)**	–
Net cash generated from financing activities	**795,787**	21,087,912
Net increase in cash and cash equivalents	**1,494,797**	11,116,303
Cash and cash equivalents at January 1	**50,231,353**	36,642,588
Exchange (losses)/gains on cash and cash equivalents	**(4,798)**	23,071
Cash and cash equivalents at June 30	**51,721,352**	47,781,962

Part Eleven
Notes to the Interim Condensed Consolidated Financial Information
For the six months ended June 30, 2020

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 ordinary shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited since December 19, 2014.

This interim condensed consolidated financial information ("Condensed Financial Information") is presented in thousands of Renminbi Yuan ("RMB'000"), unless otherwise stated, and is approved for issue by the Board of Directors on August 31, 2020.

This Condensed Financial Information has not been audited.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

This Condensed Financial Information has been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". The Condensed Financial Information should be read in conjunction with the annual financial statements for the year ended December 31, 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

(a) As at June 30, 2020, the current liabilities of the Group exceeded its current assets by approximately RMB13,856 million. Given the debt obligations and working capital requirements, management has thoroughly considered the Group's available sources of the funds as follows:

- the Group's continuous net cash generated from operating and financing activities; and
- undrawn short-term and long-term banking facilities of approximately RMB23,433 million and RMB2,300 million respectively as at June 30, 2020.

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

Part Eleven
Notes to the Interim Condensed Consolidated Financial Information
For the six months ended June 30, 2020

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(b) In April 2020, the Company acquired from BAIC Group its entire 100% equity interest in BAIC International Development Co., Ltd. ("BAIC International") and 24.78% equity interest in BAIC Yunnan Ruili Motor Co., Ltd. ("BAIC Ruili") at a total cash consideration of approximately RMB80 million.

The acquisitions were business combinations under common control given that the Company, BAIC International and BAIC Ruili are under common control of BAIC Group immediately before and after the business combinations, the Company applies the principles of merger accounting in preparing this Condensed Financial Information.

By applying the principles of merger accounting, this Condensed Financial Information also includes the financial positions, results and cash flows of BAIC International and BAIC Ruili as if they had been combined with the Group throughout the six months ended June 30, 2020. Comparative figures as at December 31, 2019 and for the six months ended June 30, 2019 have been restated as a result of such.

The followings are reconciliations of the effects arising from the abovementioned common control combinations on the consolidated balance sheet as at December 31, 2019, consolidated statement of comprehensive income and consolidated statement of cash flows for the six months ended June 30, 2019.

(i) The consolidated balance sheet as at December 31, 2019:

	Balances as previously reported RMB'000	Merger of BAIC International RMB'000	Merger of BAIC Ruili RMB'000	Adjustments RMB'000	Balance as restated RMB'000
Assets					
Non-current assets	95,152,366	1,006,342	1,571,749	(165,535)	97,564,922
Current assets	98,059,620	2,597,753	165,363	(1,994,591)	98,828,145
Equity					
Share capital	8,015,338	1,252,442	296,655	(1,549,097)	8,015,338
Perpetual bond	1,998,160	–	–	–	1,998,160
Other reserves	21,008,386	(1,673,330)	39,466	1,293,131	20,667,653
Retained earnings/ (accumulated losses)	19,381,328	51,544	(578,114)	471,163	19,325,921
Non-controlling interests	22,223,988	432,292	–	(288,571)	22,367,709
Liabilities					
Non-current liabilities	16,286,964	391,801	549,569	–	17,228,334
Current liabilities	104,297,822	3,149,346	1,429,536	(2,086,752)	106,789,952

Part Eleven
Notes to the Interim Condensed Consolidated Financial Information
For the six months ended June 30, 2020

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(b) (Continued)

(ii) The consolidated statement of comprehensive income for the six months ended June 30, 2019:

	Amounts as previously reported RMB'000	Merger of BAIC International RMB'000	Merger of BAIC Ruili RMB'000	Adjustments RMB'000	Amounts as restated RMB'000
Revenue	87,764,002	327,673	17,245	(7,593)	88,101,327
Profit/(loss) for the period	7,229,104	944,844	(72,366)	48,098	8,149,680

(iii) The consolidated statement of cash flows for the six months ended June 30, 2019:

	Amounts as previously reported RMB'000	Merger of BAIC International RMB'000	Merger of BAIC Ruili RMB'000	Adjustments RMB'000	Amounts as restated RMB'000
Net cash generated from/ (used in) operating activities	10,720,008	501,382	(34,182)	–	11,187,208
Net cash used in investing activities	(3,148,240)	(18,206,506)	(136,555)	332,484	(21,158,817)
Net cash generated from financing activities	3,847,891	17,404,329	170,380	(334,688)	21,087,912

2.2 Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2019, as described in those annual financial statements except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of certain amended standards as set out below.

Amended standards adopted by the Group

The following amended standards became applicable for the current reporting period:

- Amendments to IAS 1 and IAS 8 — Definition of Material
- Amendments to IFRS 3 — Definition of a Business
- Amendments to IFRS 9, IAS 39 and IFRS 7 — Interest Rate Benchmark Reform

These amended standards did not have any significant impact on the Group's accounting policies and did not require retrospective adjustments.

Part Eleven
Notes to the Interim Condensed Consolidated Financial Information
For the six months ended June 30, 2020

3 ESTIMATES

The preparation of the Condensed Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Condensed Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2019.

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 Condensed Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at December 31, 2019.

There have been no changes in the risk management policies since year end.

4.2 Liquidity risk

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 (Note)
At June 30, 2020 (unaudited)				
Borrowings	**17,515,612**	**2,168,529**	**7,175,282**	**–**
Lease liabilities	**125,297**	**49,370**	**2,483**	**12,817,987**
Accounts payable	**45,657,033**	**–**	**–**	**–**
Other payables	**44,743,231**	**57,373**	**107,854**	**–**
At December 31, 2019 (restated)				
Borrowings	14,666,598	4,041,468	6,682,370	–
Lease liabilities	34,564	19,066	3,617	15,450,277
Accounts payable	45,443,866	–	–	–
Other payables	34,506,287	56,794	132,335	–

Note: This is mainly related to a long-term lease with significant discounting impact by which the present value of its lease payments is calculated and recognised in the consolidated balance sheet.

Part Eleven
Notes to the Interim Condensed Consolidated Financial Information
For the six months ended June 30, 2020

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Fair value estimation

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

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through other comprehensive income ("FVOCI")				
At June 30, 2020 (unaudited)	1,404,526	1,229,934	–	2,634,460
At December 31, 2019	1,275,650	1,950,357	–	3,226,007
Derivative financial instruments				
At June 30, 2020 (unaudited)	–	103,586	–	103,586
At December 31, 2019	–	–	–	–
Liabilities				
Derivative financial instruments				
At June 30, 2020 (unaudited)	–	–	–	–
At December 31, 2019	–	48,950	–	48,950

5 SEGMENT INFORMATION

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

Part Eleven
Notes to the Interim Condensed Consolidated Financial Information
For the six months ended June 30, 2020

5 SEGMENT INFORMATION (CONTINUED)

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

	Passenger vehicles – Beijing Brand (Unaudited) RMB'000	Passenger vehicles – Beijing Benz (Unaudited) RMB'000	Eliminations (Unaudited) RMB'000	Total (Unaudited) RMB'000
For the six months ended June 30, 2020				
Total revenue	2,990,030	74,920,368	(56,028)	77,854,370
Inter-segment revenue	(56,028)	–	56,028	–
Revenue from external customers	2,934,002	74,920,368	–	77,854,370
Timing of revenue recognition				
– At a point in time	2,877,182	74,160,136	–	77,037,318
– Over time	56,820	760,232	–	817,052
	2,934,002	74,920,368	–	77,854,370
Segment gross (loss)/profit	(1,834,637)	19,864,973	–	18,030,336
Other profit & loss disclosure:				
Selling and distribution expenses				(5,089,547)
General and administrative expenses				(2,655,873)
Net impairment losses on financial assets				(121,932)
Other gains, net				69,800
Finance income, net				19,969
Share of loss of investments accounted for using equity method				(1,164,871)
Profit before income tax				9,087,882
Income tax expense				(3,276,537)
Profit for the period				5,811,345
Other information:				
Significant non-cash expenses				
Depreciation and amortization	(1,638,692)	(2,195,484)	–	(3,834,176)
Provisions for impairments on assets	(22,765)	(135,195)	–	(157,960)
As at June 30, 2020				
Total assets	90,723,981	128,243,945	(22,407,074)	196,560,852
Including:				
Investments accounted for using equity method	15,083,193	–	–	15,083,193
Total liabilities	(47,734,186)	(91,784,824)	10,230,184	(129,288,826)

Part Eleven

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended June 30, 2020

5 SEGMENT INFORMATION (CONTINUED)

	Passenger vehicles – Beijing Brand (Unaudited) (Restated) RMB'000	Passenger vehicles – Beijing Benz (Unaudited) RMB'000	Eliminations (Unaudited) RMB'000	Total (Unaudited) (Restated) RMB'000
For the six months ended June 30, 2019				
Total revenue	10,354,020	77,807,423	(60,116)	88,101,327
Inter-segment revenue	(60,116)	–	60,116	–
Revenue from external customers	10,293,904	77,807,423	–	88,101,327
Timing of revenue recognition				
– At a point in time	10,231,399	77,076,752	–	87,308,151
– Over time	62,505	730,671	–	793,176
	10,293,904	77,807,423	–	88,101,327
Segment gross (loss)/profit	(1,365,521)	22,023,554	–	20,658,033
Other profit & loss disclosure:				
Selling and distribution expenses				(6,272,412)
General and administrative expenses				(3,022,451)
Net impairment losses on financial assets				(206,164)
Other gains, net				981,289
Finance costs, net				(108,810)
Share of losses of investments accounted for using equity method				(373,450)
Profit before income tax				11,656,035
Income tax expense				(3,506,355)
Profit for the period				8,149,680
Other information:				
Significant non-cash expenses				
Depreciation and amortization	(1,485,562)	(1,880,167)	–	(3,365,729)
Provisions for impairments on assets	(148,318)	(213,324)	–	(361,642)
As at December 31, 2019				
Total assets	86,490,516	122,639,923	(12,737,372)	196,393,067
Including:				
Investments accounted for using equity method	15,938,613	–	–	15,938,613
Total liabilities	(47,493,661)	(77,050,212)	525,587	(124,018,286)

Part Eleven
Notes to the Interim Condensed Consolidated Financial Information
For the six months ended June 30, 2020

5 SEGMENT INFORMATION (CONTINUED)

There is no customer accounting for 10 percent or more of the Group's revenue for each of the six months ended June 30, 2020 and 2019.

The Group is domiciled in the PRC. The percentage of its revenue from external customers residing in the PRC is approximately 99.6% for the six months ended June 30, 2020 (six months ended June 30, 2019: 99.6% as restated).

As at June 30, 2020, 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 97.4% (December 31, 2019: 97.4% as restated).

