

BAIC INALFA HK INVESTMENT CO., LIMITED
(北汽英納法香港投資有限公司)
(incorporated in Hong Kong with limited liability)

€500,000,000 1.90 PER CENT. GUARANTEED NOTES DUE 2020
ISSUE PRICE: 99.261 PER CENT.
UNCONDITIONALLY AND IRREVOCABLY GUARANTEED BY



BEIJING AUTOMOTIVE GROUP CO., LTD.
(北京汽車集團有限公司)

(incorporated in the People's Republic of China with limited liability)

The €500,000,000 1.90 per cent. guaranteed notes due 2020 (the "Notes") will be issued by BAIC Inalfa HK Investment Co., Limited (the "Issuer") and are in registered form in the denominations of €100,000 and integral multiples of €1,000 in excess thereof. The Notes will be unconditionally and irrevocably guaranteed (the "Guarantee") by Beijing Automotive Group Co., Ltd. (the "Guarantor").

The Notes will bear interest at the rate of 1.90 per cent. per annum. Interest on the Notes is payable in arrear on 2 November in each year, commencing from 2 November 2016. Unless previously redeemed or purchased and cancelled, the Notes will mature at their principal amount on 2 November 2020.

The Notes constitute direct, unsubordinated, unconditional and, subject to Condition 4(a) of the Terms and Conditions of the Notes, unsecured obligations of the Issuer and shall at all times rank *pari passu* 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 of the Notes, at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.

The Guarantor will enter into a deed of guarantee (the "Deed of Guarantee") with The Bank of New York Mellon, London Branch (the "Trustee") as trustee of the Noteholders on or around 2 November 2015 (the "Issue Date"). The Guarantor will report or cause to be reported the relevant information in connection with the Notes to the National Development and Reform Commission (the "NDRC"), within 10 Registration Business Days after the Issue Date and in accordance with the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (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) promulgated by the NDRC effective from 14 September 2015 (the "Post-Issuance Reporting"). The Guarantor will file or cause to be filed with the Beijing Branch of the State Administration of Foreign Exchange ("SAFE") of the PRC the Deed of Guarantee in accordance with, and within the time period prescribed by, the Provisions on the Foreign Exchange Administration Rules on Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE. The Guarantor intends to complete the Post-Issuance Reporting with the NDRC and the registration of the Deed of Guarantee with SAFE as soon as practicable and in any event before the Registration Deadline (being 90 calendar days after the Issue Date). The obligations of the Guarantor under the Deed of Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Terms and Conditions of the Notes, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

The Notes are subject to redemption, in whole but not in part, at their principal amount, together with interest accrued up to, but excluding, the date of redemption, at the option of the Issuer at any time in the event of certain changes affecting taxes of the PRC or Hong Kong. Following the occurrence of a Relevant Event (as defined in the Terms and Conditions of the Notes), the holder of any Notes will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of such holder's Notes at 101 per cent. (in the case of a redemption for a Change of Control (as defined in the Terms and Conditions of the Notes)) or 100 per cent. (in the case of a redemption for a No Registration Event (as defined in the Terms and Conditions of the Notes)) of their principal amount (together with any interest accrued to the date fixed for redemption). See "Terms and Conditions of the Notes – Redemption and Purchase".

Investing in the Notes involves risks. See "Risk Factors" beginning on page 12 for a description of certain factors to be considered in connection with an investment in the Notes.

Moody's Investors Services ("Moody's") has assigned a corporate rating of "A3" to the Guarantor with a "stable" outlook. Standard & Poor's Rating Services, a division of McGraw-Hill Companies, Inc. ("S&P") and Fitch Ratings Inc. ("Fitch") have assigned a corporate rating of "A-" to the Guarantor with a "stable" outlook. The Notes are expected to be rated "A3" by Moody's, "A-" by S&P and "A-" by Fitch. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Application has been made to the Irish Stock Exchange plc (the "Irish Stock Exchange") for the Notes to be admitted to the Official List and traded on the Global Exchange Market which is the exchange regulated market of the Irish Stock Exchange. The Global Exchange Market is not a regulated market for the purposes of Directive 2004/39/EC. This offering circular (this "Offering Circular") constitutes Listing Particulars ("Listing Particulars") for the purpose of such application and has been approved by the Irish Stock Exchange.

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 outside the United States in offshore transactions 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."

The Notes will be represented by beneficial interests in the global certificate (the "Global Certificate") in registered form which will be registered in the name of a nominee of, and shall be deposited on or about 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.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

DBS Bank Ltd.

UBS

J.P. Morgan

Natixis

Bank of China

BOCOM HK Branch

CCB International

Joint Bookrunners and Joint Lead Managers

ICBC Singapore

Wing Lung Bank Limited

The date of this Offering Circular is 27 October 2015

This Offering Circular is being furnished by the Issuer and the Guarantor in connection with the 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 or distribute any information in this Offering Circular to any other person. The information contained in this Offering Circular has been provided by the Guarantor and other sources identified in this Offering Circular. 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 offered by this Offering Circular is prohibited. Each offeree of the Notes, by accepting delivery of this Offering Circular, agrees to the foregoing.

The Issuer and the Guarantor accept full responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer and the Guarantor having taken all reasonable care to ensure that such is the case, the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information. Each of the Issuer and the Guarantor, having made all 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 and the Guarantor's subsidiaries taken as a whole (together, the "**Group**"), the Notes and the Guarantee which is material in the context of the issue and offering of the Notes (including all information which, according to the particular nature of the Issuer, the Guarantor, the Group, the Notes and the Guarantee, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Guarantor, the Group and of the rights attaching to the Notes and the Guarantee), (ii) the statements contained in this Offering Circular relating to the Issuer, the Guarantor, the Group, the Notes and the Guarantee are in all material respects true and accurate and not misleading, (iii) the opinions and intentions relating to the Issuer, the Guarantor and the Group expressed in this Offering Circular are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, (iv) there are no other facts relating to the Issuer, the Guarantor, the Group, the Notes and the Guarantee the omission of which would, in the context of the issue and offering of the Notes and the giving of the Guarantee, make any statement in this Offering Circular, in light of the circumstances under which they were made, misleading, and (v) all reasonable enquiries have been 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 the United States, the United Kingdom, Japan, Singapore, the People's Republic of China and other relevant jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, DBS Bank Ltd., UBS AG, Hong Kong Branch, J.P. Morgan Securities plc, Natixis, Bank of China Limited, Bank of Communications Co., Ltd. Hong Kong Branch, CCB International Capital Limited, Industrial and Commercial Bank of China Limited Singapore Branch and Wing Lung Bank Limited (the "**Joint Lead Managers**"), the Trustee and the Agents (as defined in the "Terms and Conditions of the Notes") to inform themselves about and to observe any such restrictions. 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 offers, sales and re-sales of the Notes and the distribution of this Offering Circular, see "Subscription and Sale." This Offering Circular does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Notes in any jurisdiction in which such offer or solicitation would be unlawful. By purchasing the Notes, investors represent and agree to all of those provisions contained in the "Subscription and Sale."

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 Group, 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 Group, the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers or

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 the Group, 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.

No representation or warranty, express or implied, is made or given by the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers or affiliates 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, 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, the Agents or any of their respective directors, officers or affiliates. The Joint Lead Managers, the Trustee, the Agents and their respective directors, officers and affiliates have not independently verified any of the information contained in this Offering Circular and can give no assurance that this information is accurate, truthful or complete.

In connection with this offering of the Notes, each Joint Lead Manager and/or their respective affiliate(s) may act as an investor for its own account and may take up Notes in the offering and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Issuer or related investments and may offer or sell such securities or other investments otherwise than in connection with the offering of the Notes. 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 respective affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers or affiliates 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 Group or the issue and offering of the Notes. Each of the Joint Lead Managers, the Trustee, the Agents and their respective directors, officers and affiliates accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers or affiliates undertakes to review the financial condition or affairs of the Issuer, the Guarantor or the Group for so long as the Notes remain outstanding or the Guarantee is effective 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 directors, officers or affiliates.

The Notes and the Guarantee have not been and will not be registered with the Securities and Exchange Commission under the Securities Act or with any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the accuracy or adequacy of this Offering Circular. Any representation to the contrary is a criminal offense in the United States.

In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor and the Group and the terms of the offering of the Notes, including the merits and risks involved. See “Risk Factors – Risks Relating to the Notes and the Guarantee.” Investors are advised to read and understand the contents of this Offering Circular before investing and consult their attorney and adviser if in doubt. The Issuer, the Guarantor, the Group, the Joint Lead Managers, the Trustee, the Agents and their respective directors, officers and affiliates are not making any representation to any purchaser of Notes regarding the legality of any investment in the Notes by such purchaser under any legal investment or similar 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 the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers or affiliates in connection with its investigation of the accuracy of such information or its investment decision.