6 PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHTS AND INTANGIBLE ASSETS

	Property, plant and equipment RMB'000	Land use rights RMB'000	Intangible assets RMB'000
Six months ended June 30, 2020			
Net book amount at January 1, 2020 (previously reported)	**46,329,140**	**7,201,549**	**13,039,160**
Effect of business combinations under common control (Note 2.1(b))	**2,428,930**	**138,406**	**7,935**
Net book amount at January 1, 2020 (restated)	**48,758,070**	**7,339,955**	**13,047,095**
Additions	**3,259,484**	**–**	**951,039**
Disposals	**(25,023)**	**–**	**–**
Disposal of a subsidiary	**(1,824)**	**–**	**–**
Depreciation/amortization	**(2,716,795)**	**(90,714)**	**(1,073,538)**
Net book amount at June 30, 2020 (unaudited)	**49,273,912**	**7,249,241**	**12,924,596**
Six months ended June 30, 2019			
Net book amount at January 1, 2019 (previously reported)	43,230,966	7,378,380	13,123,352
Effect of business combinations under common control (Note 2.1(b))	2,080,228	156,542	8,754
Net book amount at January 1, 2019 (restated)	45,311,194	7,534,922	13,132,106
Additions	2,541,931	411	1,018,066
Disposals	(195,025)	–	(4,208)
Disposal of subsidiaries	(9,978)	(14,784)	(485)
Depreciation/amortization	(2,343,333)	(90,500)	(975,895)
Net book amount at June 30, 2019 (restated)	45,304,789	7,430,049	13,169,584

Part Eleven
Notes to the Interim Condensed Consolidated Financial Information
For the six months ended June 30, 2020

6 PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHTS AND INTANGIBLE ASSETS (CONTINUED)

Notes:

(a) There was no property, plant and equipment, land use rights and intangible assets being pledged as security for borrowings at June 30, 2020 and December 31, 2019.

(b) The Group has capitalized borrowing costs amounting to RMB119,928,000 on qualifying assets of property, plant and equipment and intangible assets for the six months ended June 30, 2020 (six months ended June 30, 2019: RMB128,477,000 as restated). Borrowing costs were capitalized at the weighted average of its borrowing rate of 4.01% during the six months ended June 30, 2020 (six months ended June 30, 2019: 4.17% as restated).

(c) The right-of-use assets included in property, plant and equipment as of June 30, 2020 amounted to RMB276,371,000 (December 31, 2019: RMB161,831,000 as restated).

7 ACCOUNTS RECEIVABLE

	June 30, 2020 (Unaudited) RMB'000	December 31, 2019 (Restated) RMB'000
Trade receivables, gross (note (a))	**21,485,119**	19,148,048
Less: provision for impairment	**(362,359)**	(261,565)
	21,122,760	18,886,483
Notes receivable (note (b)) measured at		
– FVOCI	**1,226,934**	1,947,357
– amortized cost	**209,600**	261,103
	22,559,294	21,094,943

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:

	June 30, 2020 (Unaudited) RMB'000	December 31, 2019 (Restated) RMB'000
Current to 1 year	**11,394,516**	11,896,085
1 to 2 years	**6,621,840**	3,789,377
2 to 3 years	**837,240**	1,362,293
Over 3 years	**2,631,523**	2,100,293
	21,485,119	19,148,048

Part Eleven
Notes to the Interim Condensed Consolidated Financial Information
For the six months ended June 30, 2020

7 ACCOUNTS RECEIVABLE (CONTINUED)

Notes: (Continued)

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

	June 30, 2020 (Unaudited) RMB'000	December 31, 2019 (Restated) RMB'000
Pledged notes receivable	**586,033**	1,655,008

8 SHARE CAPITAL

	Number of ordinary shares of RMB1 each (thousands)	RMB'000
At January 1, 2020 (audited)	**8,015,338**	**8,015,338**
At June 30, 2020 (unaudited)	**8,015,338**	**8,015,338**
At January 1, 2019 (audited)	8,015,338	8,015,338
At June 30, 2019 (unaudited)	8,015,338	8,015,338

9 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 bondholders 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.

Part Eleven
Notes to the Interim Condensed Consolidated Financial Information
For the six months ended June 30, 2020

10 BORROWINGS

	June 30, 2020 (Unaudited) RMB'000	December 31, 2019 (Restated) RMB'000
Non-current		
– Borrowings from financial institutions	**1,034,375**	1,720,662
– Corporate bonds	**7,195,245**	8,094,615
	8,229,620	9,815,277
Current		
– Current borrowings from financial institutions	**8,609,281**	4,853,866
– Current portion of non-current borrowings from financial institutions	**907,858**	3,967,892
– Corporate bonds	**7,497,674**	5,498,237
	17,014,813	14,319,995
Total borrowings	**25,244,433**	24,135,272

Notes:

(a) Movements in borrowings are analyzed as follows:

	For the six months ended June 30, 2020 (Unaudited) RMB'000	2019 (Unaudited) (Restated) RMB'000
At the beginning of the period	**24,135,272**	33,580,202
Proceeds of new borrowings	**12,719,628**	28,931,968
Repayments of borrowings	**(11,749,139)**	(7,928,491)
Amortization of bond issuance costs	**2,984**	3,365
Foreign exchange losses/(gains)	**135,688**	(31,395)
Disposal of subsidiaries	**–**	(26,093,974)
At the end of the period	**25,244,433**	28,461,675

(b) Undrawn facilities at floating rate:

	June 30, 2020 (Unaudited) RMB'000	December 31, 2019 (Restated) RMB'000
Within 1 year	**23,432,552**	10,364,111
Over 1 year	**2,300,000**	5,148,240
	25,732,552	15,512,351

Part Eleven
Notes to the Interim Condensed Consolidated Financial Information
For the six months ended June 30, 2020

11 ACCOUNTS PAYABLE

	June 30, 2020 (Unaudited) RMB'000	December 31, 2019 (Restated) RMB'000
Trade payables	**39,507,318**	37,954,869
Notes payable	**6,149,715**	7,488,997
	45,657,033	45,443,866

Ageing analysis of trade payables is as follows:

	June 30, 2020 (Unaudited) RMB'000	December 31, 2019 (Restated) RMB'000
Current to 1 year	**38,585,752**	37,059,486
1 to 2 years	**437,821**	841,132
2 to 3 years	**472,948**	44,812
Over 3 years	**10,797**	9,439
	39,507,318	37,954,869

12 OPERATING PROFIT

Operating profit is arrived at after charging/(crediting) the following:

	For the six months ended June 30,	
	2020 (Unaudited) RMB'000	2019 (Unaudited) (Restated) RMB'000
Depreciation and amortization	**3,834,176**	3,365,729
Employee benefit costs	**2,455,198**	2,585,209
Warranty expenses	**79,817**	777,600
Provision for impairment on non-financial assets	**36,028**	155,478
Foreign exchange gains	**(46,767)**	(146,440)
Loss on forward foreign exchange contracts with fair value through profit or loss	**194,470**	343,339
Gain from sales of scrap materials	**(49,538)**	(62,179)
Loss on disposals of property, plant and equipment and intangible assets	**3,946**	91,004
Government grants	**(166,215)**	(186,139)

Part Eleven
Notes to the Interim Condensed Consolidated Financial Information
For the six months ended June 30, 2020

13 INCOME TAX EXPENSE

	For the six months ended June 30,	
	2020 (Unaudited) RMB'000	2019 (Unaudited) (Restated) RMB'000
Current income tax	**2,499,616**	3,824,576
Deferred income tax expense/(credit)	**776,921**	(318,221)
	3,276,537	3,506,355

14 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 period.

	For the six months ended June 30,	
	2020 (Unaudited)	2019 (Unaudited) (Restated)
Profit attributable to ordinary shareholders of the Company (RMB'000) (note (a))	**934,945**	2,941,553
Weighted average number of ordinary shares issued (thousands)	**8,015,338**	8,015,338
Earnings per share for profit attributable to ordinary shareholders of the Company for the period (RMB)	**0.12**	0.37

Notes:

(a) For the six months ended June 30, 2020, the profit attributable to equity holders of the Company amounted to RMB1,046,945,000 (six months ended June 30, 2019: RMB3,053,553,000 as restated), including the profit attributable to ordinary shareholders and perpetual bondholders of approximately RMB934,945,000 and RMB112,000,000 (six months ended June 30, 2019: RMB2,941,553,000 as restated and RMB112,000,000), respectively.

(b) During the six months ended June 30, 2020 and 2019, there were no potential dilutive ordinary shares and diluted earnings per share was equal to basic earnings per share.

Part Eleven
Notes to the Interim Condensed Consolidated Financial Information
For the six months ended June 30, 2020

15 DIVIDENDS

The Board of Directors of the Company does not recommend the payment of any interim dividend for the six months ended June 30, 2020 (six months ended June 30, 2019: Nil).

The final dividend of approximately RMB1,362,607,000 (RMB0.17 per share) relating to the year ended December 31, 2019 was approved by the shareholders meeting held in June 2020.

16 CAPITAL COMMITMENTS

The Group has the following capital commitments for property, plant and equipment as at June 30, 2020 and December 31, 2019 respectively:

	June 30, 2020 (Unaudited) RMB'000	December 31, 2019 (Restated) RMB'000
Contracted but not provided for	**15,428,978**	14,470,950
Authorized but not contracted for	**1,287,697**	3,514,689

Part Eleven
Notes to the Interim Condensed Consolidated Financial Information
For the six months ended June 30, 2020

17 RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in this Condensed Financial Information, the followings are related party transactions which were carried out in the ordinary course of the Group's business and determined based on mutually agreed terms for each of the six months ended June 30, 2020 and 2019.

(a) Significant transactions with related parties

	For the six months ended June 30,	
	2020 (Unaudited) RMB'000	2019 (Unaudited) (Restated) RMB'000
Sale of goods and materials and property, plant and equipment to		
– fellow subsidiaries	**7,739,623**	11,104,504
– joint ventures	**405,048**	426,398
– associates	**99,309**	–
– other related companies	**1,912,753**	1,066,150
Services provided to		
– fellow subsidiaries	**34,563**	1,087
– other related companies	**37,808**	–
Purchases of goods and materials from		
– fellow subsidiaries	**8,134,705**	8,180,680
– joint ventures	**38,350**	1,107
– an associate	**2,362**	–
– other related companies	**22,097,866**	24,888,056
Services received from		
– immediate parent company	**353,860**	332,726
– fellow subsidiaries	**1,211,442**	1,523,244
– a joint venture	**681,777**	809,226
– other related companies	**3,530,926**	2,743,273
Lease expenses to		
– fellow subsidiaries	**62,442**	63,446
Interest income from		
– an associate	**151,488**	123,550
– other related companies	**2,053**	–
Interest expenses to		
– immediate parent company	**12,694**	7,777
– fellow subsidiaries	**3,158**	–
– an associate	**37,322**	20,998
Key management compensations		
– salaries, allowances and other benefits	**4,646**	4,385
– employer's contribution to pension schemes	**140**	405
– discretionary bonuses	**3,369**	3,562

Part Eleven
Notes to the Interim Condensed Consolidated Financial Information
For the six months ended June 30, 2020

17 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant balances with related parties

	June 30, 2020 (Unaudited) RMB'000	December 31, 2019 (Restated) RMB'000
Assets		
Financial assets at FVOCI		
– a fellow subsidiary	**1,404,526**	1,275,650
Trade receivables		
– fellow subsidiaries	**1,910,828**	1,924,207
– joint ventures	**118,853**	103,504
– associates	**6,761**	–
– other related companies	**1,690,075**	1,578,239
Notes receivables		
– fellow subsidiaries	**248,336**	261,989
– other related companies	**3,520**	–
Advances to suppliers		
– fellow subsidiaries	**170,896**	232,856
– other related companies	**1,460**	739
Other receivables		
– fellow subsidiaries	**539,787**	470,111
– a joint venture	**58**	14,192
– an associate	**–**	3,706
– other related companies	**132,608**	367,093
Cash and cash equivalents		
– an associate	**15,609,939**	15,872,433
– an other related company	**124,585**	437

Part Eleven
Notes to the Interim Condensed Consolidated Financial Information
For the six months ended June 30, 2020

17 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant balances with related parties (Continued)

	June 30, 2020 (Unaudited) RMB'000	December 31, 2019 (Restated) RMB'000
Liabilities		
Trade payables		
– fellow subsidiaries	**10,197,604**	9,263,703
– joint ventures	**22,825**	40,992
– other related companies	**14,900,674**	14,465,672
Notes payable		
– fellow subsidiaries	**2,684,228**	2,922,592
– joint ventures	**16,117**	198
– other related companies	**187,626**	445,330
Contract liabilities		
– fellow subsidiaries	**5,745**	7,568
– an associate	**–**	327
– other related companies	**822**	205
Other payables		
– immediate parent company	**1,478,079**	1,162,784
– fellow subsidiaries	**2,055,403**	1,555,228
– joint ventures	**329,870**	269,272
– associates	**17,540**	–
– other related companies	**3,135,286**	2,918,222
Dividends payable to		
– other related companies	**9,843,596**	533,596
Borrowings from		
– an associate	**2,286,110**	2,120,210

18 EVENT OCCURRING AFTER THE BALANCE SHEET DATE

On 3 August 2020, BAIC Guangzhou Automotive Co., Ltd. ("BAIC Guangzhou"), a wholly-owned subsidiary of the Company, and BAIC BluePark New Energy Technology Co., Ltd. ("BAIC BluePark"), an A-share listed subsidiary of BAIC Group, entered into a share subscription agreement, pursuant to which BAIC BluePark agrees to issue to BAIC Guangzhou, and BAIC Guangzhou agrees to subscribe for, not less than 6.25% of the total number of new A shares to be issued by BAIC BluePark, up to a maximum subscription amount of approximately RMB344 million.