IN CONNECTION WITH THE ISSUE OF THE NOTES, ANY OF THE JOINT LEAD MANAGERS APPOINTED AS THE STABILISING MANAGER (THE “**STABILISING MANAGER**”) (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND DIRECTIVES, OVER-ALLOT THE NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. 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 OFFER OF THE NOTES IS MADE AND SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME BUT IT MUST BE BROUGHT TO AN END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF ALLOTMENT OF THE NOTES.

INDUSTRY AND MARKET DATA

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although the Issuer and the Guarantor believe this information to be reliable, it has not been independently verified by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents or their respective directors, officers or affiliates, and none of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents or their respective directors, officers or affiliates makes any representation as to the accuracy or completeness of that information. 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.

PRESENTATION OF FINANCIAL INFORMATION

The audited consolidated financial information of the Guarantor as at and for the years ended 31 December 2013 and 2014 included in this Offering Circular has been extracted from the Guarantor’s consolidated financial statements as at and for the years ended 31 December 2013 and 2014, which were prepared and presented in accordance with the accounting principles generally accepted in, and pursuant to the relevant laws of, the PRC (the “**PRC GAAP**”) included elsewhere in this Offering Circular. The Guarantor’s consolidated financial statements have been audited by Grant Thornton China Certified Public Accountants Co., Ltd (“**Grant Thornton**”) in accordance with the Chinese Auditing Standards issued by the Chinese Institute of Certified Public Accountants. The PRC GAAP differs in certain material respects from International Financial Reporting Standards (“**IFRS**”). For a discussion of certain differences between the PRC GAAP and IFRS, see “Summary of Certain Material Differences between the PRC GAAP and IFRS.”

The Guarantor’s consolidated financial information as at and for the year ended 31 December 2013 has been restated in its consolidated financial statements as at and for the year ended 31 December 2014 (the “**2014 Audited Financial Statements**”) to (i) reflect certain changes to PRC GAAP which became effective on 1 July 2014 in order that it be comparable to the Guarantor’s consolidated financial information as at and for the year ended 31 December 2014 (the “**Relevant Adjustments**”) and (ii) rectify certain errors in the Guarantor’s consolidated financial statements as at and for the year ended 31 December 2013. See note 5 to the Guarantor’s 2014 Consolidated Financial Statements beginning on F-106. The Guarantor’s consolidated financial information as at and for the year ended 31 December 2012 and 2013 contained in the Guarantor’s audited consolidated financial statements as at and for the year ended 31 December 2013 (the “**2013 Audited Financial Statements**”) has not been revised to reflect the Relevant Adjustments. Therefore the Guarantor’s consolidated financial information as at and for the year ended 31 December 2012 and 2013, which are contained in the 2013 Audited Financial Statements, are not directly comparable to the Guarantor’s adjusted consolidated financial information as at and for the year ended 31 December 2013 and the Guarantor’s consolidated financial information as at and for the year ended 2014, both of which are contained in the 2014 Audited Financial Statements.

In addition, Beijing Benz's financial statements have been consolidated into the Group since 18 November 2013 according to the Guarantor's accounting policies due to the acquisition of a controlling interest in Beijing Benz by the Guarantor. As such, the Guarantor's consolidated financial information in 2013 or any period prior to 18 November 2013 in 2013 is not directly comparable with its consolidated financial information in 2014 or the corresponding period in 2014.

Potential investors must exercise caution when using the consolidated financial information of the Guarantor to evaluate its financial performance. See "Risk Factors – Risks Relating to the Group's Business – The Group's historical financial information is not directly comparable with its financial information in 2014 and beyond".

The audited consolidated financial statements of the Guarantor have not been prepared in accordance with the international accounting standards adopted pursuant to the procedure of Article 3 of Regulation (EC) No. 1606/2002. There may be material differences in the financial information had Regulation (EC) No. 1606/2002 been applied to the historical financial information of the Guarantor.

The unaudited consolidated financial information of the Guarantor as at and for the six months ended 30 June 2014 and 2015 included in this Offering Circular has been extracted from the Guarantor's unaudited interim consolidated financial statements as at and for the six months ended 30 June 2015, which were prepared in accordance with the PRC GAAP and included elsewhere in this Offering Circular. The Guarantor's interim consolidated financial statements have been reviewed by Grant Thornton in accordance with the Review Standard for Chinese Certified Public Accountants No. 2101 Review of Financial Statements.

The consolidated financial statements of the Guarantor have been prepared in Chinese and an English translation of the consolidated financial statements has been prepared and included in this Offering Circular for reference only. None of the Joint Lead Managers or their respective affiliates, directors, employees and advisers has independently verified or checked the accuracy of such translation and can give no assurance that the information contained in such translation is accurate, truthful or complete.

CERTAIN DEFINITIONS AND CONVENTIONS

Unless the context otherwise requires, references in this Offering Circular to "**Renminbi**" and "**RMB**" are to the lawful currency of the PRC, "**U.S. dollars**" and "**US\$**" are to the lawful currency of the United States of America, "**Hong Kong dollars**" and "**HK\$**" are to the lawful currency of Hong Kong, "**Euro**" and "**€**" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended, the "**PRC**" or "**China**" means the People's Republic of China which for the purpose of this Offering Circular excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan, "**Hong Kong**" means the Hong Kong Special Administrative Region of the PRC, and "**Macau**" means the Macau Special Administrative Region of the PRC.

In this Offering Circular, references to “**aggregate sales volume**” are to the sum of the sales volume of the Group and the total sales volumes of the joint venture companies in which the Group holds, directly or indirectly, at least 20 per cent. but not more than 50 per cent. of the issued share capital.

In this Offering Circular, where information has been presented in thousands, millions, or billions of units, amounts may have been rounded up or down. 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 “**2013**” and “**2014**” in this Offering Circular are to the Guarantor’s financial years ended 31 December 2013 and 2014, respectively.

Solely for convenience, this Offering Circular contains translations of certain Renminbi and Euro amounts into U.S. dollar amounts. Unless indicated otherwise, the translation of Renminbi amounts into U.S. dollar amounts has been made at the rate of RMB6.3556 to US\$1.00, the exchange rate set forth in the H.10 statistical release of the Federal Reserve Bank of New York on 30 September 2015; the translation of Euro amounts into U.S. dollar amounts has been made at the rate of €1.00 to US\$1.1162, the exchange rate set forth in the H.10 statistical release of the Federal Reserve Bank of New York on 30 September 2015. These translations should not be construed as representations that the Renminbi amounts could actually be converted into any U.S. dollar amounts at the rates indicated or at all. See “Exchange Rate Information.”

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 and the Group’s future financial position and results of operations, strategies, plans, objectives, goals and targets, future developments in the markets where the Guarantor or the Group participates or is seeking to participate, and any statements preceded by, followed by or that include the words “believe,” “expect,” “aim,” “intend,” “will,” “may,” “anticipate,” “seek,” “should,” “estimate” or similar expressions or the negative thereof, are forward- looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond the Guarantor’s or the Group’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 Guarantor’s and the Group’s present and future business strategies and the environment in which the Guarantor or the Group will operate in the future. Important factors that could cause the Guarantor’s or the Group’s actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- business prospects and business opportunities that the Group may pursue;
- the Guarantor’s ability to successfully implement its business plans and strategies;
- future developments, trends and conditions of the automotive industry in China;
- the Group’s future financial condition, performance and capital expenditure plans;
- changes in the competition landscape and conditions and the Group’s ability to compete under these conditions;

- performance of the obligations and commitments of the Group's joint venture partners under existing and future joint venture agreements;
- changes in political, economic, legal and social conditions in China, including the PRC government's specific policies which affect the Group's operations;
- changes or volatility in interest rates, foreign exchange rates, equity prices or commodity prices, including those pertaining to the PRC and the industry and markets in which the Group operates;
- macroeconomic measures taken by the PRC government to manage economic growth; and
- changes in the global economic conditions and material volatility in the global financial markets.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed in "Risk Factors" and elsewhere in this Offering Circular. The Issuer and the Guarantor caution investors not to place undue reliance on these forward-looking statements which reflect their managements' view only as at the date of this Offering Circular. Neither the Issuer nor the Guarantor undertakes any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur.