In accordance with the share subscription agreement, the minimum shareholding of BAIC Guangzhou in BAIC BluePark will remain at 6.25% and the maximum shareholding will not exceed 7.32% upon completion of the subscription (if the actual subscription price is determined according to the audited net asset value per share of BAIC BluePark as at 31 December 2019, namely RMB5.06).

pwc 羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of BAIC Motor Corporation Limited (the "Company") and its subsidiaries (the "Group") set out on pages 97 to 175, which comprise:

- the consolidated balance sheet as at December 31, 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, 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. RMB2,401 million of internal development costs have been capitalized and recorded as addition to intangible assets for the year ended December 31, 2019. 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	How our audit addressed the 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, 2019. 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 net carrying value as of December 31, 2019. 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.	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 RMB4,634 million as at December 31, 2019. 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 tested 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.

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 26, 2020

Consolidated Balance Sheet

As at December 31, 2019

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	Note	As at December 31, 2019 RMB'000	As at December 31, 2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**46,329,140**	43,217,822
Land use rights	8	**7,201,549**	7,378,380
Intangible assets	9	**13,039,160**	13,123,352
Investments accounted for using equity method	11,12	**16,104,148**	16,185,648
Financial assets at fair value through other comprehensive income	13	**1,278,650**	1,742,729
Deferred income tax assets	14	**10,540,458**	7,925,601
Other non-current assets		**659,261**	701,180
		95,152,366	90,274,712
Current assets			
Inventories	15	**19,924,603**	18,962,575
Accounts receivable	16	**21,586,635**	21,988,198
Advances to suppliers	17	**310,089**	465,988
Other receivables and prepayments	18	**5,037,690**	4,132,578
Restricted cash	19	**1,878,104**	820,174
Cash and cash equivalents	20	**49,322,499**	35,389,883
		98,059,620	81,759,396
Total assets		**193,211,986**	172,034,108
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	21	**8,015,338**	8,015,338
Perpetual bond	22	**1,998,160**	1,998,160
Other reserves	23	**21,008,386**	21,041,578
Retained earnings		**19,381,328**	17,360,387
		50,403,212	48,415,463
Non-controlling interests		**22,223,988**	20,822,318
Total equity		**72,627,200**	69,237,781

	Note	As at December 31, 2019 RMB'000	2018 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	24	**9,542,718**	14,907,282
Lease liabilities	7(c)(i)	**18,034**	–
Deferred income tax liabilities	14	**731,315**	758,006
Provisions	25	**2,507,635**	2,620,030
Deferred income	26	**3,487,262**	4,084,833
		16,286,964	22,370,151
Current liabilities			
Accounts payable	27	**44,707,450**	38,632,933
Contract liabilities	28	**950,986**	234,226
Other payables and accruals	29	**38,024,236**	28,789,066
Current income tax liabilities		**4,437,845**	1,992,153
Borrowings	24	**14,019,499**	8,955,960
Lease liabilities	7(c)(i)	**31,557**	–
Provisions	25	**2,126,249**	1,821,838
		104,297,822	80,426,176
Total liabilities		**120,584,786**	102,796,327
Total equity and liabilities		**193,211,986**	172,034,108

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

The financial statements on pages 97 to 175 were approved by the Board of Directors on March 26, 2020 and were signed on its behalf.

Xu Heyi, Director

Chen Hongliang, Director

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2019

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	Note	For the year ended December 31, 2019 RMB'000	2018 RMB'000
Revenue	6	**174,632,722**	151,920,390
Cost of sales	31	**(137,145,700)**	(114,913,751)
Gross profit		**37,487,022**	37,006,639
Selling and distribution expenses	31	**(10,294,174)**	(10,432,043)
General and administrative expenses	31	**(6,962,054)**	(6,436,554)
Net impairment losses on financial assets		**(313,323)**	(133,041)
Other gains, net	30	**1,766,265**	623,048
Operating profit		**21,683,736**	20,628,049
Finance income	33	**884,190**	760,930
Finance costs	33	**(948,590)**	(1,117,957)
Finance costs, net		**(64,400)**	(357,027)
Share of (loss)/profit of investments accounted for using equity method		**(304,910)**	903,836
Profit before income tax		**21,314,426**	21,174,858
Income tax expense	34	**(6,991,319)**	(6,903,525)
Profit for the year		**14,323,107**	14,271,333
Profit attributable to:			
Equity holders of the Company		**4,082,698**	4,429,465
Non-controlling interests		**10,240,409**	9,841,868
		14,323,107	14,271,333
Earnings per share for profit attributable to ordinary shareholders of the Company for the year (expressed in RMB)			
Basic and diluted	35	**0.50**	0.55

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2019

	For the year ended December 31,	
	2019 RMB'000	2018 RMB'000
Profit for the year	**14,323,107**	14,271,333
Other comprehensive income		
Items that may be reclassified to profit or loss		
(Loss)/gain on cash flow hedges, net of tax	**(37,780)**	32,820
Share of other comprehensive income/(loss) of investments accounted for using the equity method	**7,664**	(5,223)
Currency translation differences	**(8)**	(37)
Items that will not be reclassified to profit or loss		
Changes in fair value of financial assets at fair value through other comprehensive income	**(463,334)**	(517,458)
Other comprehensive loss for the year	**(493,458)**	(489,898)
Total comprehensive income for the year	**13,829,649**	13,781,435
Attributable to:		
Equity holders of the Company	**3,607,979**	3,924,007
Non-controlling interests	**10,221,670**	9,857,428
	13,829,649	13,781,435

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

	Attributable to equity holders of the Company						
	Share capital RMB'000 (Note 21)	Perpetual bond RMB'000 (Note 22)	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, 2019	8,015,338	1,998,160	21,041,578	17,360,387	48,415,463	20,822,318	69,237,781
Profit for the year	–	112,000	–	3,970,698	4,082,698	10,240,409	14,323,107
Other comprehensive loss	–	–	(474,719)	–	(474,719)	(18,739)	(493,458)
Total comprehensive income for the year	–	112,000	(474,719)	3,970,698	3,607,979	10,221,670	13,829,649
Transactions with owners							
Interest of perpetual bond	–	(112,000)	–	–	(112,000)	–	(112,000)
Appropriation to reserve fund	–	–	426,588	(426,588)	–	–	–
2018 final dividends	–	–	–	(1,522,914)	(1,522,914)	–	(1,522,914)
Dividends to non-controlling interest holders of a subsidiary	–	–	–	–	–	(8,820,000)	(8,820,000)
Others	–	–	14,939	(255)	14,684	–	14,684
	–	(112,000)	441,527	(1,949,757)	(1,620,230)	(8,820,000)	(10,440,230)
Balance at December 31, 2019	8,015,338	1,998,160	21,008,386	19,381,328	50,403,212	22,223,988	72,627,200

Consolidated Statement of Changes in Equity

For the year ended December 31, 2019

	Attributable to equity holders of the Company						
	Share capital RMB'000 (Note 21)	Perpetual bond RMB'000 (Note 22)	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, 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)	–	–	–
2017 final dividends	–	–	–	(801,533)	(801,533)	–	(801,533)
Dividends to non-controlling interest holders of a subsidiary	–	–	–	–	–	(7,840,000)	(7,840,000)
	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

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

	Note	2019 RMB'000	2018 RMB'000
		For the year ended December 31,	
Cash flows from operating activities			
Cash generated from operations	37(a)	**43,477,661**	31,729,349
Interest paid		**(688,892)**	(915,885)
Interest received		**884,190**	799,373
Income tax paid		**(7,720,178)**	(9,879,444)
Net cash generated from operating activities		**35,952,781**	21,733,393
Cash flows from investing activities			
Purchase of property, plant and equipment		**(8,439,920)**	(6,440,957)
Purchase of land use rights		**(1,330)**	(73,172)
Addition of intangible assets		**(2,361,004)**	(2,221,223)
Addition of investments accounted for using equity method		**(623,494)**	(622,718)
Prepayment for an investment		**(50,000)**	–
Receipt of government grants for capital expenditures		**153,208**	4,806
Proceeds from disposals of property, plant and equipment and intangible assets	37(b)	**98,816**	337
Proceeds from disposals of financial assets at fair value through other comprehensive income		**745**	–
Dividends received from investments accounted for using equity method		**408,422**	95,601
Increase of restricted cash		**(800,000)**	(275,100)
Net cash used in investing activities		**(11,614,557)**	(9,532,426)
Cash flows from financing activities			
Issue of new shares		**–**	2,653,069
Issue of perpetual bond		**–**	1,998,160
Proceeds from borrowings		**17,219,599**	25,955,746
Repayments of borrowings		**(17,522,734)**	(33,739,260)
Principal elements of lease payments		**(18,460)**	–
Interests paid to perpetual bondholders		**(112,000)**	–
Dividends paid by the Company		**(1,522,914)**	(801,533)
Dividends paid to non-controlling interest holders of a subsidiary		**(8,472,015)**	(9,766,351)
Net cash used in financing activities		**(10,428,524)**	(13,700,169)
Net increase/(decrease)in cash and cash equivalents		**13,909,700**	(1,499,202)
Cash and cash equivalents at January 1		**35,389,883**	36,824,906
Exchange gains on cash and cash equivalents		**22,916**	64,179
Cash and cash equivalents at December 31		**49,322,499**	35,389,883

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 ordinary shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited since December 19, 2014.

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 26, 2020.

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.

As at December 31, 2019, the current liabilities of the Group exceeded its current assets by approximately RMB6,238 million. Given the debt obligations and working capital requirements, management has thoroughly considered the Group's available sources of the funds as follows:

- the Group's continuous net cash generated from operating and financing activities; and
- undrawn short-term and long-term banking facilities of approximately RMB10,304 million and RMB5,148 million respectively as at December 31, 2019.

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

2 BASIS OF PREPARATION (CONTINUED)

(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, 2019:

- IFRS 16 — Leases
- Amendments to IAS 19 — Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28 — Long-term Interests in Associates and Joint Ventures
- Amendments to IFRS 9 — Prepayment Features with Negative Compensation
- Interpretation 23 — Uncertainty over Income Tax Treatments
- Annual Improvements 2015-2017 cycle

The Group had to change its accounting policies as a result of adopting IFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on January 1, 2019. This is disclosed in Note 2(c). Other amendments listed above did not have any material 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, 2019 reporting period and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to IAS 1 and IAS 8	Definition of Material	January 1, 2020
Amendments to IFRS 3	Definition of a Business	January 1, 2020
IFRS 17	Insurance Contracts	January 1, 2021

These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2 BASIS OF PREPARATION (CONTINUED)

(c) Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 "Leases" on the Group's financial statements.

As indicated in Note 2(a) above, the Group has adopted IFRS 16 retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on January 1, 2019. The new accounting policies are disclosed in Note 3.26.