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SUMMARY

The summary below is only intended to provide a very 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 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. The Group was one of the top five largest domestic automotive manufacturers in China in terms of aggregate sales volume in 2014 according to the China Association of Automobile Manufacturers (“CAAM”). It was ranked the 207th in the 2015 Edition of Fortune Global 500 compared to the 248th in 2014. Its brand name “北汽” was ranked the 19th among the “500 Most Valuable Corporate Brands in China 2015” by the World Brand Laboratory¹.

The Group’s business consists principally of the following segments:

- *Manufacturing and sales of complete vehicles.* The Group was the fifth largest automobile manufacturer in China in terms of aggregate sales volume, occupying 10.2 per cent. of China’s complete vehicle market in 2014 according to CAAM. The Group manufactures and sells a wide range of passenger vehicles and commercial vehicles mainly through Beijing Benz Automotive Co., Ltd. (“**Beijing Benz**”) (北京奔馳汽車有限公司), Beiqi Foton Motor Co., Ltd. (“**Beiqi Foton**”) (北汽福田汽車股份有限公司) and BAIC Motor Corporation Limited (“**BAIC Motor**”) (北京汽車股份有限公司), its key operating subsidiaries, and Beijing Hyundai Motor Co., Ltd (“**Beijing Hyundai**”) (北京現代汽車有限公司), a key joint venture company. For the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, the Group together with Beijing Hyundai sold 1,499,347 units, 1,845,766 units and 923,366 units, respectively of passenger vehicles and sold 664,714 units, 555,135 units and 263,480 units, respectively of commercial vehicles. The Group sells its products primarily in China. It also exports to more than 30 countries.
- *Manufacturing and sales of auto parts and accessories.* The Group manufactures a number of key auto parts and accessories, such as engines, powertrains, chassis products, auto electronic and electrical products and auto body products, primarily through Beijing Hainachuan Automotive Parts Co., Ltd (“**Hainachuan**”) (北京海納川汽車部件股份有限公司). These auto parts are supplied for its own auto production as well as to third-party auto manufacturers in China and other countries.
- *Complementary services relating to auto sales and after-sales.* The Group provides diverse services complementary to its auto sales business, such as used car sales, auto lease, insurance and financing. The Guarantor believes that provision of these services positions the Group well, enabling it to capture the growing business opportunities in the auto after-sales market, such as auto lease, insurance and financing.

The Group is considered as one of the most important state-owned enterprises in Beijing and 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. The Group is the single largest enterprise owned by the State-owned Assets Supervision and Administration Commission of People’s Government of Beijing

¹ The World Brand Laboratory is a leading independent consulting agency of brand valuation and marketing strategy in the world which was established in New York in 2003.

Municipality (“**Beijing SASAC**”) in terms of revenue and profit in 2014 and one of the largest taxpayers in Beijing. The Guarantor functions as the Group’s central agency for matters relating to planning and strategy, asset management, product development and human resources and is indirectly and wholly owned by Beijing SASAC. Leveraging its connection with the Beijing Municipal Government, the Group receives strong government support in the forms of capital injection, bulk purchase for major projects, government subsidies and favourable policies.

The Group’s diversified product portfolio covers substantially all the market segments of passenger, commercial and other vehicles as well as construction engineering. The Group markets and sells its passenger vehicles primarily under joint-venture brands “Beijing Benz” (北京奔馳) and “Beijing Hyundai” (北京現代) and its proprietary brands “BAIC Motor” (北京汽車), “BJEV” (北汽新能源), “BAW” (北汽制造) and “Changhe” (昌河). Its commercial vehicles are principally marketed and sold under its proprietary brand “Beiqi Foton” (北汽福田) and joint-venture brand “Foton Daimler” (福田戴姆勒). The Group’s engines for use in commercial vehicles are marketed under the brand “Foton Cummins” (福田康明斯) and its powertrain products are marketed under the proprietary brand “BAIC Motor”. After years of development, these brands have established strong market awareness in China and internationally.

The Group sells its products and provides services through its extensive distribution and after-sales service networks in China and globally. The Group’s customers of its vehicle products include government agencies, dealership network, auto lease companies and retail purchasers and its customers of auto parts include domestic and international automotive manufacturers and automotive components companies.

The Group has a proven track record of successful joint venturing with international partners including exclusive arrangements with renowned auto manufacturing partners (such as Daimler AG and Hyundai Motor) and accessories partners (such as Cummins Power Generation, Lear, Johnson Controls, Inergy, Visteon, Tenneco, BorgWarner, Hella), many of which are considered leaders in their respective fields. The Guarantor believes that these joint ventures create synergies and strong sales momentum from the joint venture brands which has contributed to the substantial growth of its business and sales over the past decades.

For the years ended 31 December 2013 and 2014 and the six months ended 30 June 2014 and 2015, the Group’s total revenue from operations was RMB63,924.8 million, RMB122,799.0 million, RMB56,609.9 million and RMB67,496.0 million, respectively. For the years ended 31 December 2013 and 2014 and the six months ended 30 June 2014 and 2015, the Group’s revenue from sales of complete vehicles, auto parts and accessories was RMB57,087.1 million, RMB103,021.2 million, RMB52,944.1 million, RMB62,611.4 million, respectively, which represented 89.3 per cent., 83.9 per cent., 93.5 per cent. and 92.8 per cent., respectively of the Group’s total revenue from operations. As at 30 June 2015, the Group had total assets of RMB210,511.1 million.

COMPETITIVE STRENGTHS

The Guarantor believes that its success and future prospects are attributable to the following competitive strengths:

- Strong business and financial support from the Beijing Municipal Government
- A leading automotive group with well-established brand awareness
- A diversified and balanced product portfolio
- Strong partnership and in-depth strategic cooperation with world-class vehicle, automotive and auto part manufacturers

- Extensive sales and service network coupled with diverse sales channels and marketing strategies
- A vertically integrated business model providing strong competitive advantages
- Industry-leading R&D capabilities
- Sound corporate governance implemented by a team of experienced and dedicated directors and senior management

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 maintain an industry-leading position as a national automotive manufacturer and explore prudent overseas expansion opportunities
- To become a market leader in the new energy vehicles market
- To further enhance the Group's expertise in independent R&D
- To continue developing proprietary brand vehicles, powertrain, and accessories
- To improve the Group's corporate, financial and business structure for greater efficiency and growth

RECENT DEVELOPMENTS

For the three months ended 30 September 2015, sales of the Group's complete vehicles, including commercial vehicles and passenger vehicles, decreased by less than five per cent. compared to the same period in 2014. The Guarantor believes that the decrease in its complete vehicle sales is principally attributable to the slowdown in China's economic development and an adverse change in the automotive industry in China in general.

In September 2015, Beijing SASAC increased the registered capital of the Guarantor by injecting an amount of RMB1.04 billion into the Guarantor.

GENERAL INFORMATION

The Guarantor was incorporated in the PRC with limited liability under the Company Law of the PRC on 30 June 1994. The registration number of the Guarantor is 110000005034385. Its registered office is located at No. 99, Shuanghe Street, Shunyi District, Beijing, PRC. The telephone number of its registered office is (86)-010-87664009.

The Issuer was incorporated in Hong Kong as a public company limited by shares on 17 September 2015 under the Companies Ordinance of Hong Kong (Chapter 622 of the Laws of Hong Kong). The company number of the Issuer is 2287398. The registered office of the Issuer is located at 13/F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Central, Hong Kong. The telephone number of the Issuer's registered office is (852)-3443-1000. The Guarantor beneficially owns 60 per cent. interest in the Issuer. The Issuer was incorporated solely for the purposes of issuing the Notes.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The summary consolidated financial information of the Guarantor as at and for the years ended 31 December 2013 and 2014 and the six months ended 30 June 2014 and 2015 as set out below is derived from the Guarantor's consolidated financial statements as at and for the year ended 31 December 2014 and the six months ended 30 June 2015, which have been prepared and presented in accordance with the PRC GAAP and included elsewhere in this Offering Circular. The Guarantor's consolidated financial statements as at and for the year ended 31 December 2014 have been audited by Grant Thornton in accordance with Chinese Auditing Standards issued by the Chinese Institute of Certified Public Accountants and its consolidated financial statements as at and for the six months ended 30 June 2015 have been reviewed but not audited by Grant Thornton in accordance with the Review Standard for Chinese Certified Public Accountants No. 2101 Review of Financial Statements. The PRC GAAP differs in certain material respects from IFRS. See "Summary of Certain Material Differences between the PRC GAAP and IFRS."

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 relevant consolidated financial statements of the Guarantor and the notes thereto included elsewhere in this Offering Circular. Historical results are not necessarily indicative of results that may be achieved in any future period.