On adoption of IFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 3.93%.

(i) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying IAS 17 and IFRIC 4 "Determining whether an Arrangement contains a Lease".

(ii) Measurement of lease liabilities

	RMB'000
Operating lease commitments disclosed as at December 31, 2018	129,893
(Less): short-term leases recognized on a straight-line basis as expense	(116,148)
	13,745
(Less): Interest discount calculated using the lessee's incremental borrowing rate at the date of initial application	(601)
Lease liabilities recognized as at January 1, 2019	13,144
Of which are:	
Non-current lease liabilities	7,209
Current lease liabilities	5,935
	13,144

2 BASIS OF PREPARATION (CONTINUED)

(c) Changes in accounting policies (Continued)

(iii) Measurement of right-of-use assets

Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at December 31, 2018.

(iv) Adjustments recognised in the balance sheet on January 1, 2019

The change in accounting policy affected the following items in the balance sheet on January 1, 2019:

- property, plant and equipment – increase by RMB13,144,000

- lease liabilities – increase by RMB13,144,000

There was no impact on retained earnings on January 1, 2019.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Subsidiaries (Continued)

(a) Consolidation (Continued)

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.

(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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Joint arrangements (Continued)

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.

3.3 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 profit/(loss) 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items, as well as right-of-use assets (Note 3.26) within the same line item as that within which the corresponding underlying assets would be presented if they were owned.

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.

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 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.

Land use rights are right-of-use assets upon adoption of IFRS 16 effective for annual period commencing January 1, 2019 (Note 3.26).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Investments and other financial assets (Continued)

(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.

(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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Investments and other financial assets (Continued)

(c) Measurement (Continued)

(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

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.

3.11 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Derivatives and hedging activities (Continued)

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.

3.14 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.

Except for notes receivable measured at FVOCI, 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

3.20 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Current and deferred income tax (Continued)

(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.

3.21 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Revenue from sales of products is recognized when the performance obligation for promises to transfer goods to customers is satisfied which is at a point in time 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 of aftersales, transportation, research and development, technical consultancy, etc is recognized upon satisfaction of the performance obligations over time in the accounting period during which the services are rendered.

(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. Dividends are recognized as other gains in profit or loss when the right to receive payment is established.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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-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

As explained in Note 2(c) above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy and the impact of the change are described below and in Note 2(c) respectively.

Until December 31, 2018, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases (Note 38(b)). Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that termination option.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.26 Leases (Continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in RMB, was as follows:

	As at December 31,			
	2019		2018	
	Euro RMB'000	Other foreign currencies RMB'000	Euro RMB'000	Other foreign currencies RMB'000
Accounts receivable	**605,093**	**–**	316,564	–
Other receivables and prepayments	**–**	**19,989**	22,698	64,773
Cash and cash equivalents	**352,197**	**34,202**	119,419	163,378
Accounts payable	**10,725,085**	**11,557**	9,711,634	–
Other payables and accruals	**2,031,865**	**255**	2,206,079	–
Borrowings	**1,856,780**	**–**	1,982,819	–

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 contracts to hedge anticipate cash flows (mainly purchase of inventories) in major foreign currencies for the subsequent periods.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(a) **Market risk (Continued)**

(i) Foreign exchange risk **(Continued)**

As at December 31, 2019 the carrying value of the forward foreign exchange contracts was RMB48,950,000 (December 31, 2018: RMB180,391,000) (Note 29(a)). The foreign exchange forwards are denominated in the same currency as the highly probable future inventory purchases (both in Euro) and therefore the hedge ratio is 1:1.

As at each year end, if Euro weakened by 10% against RMB with all other variables held constant, the post-tax profit and other comprehensive loss for each year would have changed mainly as a result of foreign exchange differences on translation of Euro denominated assets and liabilities as well as forward foreign exchange contracts:

	For the year ended December 31,	
	2019 RMB'000	2018 RMB'000
Profit for the year	396,677	75,787
Other comprehensive income/(loss)	(417,721)	(524,954)

A weakening of the RMB against the Euro 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, 2019, 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, 2019 would have been approximately RMB40,932,000 (2018: RMB64,573,000) lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(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, 2019, 100% (December 31, 2018: 100%) of the Group's restricted cash, short-term deposits and cash at banks are held in reputable local joint-stock commercial banks, state-owned banks, other financial institutions and world-wide reputable banks, which management believes are of high credit quality. Management does not expect any losses from non-performance by these counterparties.

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets

Impairment of financial assets are determined on the basis outlined in Note 3.10(d). To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. As at December 31, 2019 the provision for impairment in respect of those collectively assessed trade receivables was approximately RMB326,060,000 (December 31, 2018: RMB125,591,000) based on expected loss rates applied on different groupings as follows.

	Current RMB'000	More than 30 days past due RMB'000	More than 1 year past due RMB'000	More than 2 years past due RMB'000	More than 3 years past due RMB'000	More than 4 years past due RMB'000	Total RMB'000
As at December 31, 2019							
Expected loss rate	0.3%	0.5%	3.8%	2.6%	4.2%	93.6%	1.7%
Trade receivables, gross	8,012,594	4,482,556	3,743,552	1,370,803	2,076,492	18,238	19,704,235
Provision for impairment	22,812	23,291	141,558	35,042	86,285	17,072	326,060
As at December 31, 2018							
Expected loss rate	0.0%	0.9%	1.4%	0.5%	53.9%	84.0%	0.7%
Trade receivables, gross	8,339,154	4,459,818	1,758,269	3,160,637	64,849	9,244	17,791,971
Provision for impairment	–	41,542	24,732	16,628	34,925	7,764	125,591

(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.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

As at December 31, 2019, the Group has net current liabilities of approximately RMB6,238 million (December 31, 2018: net current assets of RMB1,333 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.

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 31,2019				
Borrowings	**14,626,029**	**3,833,082**	**6,603,868**	**–**
Lease liabilities	**32,729**	**17,379**	**739**	**–**
Accounts payable	**44,707,450**	**–**	**–**	**–**
Other payables	**32,863,630**	**–**	**–**	**–**
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	–	–	–

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, 2019 and 2018, the balance of total cash and cash equivalents exceeded the balance of borrowings.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Fair value estimation

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

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

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at FVOCI (Notes 13, 16)				
At December 31, 2019	**1,275,650**	**1,950,357**	**–**	**3,226,007**
At December 31, 2018	1,738,729	4,183,986	–	5,922,715
Liabilities				
Derivative financial instruments (Note 29)				
At December 31, 2019	**–**	**48,950**	**–**	**48,950**
At December 31, 2018	–	180,391	–	180,391

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 internal development costs

Only internal development costs directly attributable to projects which are considered under development stage and when it is probable that the projects will be successful considering the criteria set out in Note 3.8(c) are capitalized and recognized as intangible assets. 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, particularly (i) the timing to start capitalization; (ii) the technical feasibility of the projects; and (iii) the likelihood of the projects that will deliver sufficient future economic benefits.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(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 sales 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. Management determines annual sales growth rate to be a key assumption as it is the main driver for revenue and costs in each period. The annual sales 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.

For impairment testing, cash flows beyond the five-year period are extrapolated using the estimated annual sales growth rate of 3%. The discount rate applied to the cash flow projections used for value-in-use calculations is 15.50% (2018: 15.40%).

(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 and 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 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.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(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, 2019				
Total revenue	19,607,248	155,153,705	(128,231)	174,632,722
Inter-segment revenue	(128,231)	–	128,231	–
Revenue from external customers	19,479,017	155,153,705	–	174,632,722
Timing of revenue recognition				
– At a point in time	19,320,157	153,660,188	–	172,980,345
– Over time	158,860	1,493,517	–	1,652,377
	19,479,017	155,153,705	–	174,632,722
Segment gross (loss)/profit	(4,728,410)	42,215,432	–	37,487,022
Other profit & loss disclosure:				
Selling and distribution expenses				(10,294,174)
General and administrative expenses				(6,962,054)
Net impairment losses on financial assets				(313,323)
Other gains, net				1,766,265
Finance costs, net				(64,400)
Share of loss of investments accounted for using equity method				(304,910)
Profit before income tax				21,314,426
Income tax expense				(6,991,319)
Profit for the year				14,323,107
Other information:				
Significant non-cash expenses				
Depreciation and amortization	(3,359,292)	(4,082,323)	–	(7,441,615)
Provisions for impairments on assets	(348,634)	(314,285)	–	(662,919)
As at December 31, 2019				
Total assets	83,309,435	122,639,923	(12,737,372)	193,211,986
Including:				
Investments accounted for using equity method	16,104,148	–	–	16,104,148
Total liabilities	(44,060,161)	(77,050,212)	525,587	(120,584,786)

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, 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
Segment 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				(6,436,554)
Net impairment losses on financial assets				(133,041)
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)

There is no customer accounting for 10 percent or more of the Group's revenue for each of the years ended December 31, 2019 and 2018.

The Group is domiciled in the PRC. The percentage of its revenue from external customers residing in the PRC is approximately 99.9% for the year ended December 31, 2019 (2018: 99.8%).

As at December 31, 2019, 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 99.9% (December 31, 2018: 98.4%).

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 December 31, 2018	15,980,525	13,939,931	325,058	1,645,886	2,756,069	8,570,353	43,217,822
Impact of adoption of IFRS 16 (Note 2(c))	10,627	788	1,729	–	–	–	13,144
Net book amount at January 1, 2019	15,991,152	13,940,719	326,787	1,645,886	2,756,069	8,570,353	43,230,966
Additions	60,164	70,729	3,472	11,107	–	8,106,463	8,251,935
Transfers upon completion	411,712	3,421,954	102,835	1,093,787	1,748,887	(6,779,175)	–
Disposals	(8,619)	(177,952)	(6,870)	(11,458)	(6,252)	–	(211,151)
Depreciation	(876,087)	(2,170,227)	(90,180)	(799,656)	(918,649)	–	(4,854,799)
Impairment	–	(4,509)	(91)	(23,889)	(929)	(58,393)	(87,811)
Net book amount at December 31, 2019	15,578,322	15,080,714	335,953	1,915,777	3,579,126	9,839,248	46,329,140
At December 31, 2019							
Cost	19,579,127	25,914,906	795,722	5,542,181	8,033,888	9,839,248	69,705,072
Accumulated depreciation and impairment	(4,000,805)	(10,834,192)	(459,769)	(3,626,404)	(4,454,762)	–	(23,375,932)
Net book amount	15,578,322	15,080,714	335,953	1,915,777	3,579,126	9,839,248	46,329,140
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)

Notes:

(a) There was no property, plant and equipment being pledged as security for borrowings at December 31, 2019 and 2018.

(b) The Group has capitalized borrowing costs amounting to RMB9,386,000 on qualifying assets of property, plant and equipment for the year ended December 31, 2019 (2018: RMB76,375,000). Borrowing costs were capitalized at the weighted average of its borrowing rate of 4.51% during the year (2018: 4.21%).

(c) This note provides information for leases where the Group is a lessee.

(i) Amounts recognized in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at	
	December 31, 2019 RMB'000	January 1, 2019 RMB'000
Right-of-use assets		
Included in property, plant and equipment		
– Buildings	47,671	10,627
– Machinery	525	788
– Vehicles	1,002	1,729
	49,198	13,144
Included in land-use rights (Note 8)	7,201,549	7,378,380
Lease liabilities		
Non-current	18,034	7,209
Current	31,557	5,935
	49,591	13,144

Additions to the right-of-use assets included in property, plant and equipment during the 2019 financial year were RMB54,907,000.

7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes: (Continued)

(c) This note provides information for leases where the Group is a lessee. (Continued)

(ii) Amounts recognized in the profit or loss

The profit or loss shows the following amounts relating to leases:

	For the year ended December 31, 2019 RMB'000
Depreciation/amortizaton charge of right-of-use assets	
Included in property, plant and equipment	
– Buildings	**17,394**
– Machinery	**262**
– Vehicles	**1,197**
	18,853
Included in land-use rights (Note 8)	**178,161**
Interest expense (included in finance costs) (Note 33)	**1,405**
Expenses relating to short-term leases (included in cost of sales, selling and distribution expenses and general and administrative expenses)	**175,274**

(iii) Amounts recognized in the statement of cash flows

The total cash outflow for leases in 2019 was RMB111,799,000.

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

	For the year ended December 31, 2019 RMB'000	2018 RMB'000
Cost of sales	**4,206,970**	3,907,546
Selling and distribution expenses	**4,861**	8,993
General and administrative expenses	**575,992**	686,429
	4,787,823	4,602,968
Capitalized in intangible assets – development costs	**66,976**	47,161
	4,854,799	4,650,129

(e) As at December 31, 2019, the Group has not obtained the formal ownership certificates for certain buildings with carrying values of approximately RMB648,063,000 (December 31, 2018: RMB828,877,000). 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, 2019 RMB'000	2018 RMB'000
Cost		
At January 1	**8,174,955**	8,091,628
Additions (note (a))	**1,330**	83,327
At December 31	**8,176,285**	8,174,955
Accumulated amortization		
At January 1	**(796,575)**	(629,245)
Amortization	**(178,161)**	(167,330)
At December 31	**(974,736)**	(796,575)
Net book amount		
At December 31	**7,201,549**	7,378,380

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, 2019, the Group has not obtained the formal land use rights for certain land use rights with carrying values of approximately RMB1,836,000 (December 31, 2018: RMB1,882,000). 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 (b)) RMB'000	Computer software RMB'000	Goodwill (note (a)) RMB'000	Total RMB'000
Net book amount at January 1, 2019	**11,983,663**	**237,744**	**901,945**	**13,123,352**
Additions	**2,401,376**	**76,109**	**–**	**2,477,485**
Disposals	**(32,264)**	**(29,991)**	**–**	**(62,255)**
Amortization	**(2,413,474)**	**(85,948)**	**–**	**(2,499,422)**
Net book amount at December 31, 2019	**11,939,301**	**197,914**	**901,945**	**13,039,160**
At December 31, 2019				
Cost	**19,881,704**	**807,458**	**901,945**	**21,591,107**
Accumulated amortization	**(7,942,403)**	**(609,544)**	**–**	**(8,551,947)**
Net book amount	**11,939,301**	**197,914**	**901,945**	**13,039,160**
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

9 INTANGIBLE ASSETS (CONTINUED)

Notes:

(a) Goodwill is monitored by management at the level of the two operating segments identified in Note 6.

A segment-level summary of the goodwill allocation is presented below.

	As at December 31,	
	2019 RMB'000	2018 RMB'000
Passenger vehicles of Beijing Benz (i)	**807,505**	807,505
Passenger vehicles of Beijing Brand (ii)	**94,440**	94,440
	901,945	901,945

Goodwill is allocated to CGUs for the purpose of impairment testing. The allocation is made to those CGUs that are expected to benefit from the business combinations in which the goodwill arose. The units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (Note 6).

The recoverable amount of each 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. Management determines annual sales growth rate to be a key assumption as it is the main driver for revenue and costs in each period. The annual sales 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.

(i) This arises from the acquisition of Beijing Benz in 2013 and is fully allocated to the CGU of passenger vehicles of Beijing Benz. For impairment testing, the estimated annual sales growth rate covering the five-year forecast period is 3% – 9% beyond which is extrapolated at 3%. The discount rate applied to the cash flow projections used for value-in-use calculations is 16.10% (2018: 16.60%).

(ii) This arises from the acquisition of China Automobile Development United (Beijing) Technology Investment Co., Ltd. in September 2016 and is fully allocated to the CGU of passenger vehicles of Beijing Brand. For impairment testing, the estimated annual sales growth rate covering the five-year forecast period is 10% – 25% beyond which is extrapolated at 3%. The discount rate applied to the cash flow projections used for value-in-use calculations is 17.20% (2018: 16.80%).

(b) The Group has capitalized borrowing costs amounting to RMB246,335,000 on qualifying intangible assets for the year ended December 31, 2019 (2018: RMB213,225,000). Borrowing costs were capitalized at the weighted average of its borrowing rate of 4.03% during the year (2018: 4.24%).

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

	For the year ended December 31,	
	2019 RMB'000	2018 RMB'000
Cost of sales	**1,884,128**	2,174,917
General and administrative expenses	**591,503**	199,735
	2,475,631	2,374,652
Capitalized in intangible assets – development costs	**23,791**	25,711
	2,499,422	2,400,363

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,	
	2019 RMB'000	2018 RMB'000
Non-current assets	**52,942,548**	46,841,925
Current assets	**69,697,375**	56,133,843
Total assets	**122,639,923**	102,975,768
Non-current liabilities	**5,887,226**	6,553,099
Current liabilities	**71,162,986**	53,744,976
Total liabilities	**77,050,212**	60,298,075
Net assets	**45,589,711**	42,677,693
Less: goodwill	**(807,505)**	(807,505)
	44,782,206	41,870,188
The Group's non-controlling interests in Beijing Benz	**21,943,281**	20,516,391

10 SUBSIDIARIES (CONTINUED)

(a) Material non-controlling interests (Continued)

(ii) Summarized statement of comprehensive income

	For the year ended December 31, 2019 RMB'000	2018 RMB'000
Revenue	**155,153,705**	135,415,193
Net profit	**20,949,798**	20,077,563
Other comprehensive (loss)/income	**(37,780)**	32,820
Total comprehensive income	**20,912,018**	20,110,383

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, 2019 RMB'000	2018 RMB'000
Net profit attributable to non-controlling interests	**10,265,401**	9,838,006
Other comprehensive (loss)/income attributable to non-controlling interests	**(18,512)**	16,082
Total comprehensive income attributable to non-controlling interests	**10,246,889**	9,854,088
Dividends to non-controlling interest holders	**8,820,000**	7,840,000

(iii) Summarized statement of cash flows

	For the year ended December 31, 2019 RMB'000	2018 RMB'000
Net cash flows generated from operating activities	**36,411,188**	26,075,793
Net cash flows used in investing activities	**(6,507,217)**	(10,213,499)
Net cash flows used in financing activities	**(17,652,015)**	(17,372,755)
Exchange differences on cash and cash equivalents	**(1,463)**	(58,472)
Net increase/(decrease) in cash and cash equivalents	**12,250,493**	(1,568,933)

(b) The list of the principal subsidiaries at December 31, 2019 is disclosed in Note 40.

11 INVESTMENTS IN JOINT VENTURES

	For the year ended December 31, 2019 RMB'000	For the year ended December 31, 2018 RMB'000
At January 1	**11,873,994**	11,403,120
New investments	**85,000**	–
Disposals	**(10)**	–
Share of (loss)/profit for the year	**(765,001)**	492,962
Share of other comprehensive loss for the year	**(495)**	–
Share of total comprehensive (loss)/income for the year	**(765,496)**	492,962
Dividends received or receivable	**(386,050)**	(22,088)
At December 31	**10,807,438**	11,873,994

Notes:

(a) None of the joint ventures are considered individually material as at December 31, 2019.

(b) 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, 2019 RMB'000	As at December 31, 2018 RMB'000
Aggregate carrying amount of the net assets	**22,459,321**	24,437,120
Aggregate amount of the Group's share thereon	**10,807,438**	11,873,994

	For the year ended December 31, 2019 RMB'000	For the year ended December 31, 2018 RMB'000
Aggregate total comprehensive (loss)/income	**(1,180,680)**	1,340,797
Aggregate amount of the Group's share of total comprehensive (loss)/income	**(765,496)**	492,962

(c) The list of the principal joint ventures at December 31, 2019 is disclosed in Note 40.

12 INVESTMENTS IN ASSOCIATES

	For the year ended December 31, 2019 RMB'000	2018 RMB'000
At January 1	**4,311,654**	3,221,516
New investments	**16,769**	33,000
Additional investments (note (a), (b), (c))	**538,494**	725,000
Disposals	**(2,085)**	–
Share of profit for the year	**460,091**	410,874
Share of other comprehensive income/(loss) for the year	**8,159**	(5,223)
Share of total comprehensive income for the year	**468,250**	405,651
Dividends received	**(36,372)**	(73,513)
At December 31	**5,296,710**	4,311,654

Notes:

(a) In 2018, Mercedes-Benz Leasing Co., Ltd. ("MBLC") increased its registered capital by RMB1,500,000,000 with RMB525,000,000 contributed by the Group.

In March and December 2019, MBLC further increased its registered capital by RMB700,000,000 and RMB500,000,000, with RMB245,000,000 and RMB175,000,000 contributed by the Group, respectively. The Group continues to hold 35% of equity interests in MBLC upon completion of above capital increases.

(b) In 2019, BAIC Automobile SA Proprietary Limited ("BAIC SA") increased its capital by US$75,420,000 with US$15,084,000 contributed by the Group. The Group continues to hold 20% of equity interests in BAIC SA upon completion of above capital increase.

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

(d) None of the associates are considered individually material as at December 31, 2019.

12 INVESTMENTS IN ASSOCIATES (CONTINUED)

Notes: (Continued)

(e) 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, 2019 RMB'000	As at December 31, 2018 RMB'000
Aggregate carrying amount of the net assets	15,839,404	13,087,363
Aggregate amount of the Group's share thereon	5,296,710	4,311,654

	For the year ended December 31, 2019 RMB'000	For the year ended December 31, 2018 RMB'000
Aggregate total comprehensive income	1,366,884	1,279,057
Aggregate amount of the Group's share of total comprehensive income	468,250	405,651

(f) The list of the principal associates at December 31, 2019 is disclosed in Note 40.

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	For the year ended December 31, 2019 RMB'000	For the year ended December 31, 2018 RMB'000
At January 1	1,742,729	2,355,239
Decrease in fair values	(463,334)	(612,510)
Disposals	(745)	–
At December 31	1,278,650	1,742,729

Notes:

Balance at December 31, 2019 represents 6.25% (December 31, 2018: 6.51%) equity interests in BAIC BluePark New Energy Technology Co., Ltd. ("BAIC BluePark") being held by BAIC Guangzhou Automotive Co., Ltd., a wholly-owned subsidiary of the Company. BAIC BluePark is listed on Shanghai Stock Exchange.

14 DEFERRED INCOME TAXES

	As at December 31, 2019 RMB'000	2018 RMB'000
Deferred income tax assets:		
– to be recovered after 12 months	2,894,551	2,205,181
– to be recovered within 12 months	7,645,907	5,720,420
	10,540,458	7,925,601
Deferred income tax liabilities:		
– to be settled after 12 months	(699,805)	(720,186)
– to be settled within 12 months	(31,510)	(37,820)
	(731,315)	(758,006)

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, 2019	327,006	6,300,307	1,298,288	7,925,601
Credited/(charged) to statement of comprehensive income	54,865	2,686,173	(126,181)	2,614,857
At December 31, 2019	381,871	8,986,480	1,172,107	10,540,458
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

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, 2019	**(37,820)**	**(720,186)**	**–**	**(758,006)**
Credited to statement of comprehensive income	**6,311**	**20,380**	**–**	**26,691**
At December 31, 2019	**(31,509)**	**(699,806)**	**–**	**(731,315)**
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)

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 approximately RMB28 billion (December 31, 2018: RMB22 billion) that can be carried forward against future taxable income as at December 31, 2019.

The unrecognized tax loss amounting to approximately RMB25 billion (December 31, 2018: RMB21 billion) can be carried forward for utilization in future included in which approximately RMB3 billion, RMB2 billion, RMB7 billion and RMB13 billion being expired in less than 1 year, 1-2 years, 2-5 years and 5-10 years respectively.