The Guarantor's consolidated financial information as at and for the year ended 31 December 2013 has been restated in its consolidated financial statements as at and for the year ended 31 December 2014 to (i) reflect certain changes to PRC GAAP which became effective on 1 July 2014 in order that it be comparable to the Guarantor's consolidated financial information as at and for the year ended 31 December 2014 and (ii) rectify certain errors in the Guarantor's consolidated financial statements as at and for the year ended 31 December 2013. See note 5 to the Guarantor's Audited Consolidated Financial Statements for the Year ended 31 December 2014 beginning on F-106.

Beijing Benz's financial statements have been consolidated into the Group since 18 November 2013 according to the Guarantor's accounting policies due to the acquisition of a controlling interest in Beijing Benz by the Guarantor. As such, the Guarantor's consolidated financial information in 2013 or any period prior to 18 November 2013 in 2013 is not directly comparable with its consolidated financial information in 2014 or the corresponding period in 2014. Potential investors must exercise caution when using the consolidated financial information of the Guarantor to evaluate its financial condition and results of operations. See "Risk Factors – Risks Relating to the Group's Business – The Group's historical financial information is not directly comparable with its financial information in 2014 and beyond".

SUMMARY CONSOLIDATED INCOME STATEMENT DATA

	Year ended 31 December		Six months ended 30 June	
	2013	2014	2014	2015
	(restated)			
	(RMB in millions)			
Total revenue from operations	63,924.8	122,799.0	56,609.9	67,496.0
Total cost of operations	(68,954.2)	(126,093.2)	(57,789.0)	(67,573.0)
Cost of operations	(56,830.2)	(104,080.0)	(47,411.1)	(55,490.6)
Interest expense	(4.6)	(35.6)	(87.8)	(76.4)
Business tax and surcharge	(1,201.7)	(4,560.8)	(2,184.1)	(2,723.7)
Selling expenses	(3,987.8)	(7,612.8)	(3,720.4)	(4,445.0)
Administrative expenses	(5,220.3)	(8,046.0)	(3,405.0)	(3,926.5)
Finance expenses	(1,083.9)	(910.3)	(651.4)	(352.5)
Assets impairment losses	(625.7)	(847.8)	(329.2)	(558.3)
Others				
Investment gains	9,362.1	6,764.6	3,252.1	2,560.5
Gain/(loss) from change in fair value	(3.2)	32.9	1.4	230.2
Operating profit	4,329.6	3,503.2	2,074.3	2,713.7
Non-operating income	1,005.7	3,077.2	468.2	1,585.0
Non-operating expenses	(378.7)	(274.4)	(39.1)	(58.1)
Total profit	4,956.6	6,306.0	2,503.4	4,240.6
Income tax expenses	(703.3)	(977.8)	(460.6)	(946.3)
Net profit	4,253.3	5,328.2	2,042.8	3,294.4
Attributable to the equity holders of the parent company	2,280.3	1,726.3	576.4	818.3
Minority interests	1,973.0	3,601.9	1,466.4	2,476.0
Other comprehensive income			(58.0)	(2.7)
Total comprehensive income	4,295.2	5,211.7	1,984.8	3,291.6
Attributable to the equity holders of the parent company	2,322.2	1,609.8	518.4	815.6
Attributable to minority shareholders	1,973.0	3,601.9	1,466.4	2,476.1

SUMMARY CONSOLIDATED BALANCE SHEET DATA

	As at 31 December		As at 30 June
	2013	2014	2015
	(restated)		
	(RMB in millions)		
Assets			
Current assets			
Cash and bank balances	28,286.1	35,288.4	35,589.8
Financial assets at fair value through profit or loss	0.3	882.0	1,021.8
Notes receivable	3,831.6	5,062.7	4,615.4
Accounts receivable	9,252.2	9,162.3	16,067.7
Advance to suppliers	1,636.9	2,323.5	3,422.4
Interests receivable	24.0	16.4	14.4
Dividends receivable	99.7	62.0	146.7
Other receivables	2,699.3	6,952.2	7,062.7
Inventories	13,672.7	17,982.4	18,206.4
Non-current assets maturing within one year	1,245.0	1,544.0	1,375.2
Other current assets	1,907.8	2,671.5	3,608.1
Total current assets	62,655.4	81,947.2	91,130.6
Non-current assets			
Available-for-sale financial assets	387.9	1,937.4	2,752.7
Long-term receivables	1,213.4	1,678.8	3,918.1
Long-term equity investments	16,341.4	18,682.1	16,476.3
Investment properties	1,463.1	1,509.7	1,699.4
Fixed assets – original cost	39,273.1	52,050.1	60,410.3
Fixed assets – net amount	30,688.8	40,806.6	46,656.3
Fixed assets – net book value	29,321.0	39,340.9	45,199.7
Construction in progress	13,902.8	19,365.3	16,744.1
Construction supplies	–	–	–
Fixed assets disposals	4.0	–	–
Intangible assets	12,253.2	13,468.5	13,547.4
Capitalized development expenditure	6,091.3	9,492.2	11,556.9
Goodwill	1,954.2	1,868.0	1,816.3
Long-term prepaid expenses	507.6	780.3	729.4
Deferred income tax assets	3,597.7	3,688.1	4,239.5
Other non-current assets	1,289.1	654.0	700.6
Total non-current assets	88,326.6	112,465.2	119,380.5
Total assets	150,982.0	194,412.5	210,511.1
Liabilities and Equity			
Current liabilities			
Short-term loans	8,438.5	15,988.4	14,064.9
Deposits and inter-bank placements	631.9	1,519.3	1,235.4
Financial liabilities at fair value	11.5	23.1	17.0
Notes payable	4,749.7	6,737.9	10,307.7
Accounts payable	21,356.9	25,320.7	30,313.0
Advances from customers	4,816.4	7,037.0	7,255.7
Employee compensation payable	1,355.2	1,364.1	1,009.1
Taxes expenses payable	1,226.4	551.5	1,214.2
Interests payable	417.6	482.8	665.2
Dividends payable	1,784.7	532.4	1,476.2
Other payables	20,825.3	24,699.5	25,386.0
Non-current liabilities maturing within one year	3,098.8	7,241.6	10,163.9
Other current liabilities	51.0	180.2	360.6
Total current liabilities	68,763.9	91,678.6	103,468.9

	<u>As at 31 December</u>		<u>As at 30 June</u>
	<u>2013</u>	<u>2014</u>	<u>2015</u>
	(restated)		
	(RMB in millions)		
Non-current liabilities			
Long-term borrowings	14,856.1	15,461.1	13,713.8
Debentures payable	12,339.7	14,746.3	11,895.6
Long-term payables	606.6	884.7	820.0
Long-term employee compensation payable		29.1	
Special payables	288.0	280.9	272.2
Provisions	847.3	1,077.4	1,349.1
Deferred income	2,758.0	2,734.0	3,052.8
Deferred income tax liabilities	1,135.6	1,068.4	1,053.1
Other non-current liabilities	78.3	94.1	172.8
Total non-current liabilities	32,909.8	36,376.0	32,329.2
Total liabilities	101,673.7	128,054.6	135,798.1
Owners' equity			
Paid-in capital	10,076.9	11,732.0	12,732.0
Other equity instrument		2,000.0	2,000.0
Capital reserve	2721.3	3,912.2	5,136.2
Other comprehensive income	(66.4)	(182.9)	(185.6)
Currency difference			
Surplus reserve	405.9	550.7	550.7
Undistributed profits	6,322.1	7,497.9	8,316.2
Total owners' equity attributable to parent company	19,459.8	25,509.9	28,549.5
Minority interests	29,848.5	40,847.9	46,163.4
Total owners' equity	49,308.3	66,357.9	74,712.9
Total liabilities and owners' equity	150,982.0	194,412.5	210,511.1

SUMMARY CONSOLIDATED CASH FLOW STATEMENT DATA

	<u>Year ended 31 December</u>		<u>Six months ended 30 June</u>	
	<u>2013</u>	<u>2014</u>	<u>2014</u>	<u>2015</u>
	(RMB in millions)			
Net cash flows from operating activities	(1,913.7)	734.3	3,849.2	1,303.8
Net cash flows used in investing activities	(146.8)	(17,279.8)	(4,212.1)	(9,251.4)
Net cash flows (used in)/from financing activities	8,488.3	23,007.4	7,567.8	6,261.1
Effect of changes in exchange rate on cash	(60.7)	(49.5)	(28.5)	68.1
Net increase in cash and cash equivalents	6,367.2	6,412.4	7,176.4	(1,618.3)
Closing balance of cash and cash equivalent	23,973.2	30,385.6	31,149.6	28,767.3

CERTAIN FINANCIAL INDICATORS

The following table sets forth certain financial indicators of the Group as at the dates and for the periods indicated:

	Year ended and at 31 December	
	2013	2014
EBITDA ⁽¹⁾ (RMB in millions)	10,689	11,259
EBITDA margin ⁽²⁾ (per cent.)	16.7	9.2
Total debt ⁽³⁾ (RMB in millions)	38,733	53,437
Total debt/EBITDA	3.6	4.8
Total debt/Total assets (per cent.)	25.7	27.5
Total debt/Total capitalisation ⁽⁴⁾ (per cent.)	44.0	44.6

(1) EBITDA for any period is calculated as the result of (i) gross profit of the Group minus business tax and surcharge, selling and administrative expenses plus depreciation, depletion and amortisation and (ii) 50 per cent. of the result of gross profit of Beijing Hyundai minus business tax and surcharge, selling and administrative expenses plus depreciation, depletion and amortisation. 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, the Guarantor believes that investors should consider, among other things, the components of EBITDA such as sales and operating expenses under the amount by which EBITDA exceeds capital expenditures and other charges. The Guarantor has included EBITDA because it believes that it is a useful supplement to the cash flow data as a measure of the Group's 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 definitions.

(2) EBITDA margin is calculated as EBITDA divided by total revenue from operations.

(3) Total debt consists of short-term indebtedness and long-term indebtedness.

(4) Total capitalisation equals the sum of total debt and total shareholders' equity.

The following table sets out a breakdown of the Group's outstanding indebtedness by maturity profile as at 30 June 2015:

	30 June 2015
	(RMB in millions)
Due within one year (inclusive)	23,464.4
Due from one year to two years (inclusive)	6,177.0
Due from two years to three years (inclusive)	5,719.9
Due from three years to five years (inclusive)	9,292.5
Due beyond five years	4,419.9
Total	49,073.8

THE OFFERING

The following summary contains some basic information about the Notes and is qualified in its entirety by the remainder of this Offering Circular. Some of the terms described below are subject to important limitations and exceptions. For a complete description of the terms of the Notes, see “Terms and Conditions of the Notes” in this Offering Circular. Words and expressions defined in “Terms and Conditions of the Notes” shall have the same meanings in this summary.

Issuer	BAIC Inalfa HK Investment Co., Limited (北汽英納法香港投資有限公司).
Guarantor	Beijing Automotive Group Co., Ltd. (北京汽車集團有限公司).
Issue	€500,000,000 aggregate principal amount of 1.90 per cent. Guaranteed Notes due 2020.
Issue Price	99.261 per cent.
Form and Denomination	The Notes will be issued in registered form in the denomination of €100,000 each and integral multiples of €1,000 in excess thereof.
Issue Date	2 November 2015.
Maturity Date	2 November 2020.
Interest and Interest Payment Dates	The Notes will bear interest on their outstanding principal amount from and including the Issue Date at the rate of 1.90 per cent. per annum, payable annually in arrear in equal instalments of €19 per €1,000 in principal amount of Notes on 2 November in each year commencing on 2 November 2016.
Status of the Notes	The Notes constitute direct, unsubordinated, unconditional and (subject to Condition 4(a) of the Terms and Conditions of the Notes) unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> 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 of the Notes, at all times rank at least equally with all the Issuer’s other present and future unsecured and unsubordinated obligations.
Status of the Guarantee	The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums 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 shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Terms and Conditions of the Notes, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
Negative Pledge	The Notes contain a negative pledge provision as described in Condition 4 of the Terms and Conditions of the Notes.

Events of Default	The Notes contain certain events of default provisions, each as further described in Condition 9 of the Terms and Conditions of the Notes.
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 Hong Kong 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 of the Notes. 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 of the Notes, pay such additional amounts as will result in receipt by the holders of the Notes of such amounts as would have been received by them had no such withholding or deduction been required.
Redemption for Taxation Reasons	The Notes may be redeemed at the option of the Issuer in whole, but not in part, at their principal amount, together with interest accrued up to but excluding the date fixed for redemption, at any time in the event of certain changes affecting taxes of Hong Kong or the PRC, as further described in Condition 6(b) of the Terms and Conditions of the Notes.
Redemption for Relevant Events	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 at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a No Registration Event) of their principal amount, together in each case with accrued interest, as further described in Condition 6(c) of the Terms and Conditions of the Notes.
Further Issues	The Issuer may from time to time without the consent of the Noteholders create and issue further securities 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) 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 of the Notes.
Clearing Systems	The Notes will be represented initially by beneficial interests in a 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 such 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 (Luxembourg) S.A.
Listing	Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and traded on the Global Exchange Market which is the exchange regulated market of the Irish Stock Exchange.
Ratings	Moody's has assigned a corporate rating of "A3" to the Guarantor with a "stable" outlook. S&P and Fitch have assigned a corporate rating of "A-" to the Guarantor with a "stable" outlook. The Notes are expected to be rated "A3" by Moody's, "A-" by S&P and "A-" by Fitch. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Use of Proceeds	The Issuer intends to use the net proceeds from the offering of the Notes (after deducting commission and offering expenses payable by the Issuer) for offshore investment and general corporate purposes in compliance with relevant regulations issued by the SAFE. See "Use of Proceeds".
ISIN	XS1308332508.
Common Code	130833250.

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 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. The Issuer, and the Guarantor believe 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.

RISKS RELATING TO THE GROUP'S BUSINESS

Volatility in demand in China for the vehicles that the Group produces could adversely affect its business, prospects, financial condition and results of operations.

The Group principally engages in the development, manufacturing and distribution of complete vehicles, including commercial vehicles and passenger vehicles, and auto parts and accessories. The Group also provides complementary services relating to auto sales and after-sales. For the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, revenue from manufacturing and sales of complete vehicles and auto parts and accessories in aggregate contributed 89.3 per cent., 83.9 per cent. and 92.8 per cent., respectively of the Group's total revenue from operations for the corresponding periods.

Demand for vehicles is cyclical in nature and is affected by various factors, such as sales and financing incentives, pricing, cost of fuel and parking, tolls, environmental concerns and government regulations, which include emission standard, tariffs, import regulation and taxes. Demand for vehicles in China is also affected by government policies, such as the discontinuance of public service vehicles for government officials. Volatility in market demand may lead to a fluctuation in vehicle sales and may increase the Group's inventory and pressure on pricing, which may in turn adversely affect the Group's business, financial condition and results of operations.

Over the years, the Group has increased its production capacities in anticipation of a continuing increase in demand for commercial and passenger vehicles in China. However, there was a significant decline in the demand of vehicles in China in the first half of 2015. For the three months ended 30 September 2015, sales of the Group's complete vehicles decreased by less than five per cent. compared to the same period in 2014, largely attributable to an adverse change in the slowdown in China's economic development and an adverse change in the automotive industry in China. Any further slowdown in the growth of demand for commercial or passenger vehicles may lead to an inventory surplus and could result in a significant under-utilisation of the Group's production capacity, which could result in diminished returns to the substantial resources invested in the expansion of its production capacities. In case that any of these events occurs, the Group's business, prospects, financial condition and results of operations could be materially and adversely affected.

If the Group fails to regularly develop and introduce new vehicle models which gain general market acceptance, its business and prospects may be materially and adversely affected.

A key to the Group's success is its ability to develop and introduce new vehicle models that appeal to customers and to regularly enhance the performance and reliability of its products. Customer preference is constantly evolving and there can be no assurance that the Group's new products will be well accepted by the market. Anticipating and responding to technological changes is pivotal to the Group's ability to develop new vehicle models. However, this anticipation is largely based on the market analysis and judgment of the Group's management based on their experience and perception, which may be different from reality or incorrect. There is no assurance that the Group will be able to attract sufficient research and development talents or to successfully apply or integrate the technologies it develops or acquires. Furthermore, there is no assurance that the Group is able to develop and release new vehicle models in a timely manner, or at all. If the Group delays in launching new vehicle models as compared to its competitors or fails to do so, or if it is unable to develop and manufacture competitive products in response to the market demand, its future development and market position may be significantly undermined, and its business, financial condition and results of operations may be materially and adversely affected.