15 INVENTORIES

	As at December 31, 2019 RMB'000	As at December 31, 2018 RMB'000
Raw materials	**8,003,249**	7,363,687
Work in progress	**822,571**	715,129
Finished goods	**11,632,063**	11,165,440
	20,457,883	19,244,256
Less: provision for impairment (note (a))	**(533,280)**	(281,681)
	19,924,603	18,962,575

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, 2019 amounted to RMB104,762 million (2018: RMB99,336 million).

(c) As at December 31, 2019 and 2018, no inventories were pledged as collaterals.

16 ACCOUNTS RECEIVABLE

	As at December 31, 2019 RMB'000	As at December 31, 2018 RMB'000
Trade receivables, gross (note (a))	**19,704,235**	17,791,971
Less: provision for impairment	**(326,060)**	(125,591)
	19,378,175	17,666,380
Notes receivable (note (b)) measured at		
– FVOCI	**1,947,357**	4,179,986
– amortized cost	**261,103**	141,832
	21,586,635	21,988,198

16 ACCOUNTS RECEIVABLE (CONTINUED)

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,	
	2019 RMB'000	2018 RMB'000
Current to 1 year	12,495,150	12,798,972
1 to 2 years	3,743,552	1,758,269
2 to 3 years	1,370,803	3,160,637
Over 3 years	2,094,730	74,093
	19,704,235	17,791,971

Movements on the provision for impairment on trade receivables are as follows:

	For the year ended December 31,	
	2019 RMB'000	2018 RMB'000
As at January 1	125,591	49,286
Provision for impairment recognized during the year	200,469	76,305
As at December 31	326,060	125,591

(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,	
	2019 RMB'000	2018 RMB'000
Pledged notes receivable	1,655,008	2,786,005

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,	
	2019 RMB'000	2018 RMB'000
Deductible value-added tax and prepaid consumption tax	**4,035,806**	3,002,272
Receivable from disposals of property, plant and equipment	**453,997**	527,761
Receivable from sales of raw materials	**617,347**	575,774
Service fees	**80,379**	82,476
Deposits	**7,300**	16,787
Dividend receivable from a joint venture	**14,000**	–
Others	**132,005**	117,798
	5,340,834	4,322,868
Less: provision for impairment	**(303,144)**	(190,290)
	5,037,690	4,132,578

Movements on the provision for impairment on other receivables are as follows:

	For the year ended December 31	
	2019 RMB'000	2018 RMB'000
As at January 1	**190,290**	133,554
Provision for impairment recognized during the year	**112,854**	56,736
As at December 31	**303,144**	190,290

19 RESTRICTED CASH

	As at December 31,	
	2019 RMB'000	2018 RMB'000
Pledged deposits (note (a))	**1,578,104**	820,174
Term deposits with initial term of over three months (note (b))	**300,000**	–
	1,878,104	820,174

Notes:

(a) Pledged deposits are maintained with banks mainly for issuance of notes payable. They earn interests at annual rates ranging from 0.30% to 1.38% in 2019 (2018: 0.30% to 1.35%).

(b) These term deposits earn interests at annual rate of 4.12%.

20 CASH AND CASH EQUIVALENTS

	As at December 31, 2019 RMB'000	2018 RMB'000
Cash at bank and on hand	16,727,935	11,148,878
Short-term deposits	32,594,564	24,241,005
	49,322,499	35,389,883

Notes:

(a) As at December 31, 2019, cash and cash equivalents of RMB15,872,433,000 (December 31, 2018: RMB11,133,499,000) 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, 2019, approximately 99% (December 31, 2018: 99%) 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, 2018	7,595,338	7,595,338
Additions (note (a))	420,000	420,000
At December 31, 2018	8,015,338	8,015,338
At January 1, 2019 and December 31, 2019	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))	Financial assets at FVOCI RMB'000	Cash flow hedges RMB'000	Currency translation differences RMB'000	Others RMB'000	Total RMB'000
At January 1, 2019	17,975,223	3,023,465	21,169	27,303	(5,582)	–	21,041,578
Other comprehensive income/(loss)							
Loss on cash flow hedges	–	–	–	(19,267)	–	–	(19,267)
Share of other comprehensive (loss)/income of investments accounted for using the equity method	–	–	–	(495)	9,314	(1,155)	7,664
Currency translation differences	–	–	–	–	218	–	218
Changes in fair value of financial assets at FVOCI	–	–	(463,334)	–	–	–	(463,334)
Transactions with owners							
Appropriation to reserve fund	–	426,588	–	–	–	–	426,588
Others	14,684	–	255	–	–	–	14,939
At December 31, 2019	17,989,907	3,450,053	(441,910)	7,541	3,950	(1,155)	21,008,386
At January 1, 2018	15,742,154	2,691,881	538,627	10,565	(844)	–	18,982,383
Other comprehensive income/(loss)							
Gain 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	21,169	27,303	(5,582)	–	21,041,578

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,	
	2019 RMB'000	2018 RMB'000
Non-current		
Borrowings from financial institutions (note (a))	**1,448,103**	4,815,733
Corporate bonds (note (b))	**8,094,615**	10,091,549
	9,542,718	14,907,282
Current		
Borrowings from financial institutions (note (a))	**4,808,866**	6,690,287
Add: current portion of non-current borrowings from financial institutions	**3,712,396**	266,480
Corporate bonds (note(b))	**5,498,237**	1,999,193
	14,019,499	8,955,960
Total borrowings	**23,562,217**	23,863,242

24 BORROWINGS (CONTINUED)

Maturity of borrowings

	As at December 31, 2019 RMB'000	As at December 31, 2018 RMB'000
Current to 1 year	**14,019,499**	8,955,960
1 to 2 years	**3,489,683**	6,163,302
2 to 5 years	**6,053,035**	6,445,811
Over 5 years	**–**	2,298,169
	23,562,217	23,863,242

Contractual repricing dates upon interest rate changes

	As at December 31, 2019 RMB'000	As at December 31, 2018 RMB'000
Within 6 months	**4,887,866**	7,667,149
6 to 12 months	**932,260**	2,067,180
	5,820,126	9,734,329

Weighted average annual interest rates

	As at December 31, 2019	As at December 31, 2018
Borrowings from financial institutions	**3.43%**	3.54%
Corporate bonds	**3.87%**	4.17%

Currency denomination

	As at December 31, 2019 RMB'000	As at December 31, 2018 RMB'000
RMB	**21,394,323**	21,880,423
Euro	**1,856,780**	1,982,819
US$	**311,114**	–
	23,562,217	23,863,242

24 BORROWINGS (CONTINUED)

Undrawn facilities at floating rates

	As at December 31, 2019 RMB'000	As at December 31, 2018 RMB'000
Within 1 year	**10,304,111**	18,218,064
Over 1 year	**5,147,830**	5,500,724
	15,451,941	23,718,788

Notes:

(a) Balances at December 31, 2019 include borrowings of RMB2,120 million (December 31, 2018: RMB1,746 million) obtained from BAIC Finance, an associate of the Group. The remaining balances were obtained from banks.

(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, 2019					
BAIC Investment	**December 10, 2015**	**3.60%**	**1,500,000**	**1,499,391**	**5 years**
BAIC Investment	**March 17, 2016**	**3.15%**	**1,500,000**	**1,499,232**	**5 years**
BAIC Investment	**January 20, 2017**	**4.29%**	**800,000**	**799,643**	**7 years**
The Company	**September 10, 2014**	**5.74%**	**400,000**	**399,400**	**7 years**
The Company	**September 22, 2014**	**5.54%**	**300,000**	**299,550**	**7 years**
The Company	**September 22, 2014**	**5.54%**	**300,000**	**299,550**	**7 years**
The Company	**February 12, 2015**	**4.68%**	**500,000**	**499,941**	**5 years**
The Company	**April 22, 2016**	**3.45%**	**2,500,000**	**2,498,773**	**7 years**
The Company	**July 4, 2017**	**4.72%**	**2,300,000**	**2,298,467**	**7 years**
The Company	**May 10, 2019**	**3.30%**	**2,000,000**	**1,999,786**	**270 days**
The Company	**October 11, 2019**	**2.40%**	**1,000,000**	**999,423**	**270 days**
The Company	**October 21, 2019**	**2.79%**	**500,000**	**499,696**	**270 days**
				13,592,852	
At December 31, 2018					
BAIC Investment	December 10, 2015	3.60%	1,500,000	1,498,769	5 years
BAIC Investment	March 17, 2016	3.15%	1,500,000	1,498,618	5 years
BAIC Investment	January 20, 2017	4.29%	800,000	799,564	7 years
The Company	September 10, 2014	5.74%	400,000	399,400	7 years
The Company	September 22, 2014	5.54%	300,000	299,550	7 years
The Company	September 22, 2014	5.54%	300,000	299,550	7 years
The Company	February 12, 2015	4.68%	500,000	499,500	5 years
The Company	April 22, 2016	3.45%	2,500,000	2,498,429	7 years
The Company	July 4, 2017	4.72%	2,300,000	2,298,169	7 years
The Company	August 15, 2018	3.60%	2,000,000	1,999,193	270 days
				12,090,742	

(c) As at December 31, 2019, all borrowings were unsecured (December 31, 2018: unsecured except for bank borrowings of RMB100,000,000 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,	
	2019 RMB'000	2018 RMB'000
Current	**2,126,249**	1,821,838
Non-current	**2,507,635**	2,620,030
Total	**4,633,884**	4,441,868

Movements of warranty provisions are as follows:

	For the year ended December 31,	
	2019 RMB'000	2018 RMB'000
At January 1	**4,441,868**	4,339,928
Additions	**1,697,961**	1,071,834
Amortization of discount on non-current provisions (Note 33)	**236,633**	202,072
Payments	**(1,742,578)**	(1,171,966)
At December 31	**4,633,884**	4,441,868

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 are as follows:

	For the year ended December 31,	
	2019 RMB'000	2018 RMB'000
At January 1	**4,084,833**	4,157,716
Additions	**930,685**	899,677
Decreases	**(1,528,256)**	(972,560)
At December 31	**3,487,262**	4,084,833

27 ACCOUNTS PAYABLE

	As at December 31, 2019 RMB'000	As at December 31, 2018 RMB'000
Trade payables	**37,218,453**	29,746,240
Notes payable	**7,488,997**	8,886,693
	44,707,450	38,632,933

Aging analysis of trade payables is as follows:

	As at December 31, 2019 RMB'000	As at December 31, 2018 RMB'000
Current to 1 year	**36,670,037**	29,723,797
1 to 2 years	**537,658**	13,597
2 to 3 years	**4,895**	2,797
Over 3 years	**5,863**	6,049
	37,218,453	29,746,240

28 CONTRACT LIABILITIES

The balance represents unsatisfied performance obligations at the end of the period which include advances from customers consisting primarily of prepayment received from the dealers for sale of vehicles.

	For the year ended December 31, 2019 RMB'000	For the year ended December 31, 2018 RMB'000
Revenue recognized that was included in the contract liabilities balance at the beginning of the year	**225,652**	403,275

29 OTHER PAYABLES AND ACCRUALS

	As at December 31,	
	2019 RMB'000	2018 RMB'000
Sales discounts and rebates	17,658,968	8,856,166
Other taxes payable	3,569,233	3,929,019
Payable for general operations	2,892,069	3,430,645
Payables for property, plant and equipment and intangible assets	3,917,138	3,130,033
Payable for services	3,325,398	2,929,696
Advertising and promotion	2,602,469	2,701,719
Wages, salaries and other employee benefits	1,303,541	1,136,396
Payables for transportation and warehouse expenses	1,258,278	1,123,783
Dividends payable	533,596	533,596
Interests payable		
– perpetual bond	112,000	112,000
– other borrowings	287,831	266,876
Derivative financial instruments (note (a))	48,950	180,391
Deposits	60,344	116,936
Others	454,421	341,810
	38,024,236	28,789,066

Note:

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

30 OTHER GAINS, NET

	For the year ended December 31,	
	2019 RMB'000	2018 RMB'000
Government grants (note (a))	2,356,742	1,313,550
Gain from sales of scrap materials	199,357	104,184
Loss on disposals of property, plant and equipment and intangible assets	(88,354)	(64,651)
Loss on forward foreign exchange contracts with fair value through profit or loss	(591,450)	(819,266)
Foreign exchange (losses)/gains	(110,825)	133,727
Others	795	(44,496)
	1,766,265	623,048

Note:

(a) In December 2019, the Company received government grants amounting to RMB2,000,000,000 relating to certain strategic restructure project within the Group for product improvements.