Launching a new vehicle model requires substantial capital investment and generally high initial production and marketing costs. New vehicle models sometimes require an extended period of time to gain market acceptance before they become profitable. The Group believes that it will continue to incur additional development costs in the future. In recent years, the Group has made significant investments in research and development and has launched a number of new models, such as the Senova (紳寶) series, Foton Sauvana (福田薩凡納) SUVs and the HuanSu (幻速) series. If the Group's new products cannot gain market acceptance, the capitalised development costs may result in impairment charges, which could have a significant impact on its results of operations. If market acceptance of any of the Group's new products declines, or requires more time than the Group anticipated, it 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's historical financial information is not directly comparable with its financial information in 2014 and beyond.

On 4 January 2013, BAIC Motor acquired a 50 per cent. equity interest in Beijing Benz from the Guarantor. On 18 November 2013, the Guarantor acquired an additional one per cent. equity interest in Beijing Benz through BAIC Motor, making Beijing Benz a subsidiary of the Guarantor. According to the Guarantor's accounting policies, Beijing Benz was accounted for as an investment in a joint venture in the Group's consolidated financial statements during the period from 4 January 2013 to 17 November 2013, and were consolidated into the Group since 18 November 2013. As such, the Guarantor's consolidated financial information in 2013 or any period prior to 18 November 2013 in 2013 is not directly comparable with its consolidated financial information in 2014 or the corresponding period in 2014.

In addition, certain financial information of the Guarantor as at and for the year ended 31 December 2013 has been restated in its consolidated financial statements as at and for the year ended 31 December 2014 to (i) reflect certain changes to PRC GAAP which became effective on 1 July 2014 in order that it be comparable to the Guarantor's consolidated financial information as at and for the year ended 31 December 2014 and (ii) rectify certain errors in the Guarantor's consolidated financial statements as at and for the year ended 31 December 2013. See note 5 to the Guarantor's 2014 Consolidated Financial Statements beginning on F-106. The Guarantor's consolidated financial information as at and for the year ended 31 December 2012 and 2013 contained in the 2013 Audited Financial Statements has not been revised to reflect the Relevant Adjustments. Therefore the Guarantor's consolidated financial information as at and for the year ended 31 December 2012 and 2013, which are contained in the 2013 Audited Financial Statements, are not directly comparable to the Guarantor's adjusted consolidated

financial information as at and for the year ended 31 December 2013 and the Guarantor's consolidated financial information as at and for the year ended 31 December 2014, both of which are contained in the 2014 Audited Financial Statements.

Accordingly, potential investors must exercise caution when using the consolidated financial information of the Guarantor to evaluate its financial performance.

The Group may require significant capital for its business expansion. If the Group is unable to obtain additional capital on acceptable terms when needed, its growth prospects and future profitability may be adversely affected.

The Group's businesses are capital intensive. The Group requires significant capital resources to maintain, improve or replace its operating assets and to maintain and improve its operational efficiency. In addition, the Group intends to invest significantly in the development and production of its proprietary brands of vehicles, powertrain and new energy vehicles and related parts and technologies based on its overall development plan for the next few years. A significant amount of capital resources is also required for further growth in the scale of the Group's operations, and its expansion into new business areas and geographical markets, if any, may call for increased capital expenditure, further increasing its funding requirements. The Group has historically financed its working capital requirements and capital expenditure through a combination of internal cash flow from its operations, equity contribution of shareholder and external financing through various channels, such as bank loans and other borrowings, stock offering and bond issuances in the PRC and offshore capital markets.

The Group believes that its cash balance and cash flow generated from operations, together with any necessary borrowings, will provide sufficient financial resources to meet its projected capital and other expenditure requirements. However, if the Group underestimates its capital requirements and its future cash flows, additional financing may be required. The Group's business and financial performance depends on a number of factors, such as the Group's ability to implement its business plans, changes in the competitive landscape in which the Group operates and general market conditions. As such, there is no guarantee that the operating activities of the Group are able to generate sufficient cash flow for the Group at all times, or at all. In 2013, the Group experienced negative operating cashflow in the amount of RMB1,913.7 million. If the Group's business fails to generate sufficient and stable cash flow, the Group may be forced to seek external financing. Such financing may not be available in sufficient amounts for the Group or on terms that are acceptable to the Group or at all. The Group's ability to obtain external financing in the future and the cost of such financing are subject to a variety of uncertainties, including:

- the condition of the financial markets;
- potential changes in monetary policies with respect to bank interest rates and lending policies;
- its ability to obtain PRC governmental approvals, if applicable, required to access domestic or international financing; and
- the performance of the Group's operations.

The Group's capital expenditure and investment plans may change as a result of many factors, such as changes in the project requirements, budget overrun or changes in the finance cost or the Group's financial condition. Any material changes in these factors, which may be out of the Group's control, may create capital shortfall. In these cases, the Group's reliance on external financings and its internal capital resources may increase. If the Group is unable to obtain financing on a timely basis and at a reasonable cost, it may not be able to undertake new projects or implement them as planned. This would restrict the Group's ability to grow and, over time, may reduce the quality and reliability of the products and services it manufactures or provides and could adversely affect its business, financial condition and results of operations.

Significant indebtedness may restrict the Group's business activities and increase the Group's vulnerability to market fluctuations.

The Group has historically satisfied part of its capital requirement with funds from external financing and has had significant indebtedness. As at 30 June 2015, the Group's total indebtedness was RMB49,073.8 million, of which RMB23,646.4 million was due within one year. In addition, the Guarantor and other members of the Group from time to time provide guarantees for the indebtedness of the Group. As at 30 June 2015, the total amount of guaranteed indebtedness of the Group was RMB8,387.6 million. Substantial indebtedness could have adverse impact on the Group's business as follows:

- require the Group to dedicate part of its operating cash flow to service its indebtedness;
- increase the Group's finance costs, thus affecting the overall profits of the Group;
- limit the Group's flexibility in planning for or responding to changes in the Group's business and the industries in which it operates;
- limit, 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
- increase the Group's vulnerability to adverse general economic and industry conditions.

If the Group fails to comply with any of the restrictions and covenants in its current or future debt obligations and other agreements, a default under the terms of such agreements may occur. In the event of a default under such agreements, the holders of the debt may be entitled to terminate their commitments to the Group, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, depending on the specific provision of the agreements. Some of the financing arrangements entered into by the Group contain cross-acceleration or cross-default provisions. A default by the Group under another financing agreement may cause acceleration of the repayment of the debt outstanding under the agreements which contain a cross-acceleration provision, or result in a default under the agreements which contain a cross-default provision. If the Group defaults under a large amount of debts, there can be no assurance that its available cash would be sufficient to remedy those debts or repay them in full as they become due, or that it would be able to find alternative financing on terms that are acceptable to it.

Some of the Group's borrowings are secured by mortgages, pledges or charges created over its assets such as mortgages over land use rights and ownership of buildings, machines and equipment and pledges over the equity stocks of the Guarantor's subsidiaries, designated accounts and account receivables. As at 30 June 2015, the Group's total secured indebtedness amounted to RMB3,435.4 million. Third-party security rights may limit the Group's use of the underlying collateral assets and adversely affect its operation efficiency. As the Group's operations continue to expand and its capital requirements continue to grow, the Group will face increasing pressure to control its borrowing. In the event that the Group fails to effectively control the level of indebtedness, the funds available for other business purposes may become limited and its business, financial condition and results of operations may be materially and adversely affected.

Withdrawal or change in government support for the Group may materially and adversely affect the Group's financial condition and results of operations.

The Group, as the sole automobile manufacturing platform in Beijing, has received strong support from the Beijing Municipal Government in the form of capital injection, bulk purchase for its major projects, government subsidies and favourable policies over the years. For the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, the Group received government grants (which were recognised as non-operating income) in the amount of RMB714.9 million, RMB1,955.8 million and RMB851.9 million, respectively. The amounts of and conditions attached to such grants 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 or that the amount of any such grants will not be reduced in the future. Further, even if the Group continues to be eligible to receive such grants, there can be no assurance that the grants will be unconditional or that any conditions attached to the grants will be as favourable to the Group as they have been historically.

The Guarantor and some of its subsidiaries are considered high and new technology enterprises by local governments and are therefore entitled to a preferential income tax rate of 15.0 per cent. compared to the statutory rate of 25.0 per cent. These preferential tax treatments normally have a term of three years commencing from the date of the grant. There can be no assurance that the Group or the relevant subsidiaries will be able to extend the term of these preferential treatments upon expiration. To the extent that there are any changes in, or withdrawals of, any preferential tax treatment applicable to the Group or its subsidiaries, or increases in the tax rate, its tax expenses may increase as a result. Further, the PRC government adjusts its policies on value added tax, business tax and other taxes from time to time. Such adjustments or changes, together with any uncertainties resulting therefrom, could have an adverse effect on the Group's financial condition and results of operations.

The Group's overall results of operations and profitability may be affected by the performance of its proprietary brands.

The Group's diversified product portfolio covers nearly all the market segments of passenger, commercial and other vehicles as well as construction engineering. The Group markets and sells its passenger vehicles primarily under joint-venture brands "Beijing Benz" and "Beijing Hyundai" and its proprietary brands "BAIC Motor", "BAW" and "Changhe". Its commercial vehicles are principally marketed and sold under its proprietary brand "Beiqi Foton" and joint-venture brand "Foton Daimler". The Group's engines for use in commercial vehicles are marketed under the joint venture brand "Foton Cummins" and its powertrain products are marketed under the proprietary brand "BAIC Motor". Its new energy vehicles are marketed and sold under its proprietary brands "BJEV", "Beiqi Foton" and "BAIC Motor".

Compared its joint venture brands which are able to reduce the Group's costs and business risks relating to product development, branding and compliance with stringent safety and environmental standards, the Group's proprietary brands have greater execution risks and generally have lower profitability. While it develops its proprietary brands, the Group needs to effectively address a number of risks relating to sales and marketing, model development and brand building, which are capital intensive and time-consuming. Under-performance of the Group's proprietary brands and failure to develop those could have a material adverse impact to the Group's overall profitability and in turn affect the Group's business, prospects, financial condition and results of operations.

The Group is exposed to risks in relation to the inventory it maintains.

The Group needs to maintain sufficient inventory, especially finished products, to meet the market demand and its sales. As at 31 December 2013, 2014 and 30 June 2015, the balance of the Group's inventory was RMB13,672.7 million, RMB17,982.4 million and RMB18,206.4 million, respectively. The principal inventories of the Group comprise complete vehicles and steel. The Group endeavours to manage its inventory level by aligning its procurement with its sales based on confirmed purchase orders and projected sales. However, making an accurate estimate is difficult. Inaccurate demand forecasts and the time lag between when the inventory of raw materials is ordered from the Group's suppliers and when its finished products are sold could expose the Group to inventory risks. Changes in the national industrial policy and changes in consumer brand preferences may lead to a decline in the demand for automobiles, which in turn may adversely affect the sales of the Group's products and inventory level. In addition, the Group has to make provisions for obsolete inventories based on the prevailing market conditions, and such provisions may also adversely affect the Group's overall profits and profitability. There can be no assurance that the Group can manage its inventories effectively and any failure of its inventory management could materially and adversely affect its business, financial condition and results of operations.

Fluctuations in operating cash flow may have an adverse effect on the Group.

In 2013, the Group had negative operating cash flow of RMB1,913.7 million. The negative operating cash flow in 2013 was largely attributable to the increase in costs and fees related to the Group's new projects to improve production capacity. Whether the Group's customers will honour the terms of the sales and purchase contracts is out of the Group's control. The Group's operating cash flow is also affected by a number of other factors, such as the credit terms granted by the Group's suppliers and accordingly the Group's trade payables, the sales of the Group's products and its inventories. If the Group is not able to improve its operating cash flow in a timely manner or at all, its reliance on external financing to meet its working capital and capital expenditure may increase, thus increasing its financial vulnerability and adversely affecting its business, financial condition and results of operations.

The Group may continue to incur net current liabilities.

As at 31 December 2013 and 2014, the Group had net current liabilities of RMB6,108.5 million and RMB9,731.4 million, respectively. The Group's net current liabilities as at 31 December 2013 and 2014 were mainly the result of significant increases in the Group's short-term indebtedness to fund its business expansion and technology upgrades in 2013 and 2014. There can be no assurance that the Group will not have net current liabilities in the future. Having significant net current liabilities could constrain the Group's operational flexibility as well as adversely affect its ability to expand its business.

Deterioration in the business performance of the Group's associated companies and joint ventures could adversely affect the Group's financial condition.

The Group has entered into joint ventures with leading international automobile manufacturers and has formed exclusive joint ventures including Beijing Benz with Daimler AG in 2005, Beijing Hyundai with Hyundai Motor in 2002 and Foton Daimler with Daimler AG in 2012. Investment gains from these joint ventures have contributed a significant portion of the Group's profit. For the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, the Group's operating profits were RMB4,329.6 million, RMB3,503.2 million and RMB2,713.7 million, respectively. The investment gains from the Group's associated companies and joint ventures was RMB9,362.1 million, RMB6,764.6 million and RMB2,560.5 million for the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, respectively.

The Group's investment gains are to a large extent affected by the performance of the Group's joint venture companies, such as Beijing Hyundai, Foton Daimler and BHAP HK Investment Limited ("BHAP"). The performance of the Group's joint venture companies also depends on the commitment and ongoing support of the Group's joint venture partners. These joint venture companies are highly dependent on the Group's resources and those of the Group's joint venture partners, including management expertise, technical resources and additional capital funding. If the Group's joint venture companies are unable to access the technical resources of its joint venture partners or if its joint venture partners provide such resources to the Group's competitors, the competitiveness of these joint venture companies may be adversely affected. If the Group's joint venture partners fail, or are unwilling, to provide additional capital in the future for any reason, its joint venture companies' ability to expand its operations may be undermined. The joint venture partners may also elect not to renew the joint venture agreements when they expire for various reasons. If any of these events occur, the businesses, results of operations and financial condition of the Group's joint venture companies could be materially and adversely affected, which in turn could materially and adversely affect the Group's consolidated financial condition and results of operations.

Failure to resolve any differences with the Group's principal joint ventures could adversely affect the Group's business, prospects, financial condition and results of operations.

Under the joint venture agreements governing the Beijing Hyundai and Beijing Benz joint ventures, the Group beneficially holds 50 per cent. and 51 per cent., respectively, of the shares of the relevant entities. According to the joint venture agreements entered into with the Group's joint venture partners, the number of directors appointed by the Group and the relevant joint venture partner are typically

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 can be no assurance that the Group's proposed future strategies, policies or objectives will be adopted by the joint venture companies. If the Group fails to resolve any differences with the respective joint venture partners in the decision-making process of the relevant joint ventures, the business and results of operations of such joint ventures may suffer, which may in turn delay the implementation of the Group's business plan or adversely affect its market position. Although the Group has not had any material disputes with the joint venture partners, there can be no assurance that material disputes will not arise in the future. Any material dispute could have an adverse effect on the Group's business, prospects, financial condition and results of operations.

The Group is exposed to credit risks due to the significant amounts of its accounts and other receivables.

As at 31 December 2013 and 2014 and 30 June 2015, the Group's accounts receivables was RMB9,252.2 million, RMB9,162.3 million and RMB16,067.7 million, respectively, and other receivables of RMB2,699.3 million, RMB6,952.2 million and RMB7,062.7 million, respectively. The general increase in the Group's total accounts receivables was primarily due to an increase in the sales of the Group's complete vehicles. The Group allows its customers to trade with it primarily on credit over a credit period of typically one month. This may be extended to two months for major customers and customers with good trading records could also be granted a longer credit period, although the Group generally requires prepayment or cash on delivery for new customers. Accounts receivable is non-interest bearing. The Group also has little control over its customers and cannot guarantee that its customers will make full payment of their outstanding bills within the timeframe the Group anticipates, or at all. An increase in the amount of the accounts receivables is expected to increase the pressure on the Group's operating cash flow and may affect its daily operations and the implementation of its expansion plans. As the Group does not require its customers to provide any security in relation to their receivables, the Group may lose revenue and profits and incur write-off or write downs if its counterparties default. In this case, the Group's business, financial condition or results of operations may be materially and adversely affected.

The Group is exposed to exchange rate risks.

China adopts a managed floating exchange rate regime. The exchange rate for Renminbi is adjusted with reference to a basket of currencies. The value of the Renminbi is subject to changes in the PRC government's policies and depends to a large extent on domestic and international economic and political developments, as well as supply and demand in the local market. The Group's sales of products in overseas countries are primarily denominated in U.S. dollar and Euro. Fluctuations in the exchange rate policy could affect the Group's exports and the overall profit margin of the Group. Though the Group has adopted a few instruments to hedge its foreign exchange risk, such hedging instruments may not be effective and any material appreciation in the Renminbi against U.S. dollars, Euro or other foreign currencies in which the Group's export sales are denominated may adversely affect the results of operations of the Group's exports. Furthermore, the Group procures part of its raw materials, parts and components from overseas suppliers, which are primarily settled in U.S. dollar and Euro. If the value of U.S. dollars or Euro significantly appreciates against Renminbi, the cost of procurement of the Group will increase and the Group's business, financial condition and results of operations may be materially and adversely affected.