31 EXPENSES BY NATURE

	For the year ended December 31, 2019 RMB'000	2018 RMB'000
Changes in inventories of finished goods and work in progress	574,065	1,356,182
Raw materials and consumables used	119,668,809	98,330,845
Service fees and charges	7,984,257	7,465,758
Depreciation and amortization (Notes 7, 8, 9)	7,441,615	7,144,950
Employee benefit costs (Note 32)	5,143,854	5,087,637
Taxes and levies	4,732,280	4,856,789
Advertising and promotion	2,143,067	2,506,611
Transportation and warehouse expenses	3,605,787	2,290,503
Daily operating expenses	1,545,704	1,428,661
Provision for impairment on non-financial assets	349,596	704,202
Warranty expenses	481,820	526,312
Auditor's remuneration- audit services	8,038	8,745
Others	723,036	75,153
Total cost of sales, selling and distribution expenses, and general and administrative expenses	154,401,928	131,782,348

32 EMPLOYEE BENEFIT COSTS

	For the year ended December 31, 2019 RMB'000	2018 RMB'000
Wages and salaries	3,652,536	3,679,351
Pension scheme and other social security costs	502,822	561,562
Welfare, medical and other expenses	677,979	549,895
Housing benefits	310,517	296,829
	5,143,854	5,087,637

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 (2018: Nil) or supervisor (2018: Nil) for the year ended December 31, 2019. The directors' and supervisors' emoluments are reflected in the analysis shown in Note 42. The emoluments payable to the five (2018: five) highest individuals are as follows:

	For the year ended December 31, 2019 RMB'000	For the year ended December 31, 2018 RMB'000
Salaries, allowances and other benefits	**15,921**	15,827
Employer's contribution to pension scheme	**374**	284
	16,295	16,111

The emoluments of the individuals fell within the following bands:

	For the year ended December 31, 2019 Number of individuals	For the year ended December 31, 2018 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 (2018: Nil).

33 FINANCE COSTS, NET

	For the year ended December 31, 2019 RMB'000	2018 RMB'000
Finance income		
Interest income on deposits in financial institutions	**884,190**	760,930
Finance costs		
Interest expense on borrowings from financial institutions	**404,241**	690,377
Interest expense on corporate bonds	**562,032**	515,108
Interest expense on lease liabilities (Note 7(c)(ii))	**1,405**	–
Amortization of discount on non-current provisions (Note 25)	**236,633**	202,072
	1,204,311	1,407,557
Less: amounts capitalized in qualifying assets (Notes 7(b), 9(b))	**(255,721)**	(289,600)
	948,590	1,117,957
Finance costs, net	**64,400**	357,027

34 INCOME TAX EXPENSE

	For the year ended December 31, 2019 RMB'000	2018 RMB'000
Current income tax	**9,620,275**	7,829,027
Deferred income tax credit	**(2,628,956)**	(925,502)
	6,991,319	6,903,525

According to the New and High-Technology Enterprise Certificate issued by relevant government regulatory bodies, certain entities of the Group in the PRC were recognized as new and high-technology enterprises with preferential income tax rate of 15%. Further some Group entities in the PRC are recognized as small and low-profit enterprises with preferential income tax treatments effective from 2019.

34 INCOME TAX EXPENSE (CONTINUED)

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, 2019 and 2018 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,	
	2019 RMB'000	2018 RMB'000
Profit before income tax	**21,314,426**	21,174,858
Tax calculated at the statutory tax rate of 25%	**5,328,606**	5,293,715
Preferential tax rates on profit or loss	**515,555**	506,123
Impact on share of results of investments accounted for using equity method	**150,260**	(225,959)
Income not subject to tax	**(3,471)**	(3,274)
Expenses not deductible for tax purposes	**13,811**	148,697
Tax losses/deductible temporary differences for which no deferred tax was recognized	**1,052,501**	1,223,727
Additional deduction on research and development expenses	**(65,960)**	(40,351)
Others	**17**	847
Tax charge	**6,991,319**	6,903,525

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,	
	2019 RMB'000	2018 RMB'000
Profit attributable to ordinary shareholders of the Company (note (a))	**3,970,698**	4,317,465
Weighted average number of ordinary shares in issue (thousands)	**8,015,338**	7,875,338
Earnings per share for profit attributable to ordinary shareholders of the Company for the year (RMB)	**0.50**	0.55

Notes:

(a) For the year ended December 31, 2019, the profit attributable to equity holders of the Company amounted to RMB4,082,698,000 (2018: RMB4,429,465,000), including the profit attributable to ordinary shareholders and perpetual bond holders of approximately RMB3,970,698,000 and RMB112,000,000 (2018: RMB4,317,465,000 and RMB112,000,000), respectively.

(b) During the years ended December 31, 2019 and 2018, 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,	
	2019 RMB'000	2018 RMB'000
Proposed final dividend of RMB0.17 per share (2018: RMB0.19 per share) (note (a))	**1,362,607**	1,522,914

Note:

(a) The Board of Directors proposes that the Company distributes a final dividend for the year 2019 of RMB0.17 per share (tax inclusive). The proposal will be submitted to the Company's 2019 annual general meeting for consideration and approval. This 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, 2020.

The final dividend of approximately RMB1,522,914,000 (RMB0.19 per share) relating to the year ended December 31, 2018 was approved by the shareholders at the annual general meeting held in June 2019 and paid in September 2019.

37 CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Cash generated from operations

	For the year ended December 31, 2019 RMB'000	2018 RMB'000
Profit before income tax	**21,314,426**	21,174,858
Adjustments for:		
Share of loss/(profit) of investments accounted for using equity method	**304,910**	(903,836)
Loss on disposals of non-current assets	**88,364**	64,651
Depreciation and amortization	**7,441,615**	7,144,950
Provision for impairment on non-financial assets	**349,596**	704,202
Net impairment losses on financial assets	**313,323**	133,041
Foreign exchange gains	**(22,697)**	(64,179)
Finance costs, net	**64,400**	357,027
Amortization of deferred income	**(303,004)**	(289,964)
	29,550,933	28,320,750
Changes in working capital:		
– Inventories	**(1,223,813)**	(2,341,973)
– Accounts receivable	**361,094**	(2,182,389)
– Advances to suppliers, other receivables and prepayments	**(551,038)**	1,017,552
– Accounts payable	**5,991,179**	2,958,537
– Contract liabilities, other payables and accruals	**9,157,291**	4,057,005
– Provisions	**192,015**	(100,133)
Cash generated from operations	**43,477,661**	31,729,349

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

	For the year ended December 31, 2019 RMB'000	2018 RMB'000
Net book amounts disposed	**273,406**	618,720
Loss on disposals	**(88,354)**	(64,651)
Change in related receivables	**(86,236)**	(553,732)
Cash proceeds	**98,816**	337

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, 2019 RMB'000	As at December 31, 2018 RMB'000
Cash and cash equivalents	**49,322,499**	35,389,883
Borrowings – repayable within one year	**(14,019,499)**	(8,955,960)
Borrowings – repayable after one year	**(9,542,718)**	(14,907,282)
Lease liabilities	**(49,591)**	–
	25,710,691	11,526,641
Cash and cash equivalents	**49,322,499**	35,389,883
Gross debt – fixed interest rates	**(17,791,682)**	(14,828,913)
Gross debt – variable interest rates	**(5,820,126)**	(9,034,329)
	25,710,691	11,526,641

	Cash and cash equivalents RMB'000	Liabilities arising from financing activities: Borrowings due within 1 year RMB'000	Borrowings due after 1 year RMB'000	Lease liabilities RMB'000	Total RMB'000
As at January 1, 2019	**35,389,883**	**(8,955,960)**	**(14,907,282)**	**(13,144)**	**11,513,497**
Cash flows	**13,909,700**	**(5,057,199)**	**5,364,564**	**(19,865)**	**14,197,200**
Addition of leases	**–**	**–**	**–**	**(16,582)**	**(16,582)**
Foreign exchange adjustments	**22,916**	**(6,340)**	**–**	**–**	**16,576**
As at December 31, 2019	**49,322,499**	**(14,019,499)**	**(9,542,718)**	**(49,591)**	**25,710,691**
As at January 1, 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 December 31, 2018	35,389,883	(8,955,960)	(14,907,282)	–	11,526,641

38 COMMITMENTS

(a) Capital commitments

The Group has the following capital commitments for property, plant and equipment not provided for as at December 31, 2019 and 2018 respectively.

	As at December 31,	
	2019 RMB'000	2018 RMB'000
Contracted but not provided for	**13,714,867**	10,540,926
Authorized but not contracted for	**3,400,293**	3,703,094

(b) Lease commitments

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

	As at December 31,	
	2019 RMB'000	2018 RMB'000
Up to 1 year	**387**	121,930
1 to 5 years	**–**	7,963
	387	129,893

From January 1, 2019, the Group has recognized right-of-use assets and lease liabilities for leases, except for short-term and low-value leases, see Note 7 (c) for further information.

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, and as a result related parties of the Group include BAIC Group, other entities and corporations in which BAIC Group is able to control or exercise significant influence, and key management personnels of the Company and BAIC Group, as well as their close family members.

BAIC Group is 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"). Apart from transactions with abovementioned related parties, the Group has transactions with other government-related entities which are conducted in the ordinary course of the Group's business on terms comparable to those with non-government-related entities. 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, 2019 and 2018.

39 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant transactions with related parties

	For the year ended December 31, 2019 RMB'000	2018 RMB'000
Sale of goods and materials, property, plant and equipment and intangible assets to		
– immediate parent company	750	–
– fellow subsidiaries	23,595,327	16,955,101
– joint ventures	939,645	1,028,128
– other related companies	2,360,085	1,535,598
Services provided to		
– immediate parent company	–	192
– fellow subsidiaries	75,536	12,942
– joint ventures	1,085	–
– other related companies	327,845	206,279
Purchases of goods and materials from		
– fellow subsidiaries	17,897,669	13,961,508
– joint ventures	187,031	4,043
– other related companies	56,881,243	45,856,330
Services received from		
– immediate parent company	675,836	632,778
– fellow subsidiaries	2,421,687	2,582,728
– joint ventures	1,360,164	1,400,746
– other related companies	5,383,858	4,687,229
Lease expenses to		
– fellow subsidiaries	134,577	277,044
Interest income from		
– an associate	276,349	210,542
– an other related company	106	–
Interest expenses to		
– an associate	46,480	101,795
Key management compensations		
– salaries, allowances and other benefits	8,708	10,102
– employer's contributions to pension schemes	728	869
– discretionary bonuses	8,266	7,101

39 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant balances with related parties

	As at December 31, 2019 RMB'000	As at December 31, 2018 RMB'000
Assets		
Financial assets at FVOCI		
– a fellow subsidiary	1,275,650	1,738,729
Trade receivables		
– fellow subsidiaries	2,841,678	3,060,276
– joint ventures	103,504	142,948
– an associate	–	134,080
– other related companies	1,578,239	506,832
Notes receivables		
– fellow subsidiaries	261,989	942,870
– joint ventures	–	31,575
– other related companies	–	5,550
Advances to suppliers		
– fellow subsidiaries	195,275	197,678
– other related companies	732	85,757
Other receivables		
– fellow subsidiaries	607,781	827,455
– a joint venture	14,192	1,344
– an associate	68,424	64,718
– other related companies	366,343	216,903
Cash and cash equivalents		
– an associate (Note 20(a))	15,872,433	11,133,499
– an other related company	437	–

39 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant balances with related parties (Continued)

	As at December 31, 2019 RMB'000	As at December 31, 2018 RMB'000
Liabilities		
Trade payables		
– fellow subsidiaries	**8,995,524**	6,033,645
– a joint venture	**40,992**	257
– other related companies	**14,465,350**	12,836,316
Notes payable		
– fellow subsidiaries	**2,922,592**	5,829,054
– joint ventures	**198**	716
– other related companies	**445,330**	65,908
Contract liabilities		
– fellow subsidiaries	**7,566**	17,187
– an associate	**327**	327
– other related companies	**205**	460
Other payables		
– immediate parent company	**266,790**	587,311
– fellow subsidiaries	**1,303,443**	1,081,157
– joint ventures	**269,272**	524,543
– other related companies	**2,918,222**	2,075,139
Dividends payable to		
– other related companies	**533,596**	533,596
Borrowings from		
– an associate (Note 24(a))	**2,120,210**	1,745,680

40 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Company name	Place and date of establishment/ incorporation	Issued and paid-up capital (million)	Attributable equity interests	Principal activities
Subsidiaries*				
BAIC Guangzhou Automotive Co., Ltd.	The PRC August 18, 2000	RMB1,360	100%	Manufacture of passenger vehicles
BAIC Investment Co., Ltd.	The PRC June 28, 2002	RMB3,500	97.95%	Investment holding
Beijing Beinei Engine Parts and Components Co., Ltd.	The PRC September 2, 2003	RMB471	98.98%	Manufacture of auto parts
Beijing Benz Automotive Co., Ltd.	The PRC August 8, 2005	USD2,320	51%	Manufacture and sales of passenger vehicles
BAIC Hong Kong Investment Corp. Limited	Hong Kong 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
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	Euro287	35%	Manufacture and sales of passenger vehicles
Beijing Bai Das Auto System Co., Ltd.	The PRC June 27, 2011	USD41	50%	Manufacture and sales of automobile interior decoration parts
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

* All of the subsidiaries established in the PRC are limited liability companies. Beijing Benz is registered as a sino-foreign equity joint venture under the PRC law.

41 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at December 31, 2019 RMB'000	2018 RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	5,993,135	6,107,084
Land use rights	529,979	541,925
Intangible assets	9,034,796	9,234,403
Investments in subsidiaries	23,239,798	23,239,798
Investments accounted for using equity method	2,310,176	2,139,036
Financial assets at fair value through other comprehensive income	3,000	4,000
Other non-current assets	51,873	1,040
	41,162,757	41,267,286
Current assets		
Inventories	2,758,643	2,042,874
Accounts receivable	17,795,507	15,521,061
Advances to suppliers	76,188	215,028
Other receivables and prepayments	21,940,396	20,519,381
Restricted cash	458,366	420,072
Cash and cash equivalents	3,648,831	835,161
	46,677,931	39,553,577
Total assets	87,840,688	80,820,863

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

Balance sheet of the Company (Continued)

	As at December 31, 2019 RMB'000	2018 RMB'000
EQUITY		
Capital and reserves attributable to equity holders		
Share capital	8,015,338	8,015,338
Perpetual bond	1,998,160	1,998,160
Other reserves (note (a))	25,599,990	25,159,213
Retained earnings (note (a))	11,044,720	9,582,381
Total equity	46,658,208	44,755,092
LIABILITIES		
Non-current liabilities		
Borrowings	7,166,750	9,152,097
Provisions	28,838	23,967
Deferred income	388,064	394,322
	7,583,652	9,570,386
Current liabilities		
Accounts payable	16,683,034	12,405,596
Contract liabilities	942	942
Other payables and accruals	6,652,355	7,403,513
Current income tax liabilities	–	8,677
Borrowings	10,226,346	6,665,000
Provisions	36,151	11,657
	33,598,828	26,495,385
Total liabilities	41,182,480	36,065,771
Total equity and liabilities	87,840,688	80,820,863

The balance sheet of the Company was approved by the Board of Directors on March 26, 2020 and was signed on its behalf.

Xu Heyi, Director　　　　Chen Hongliang, Director

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

Balance sheet of the Company (Continued)

Note:

(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	Cash flow hedges RMB'000	Retained earnings RMB'000	Total RMB'000
At January 1, 2019	**22,819,328**	**2,339,885**	**–**	**–**	**9,582,381**	**34,741,594**
Profit for the year	**–**	**–**	**–**	**–**	**3,412,096**	**3,412,096**
Changes in fair value of financial assets at FVOCI	**–**	**–**	**(255)**	**–**	**–**	**(255)**
Share of other comprehensive loss of investments accounted for using the equity method	**–**	**–**	**–**	**(495)**	**–**	**(495)**
Appropriation to reserve fund	**–**	**426,588**	**–**	**–**	**(426,588)**	**–**
2018 final dividends	**–**	**–**	**–**	**–**	**(1,522,914)**	**(1,522,914)**
Others	**14,684**	**–**	**255**	**–**	**(255)**	**14,684**
At December 31, 2019	**22,834,012**	**2,766,473**	**–**	**(495)**	**11,044,720**	**36,644,710**
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)	–
2017 final dividends	–	–	–	–	(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

42 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS

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

For the year ended December 31, 2019

	Emoluments paid or receivable in respect of services as a director/supervisor						
	Salaries, allowances and estimated money value of other benefits RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Discretionary bonus[1] RMB'000	Housing allowance RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	Emoluments paid or receivable in respect of other services in connection with the management of the affairs of the Company or its subsidiary undertakings RMB'000	Total RMB'000
Executive director							
Chen Hongliang (陳宏良) (Chief Executive)	837	75	698	–	–	–	1,610
Non-executive director							
Xu Heyi (徐和誼)	–	–	–	–	–	–	–
Shang Yuanxian (尚元賢)	–	–	–	–	–	–	–
Yan Xiaolei (閆小雷)	–	–	–	–	–	–	–
Xie Wei (謝偉)	–	–	–	–	–	–	–
Qiu Yinfu (邱銀富)	–	–	–	–	–	–	–
Hubertus Troska (唐仕凱)	–	–	–	–	–	–	–
Bodo Uebber (于博)[2]	–	–	–	–	–	–	–
Jiao Ruifang (焦瑞芳)[3]	–	–	–	–	–	–	–
Jin Wei (金偉)[4]	–	–	–	–	–	–	–
Lei Hai (雷海)	–	–	–	–	–	–	–
Harald Emil Wilhelm[5]	–	–	–	–	–	–	–

42 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

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

For the year ended December 31, 2019 (Continued)

	Emoluments paid or receivable in respect of services as a director/supervisor						
	Salaries, allowances and estimated money value of other benefits RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Discretionary bonus[1] RMB'000	Housing allowance RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	Emoluments paid or receivable in respect of other services in connection with the management of the affairs of the Company or its subsidiary undertakings 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)[6]	–	–	361	–	–	–	361
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)[7]	–	–	–	–	–	–	–
Meng Meng(孟猛)	–	–	–	–	–	–	–
Li Shuangshuang (李雙雙)	546	50	974	–	–	–	1,570
Wang Bin (王彬)	733	67	470	–	–	–	1,270
Li Chengjun (李承軍)[8]	680	75	506	–	–	–	1,261
Qi Chunyu (齊春雨)[9]	–	–	–	–	–	–	–

Notes:

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

(2) Resigned in May 2019.

(3) Resigned in June 2019.

(4) Appointed in June 2019.

(5) Appointed in June 2019.

(6) Resigned in March 2019.

(7) Resigned in August 2019.

(8) Appointed in March 2019.

(9) Appointed in August 2019.

42 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

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

For the year ended December 31, 2018

	Emoluments paid or receivable in respect of services as a director/supervisor						
	Salaries, allowances and estimated money value of other benefits RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Discretionary bonus(1) RMB'000	Housing allowance RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	Emoluments paid or receivable in respect of other services in connection with the management of the affairs of the Company or its subsidiary undertakings 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)	–	–	–	–	–	–	–

42 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						
	Salaries, allowances and estimated money value of other benefits RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Discretionary bonus[1] RMB'000	Housing allowance RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	Emoluments paid or receivable in respect of other services in connection with the management of the affairs of the Company or its subsidiary undertakings 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 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

42 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.

(b) During the year ended December 31, 2019, 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 (2018: Nil).

(c) During the year ended December 31, 2019, 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 (2018: Nil).

(d) During the year ended December 31, 2019, no consideration was provided to or receivable by third parties for making available director/supervisor 's services (2018: Nil).

(e) There are no loans, quasi-loans or other dealings in favour of the director/supervisor, his controlled bodies corporate and connected entities (2018: 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 (2018: Nil).

43 EVENTS AFTER THE REPORTING PERIOD

(a) On January 8, 2020, the Company issued 2020 first tranche of corporate bonds in an amount of RMB600 million with a term of 3 years and annual coupon interest rate of 3.39%.

On March 10, 2020, the Company further issued 2020 first tranche of ultra-short-term bond in an amount of RMB1,500 million with a term of 269 days and annual coupon interest rate of 2.39%.

(b) On February 13, 2020, BAIC Investment, a subsidiary of the Company, entered into an agreement with BAIC Finance, pursuant to which BAIC Investment agreed to further contribute RMB500 million to the newly increased registered capital of BAIC Finance. BAIC Investment will continue to hold 20% of equity interests in BAIC Finance upon completion of this capital increase.

(c) On March 13, 2020, the Company and BAIC Group entered into an equity transfer agreement, pursuant to which the Company agreed to purchase, and BAIC Group agreed to dispose of 100% equity interest in BAIC International Development Co., Ltd. (“BAIC International”) and 24.78% equity interest in BAIC Yunnan Ruili Motor Co., Ltd. (“BAIC Ruili”) held by BAIC Group respectively, at a total cash consideration of approximately RMB80,593,623. Upon completion of the transaction, BAIC International will become a wholly-owned subsidiary and BAIC Ruili will become a non wholly-owned subsidiary of the Company.

These acquisitions are business combinations under common control given that the Company, BAIC International and BAIC Ruili are under common control of BAIC Group immediately before and after the business combinations. The Company will apply the principles of merger accounting in preparing its consolidated financial statements for the year ending December 31, 2020 which will also include the financial positions, results and cash flows of BAIC International and BAIC Ruili as if they had been combined with the Group throughout the whole year ending December 31, 2020. Comparative figures as at December 31, 2019 and for the year then ended will be re-presented on the same basis.

The impacts to the consolidated financial statements of the Company are not expected to be significant based on the latest financial information of BAIC International and BAIC Ruili.

(d) After the outbreak of Coronavirus Disease 2019 (“COVID-19 outbreak”) in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorized for issue, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

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	How our audit addressed the 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.	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	2018 RMB'000	2017 RMB'000
		For the year ended December 31	
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

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

		For the year ended December 31	
	Note	**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 RMB'000	2017 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 RMB'000	2017 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	As at December 31, 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	As at December 31, 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 RMB'000	2017 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 RMB'000	2017 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 RMB'000	2017 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 RMB'000	2017 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 RMB'000	2017 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 RMB'000	2017 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	2017
	RMB'000	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	2017
	RMB'000	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 RMB'000	As at December 31, 2017 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 RMB'000	**Borrowings due within 1 year** RMB'000	**Borrowings due after 1 year** RMB'000	**Total** 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 RMB'000	2017 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	2017
	RMB'000	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 RMB'000	2017 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						
	Salaries, allowances and estimated money value of other benefits RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Discretionary bonus[1] RMB'000	Housing allowance RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	Emoluments paid or receivable in respect of other services in connection with the management of the affairs of the Company or its subsidiary undertakings 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).

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