Failure to obtain or renew governmental approvals, licenses and permits necessary for the Group to carry out its business activities could materially and adversely affect its business, prospects, financial condition or results of operations.

The Group operates in a heavily regulated industry in China and is required by governmental authorities at different levels to obtain and maintain a number of governmental approvals, licenses and permits relating to its operating activities, such as pollutant business licenses, tax registration certificates, foreign exchange registration certificates, foreign investment approvals, construction project planning certificates, construction permits and discharge licenses. Applicable laws and regulations in China set out the conditions and procedures that the Group should satisfy and follow in order to procure the granting of these governmental approvals, licenses and permits, and application for these approvals, licenses and permits is normally subject to government review. Failure to satisfy the relevant conditions or to follow the required procedures could cause the Group to temporarily or permanently suspend some or all of its production activities, which may have a material adverse impact on the Group's business, financial condition and results of operations. In addition, relevant regulatory authorities from time to time carry out inspections to ascertain the Group's compliance with applicable laws and regulations. Failure to pass such inspections could lead to revocation of licenses and permits, legal and administrative liabilities, which may adversely affect the Group's operations.

Defects in the titles of certain properties the Group owns or occupies may affect its ability to use these properties and have an adverse impact to its business operations.

As at the date of this Offering Circular, the Group has not obtained the building ownership certificates with respect to three properties in China. One of the properties is used as the business premise of Beijing Automotive Group Finance Co., Ltd. located in Beijing. According to the property purchase agreement, the seller has agreed to provide the building ownership certificates to Beijing Automotive Group Finance Co., Ltd. within 730 days after delivery of the properties in June 2014. The other two properties are a mold manufacturing base and an accessory manufacturing base of Hainachuan located in Daxing District, Beijing. Hainachuan is currently in the process of applying for the building ownership certificates with respect to these properties. However, according to applicable PRC laws, such defects may cause suspension of Hainachuan's operations in the relevant properties until the building ownership certificates are obtained. In addition, Hainachuan failed to renew the lease agreement relating to its business premise in Beijing, which expired on 30 April 2014. Beijing Penglongxing Automotive Trade Co., Ltd., a subsidiary of the Guarantor, is in the process of renewing a lease relating to a property used for its office premise, which expired on 31 August 2015. There is no guarantee that relevant group companies are able to successfully renew the lease on acceptable terms. If the relevant Group companies are forced to relocate their operations conducted on the properties with defective title, they may incur additional costs and the Group's business operations and results of operations may be adversely affected.

The Group's business is subject to operational risks.

The Group's production is exposed to hazards inherent to manufacturing industries, including but not limited to fires, unexpected wear and tear or degradation, mechanical failure or misuse and power outages, unscheduled downtimes, performance below expected levels of output or efficiency, transportation interruptions, other industrial accidents, environmental risks and terrorist acts. For the years ended 31 December 2013 and 2014 and six months ended 30 June 2015, the Group did not experience any material operational problems at its production facilities. However, any future occurrence of material operational problems at the Group's facilities may materially reduce the Group's productivity and profitability during and after the period of such operational difficulties. Some hazards may interrupt operations, cause personal injury, loss of life, severe damage to or destruction of property and equipment and environmental damage and result in legal and regulatory liabilities and/or the imposition of civil or criminal penalties, which may not be fully covered by insurance policies. Furthermore, the Group may be subject to claims with respect to workplace, workers' compensation and other matters. Consequently, the Group's business, financial condition or results of operations could be materially and adversely affected.

The Group may be adversely affected if it fails to effectively manage its rapid expansion.

The Group's business and operations have recently grown rapidly. Its fast business growth could put significant strain on its managerial, operational and financial resources. The Group's ability to manage future growth will depend on its ability to effectively implement and improve management, operational and financial information systems on a timely basis. There is no assurance that its personnel, systems, procedures and controls will be adequate to support its future growth. Failure to manage the Group's expansion effectively may lead to increased costs, a decline in revenue and reduced profitability, which in turn will affect the Group's business, financial condition and results of operations.

The Group is exposed to risks relating to related party transactions.

As at 31 December 2014, the Group's related party transactions primarily relate to: (1) purchase or goods and services from related parties, which amounted to approximately RMB15,549.1 million; (2) sales of goods and services to related parties, which amounted to approximately RMB3,641.7 million; (3) leasing of equipment and land to related parties, which amounted to approximately RMB85.2 million; and (4) loans to related parties, which amounted to approximately RMB172.8 million. The Group expects the amount and percentage of related party transactions to increase with time, in line with the growth in the Group's vertically-integrated supply chain. Whilst all related party transactions entered into by the Group thus far are on market price terms, in the event that any related party transactions not entered into on an arms-length basis occur, its competitiveness and reputation may be adversely affected.

The Group's research and development efforts may not produce satisfactory results.

To achieve higher returns from Group's existing operations and to improve its market position, the Group has increased its investments in research and development. However, research and development on automotive products requires considerable human resources, time and capital investment and any such investment may not yield immediate tangible benefits. There can be no assurance that the Group's research and development efforts will be effective. Even if such efforts are successful, the Group may be unable to apply the new technology to products in ways that are accepted by customers. If the Group's research and development efforts are ineffective, or the market does not embrace any resulting products, the Group may fail to generate any return from its expenditures on research and development, be unable to maintain or improve its competitive position, and its results of operations may be adversely affected.

The Group's strategy of further developing its proprietary brands and joint venture brands may not be successful or produce expected results.

The Group markets and sells its complete vehicles under 11 proprietary and joint venture brands, including its four major brands "Beijing Benz", "Beijing Hyundai", "BAIC Motor" and "Beiqi Foton". It is the Group's strategic plan to further develop its proprietary brands and joint venture brands in the next five years to improve its core competitiveness. Its five-year strategic plans include BAIC Motor's aim to become one of the top three domestic proprietary brands in the automotive industry in China, Beijing Benz's aim to become the number one brand in the luxury vehicle market in China and Beijing Hyundai's aim to maintain its number four ranking among the joint venture brands in China. The development of each proprietary brand and joint venture brand requires significant capital investment, initially on research and development, and subsequently on brand promotion and establishment of a distribution network. The success of a brand may be affected by a number of factors, such as brand positioning, pricing policy, market condition and competition landscape. If a proprietary brand or joint venture brand cannot achieve or maintain a certain degree of market acceptance and develop or maintain the corresponding market share within a reasonable time frame, the Group's strategic plan may not be successful and the costs for research, development and production would not be recovered, and its business operations and financial position may be adversely affected.

Increasing market and industry competition could have an adverse impact of the Group's ability to maintain competitiveness.

Increasing consumer purchasing power in the PRC has significantly strengthened the demand for automobiles. This has encouraged, and is likely to continue to encourage, foreign competitors, Sino-foreign equity joint ventures established in the PRC and new domestic automotive companies to further expand their production capacity. Increased competition may cause further price reductions, which may in turn cause the Group's current market share and profit margin to be diluted or reduced. The pricing, recognition of and loyalty to the Group's brand and the financial and technical resources allocated to the Group's products may be adversely affected if competing domestic or foreign automotive products gain a competitive advantage.

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

The Group relies on various types of raw materials, auto parts and components to manufacture its products, which primarily include steel, engines, transmission and powertrain system components. The Group's cost of raw materials, auto parts and components have been, and may continue to be, affected by various 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 beyond its control. In early 2009, driven by the national policy to revitalise the steel industry, the steel price index was stabilised and the range for adjustment was significantly reduced. After 2010, affected by changes in the costs of iron and coke, domestic steel prices increased, which in turn increased the pressure to control costs in the automotive industry. In 2011, as the national economic growth rate slowed, market demand shrank, resulting in an oversupply of steel, and a drop in the domestic steel prices. In 2013, domestic steel prices and the overall price was lower than that in 2012. In 2014 and the first half of 2015, with the further slowdown of economic growth in China, steel production and market demand dropped and steel prices continued to fall and slumped to a 12-year low in May 2015.

When the Group experiences an increase in cost of raw materials, parts and components, it may seek to control such impact by increasing its production efficiency and increasing the sale prices of its products. Further, the Group has been historically shifting part of the increased cost of raw materials and auto parts to its suppliers. However, there can be no assurance that any of these measures will be effective. In addition, due to differences in timing between the Group's purchases from suppliers and sales by its dealers to its 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, auto parts and components. If the Group fails to effectively control its cost of raw materials, parts and components or fails to transfer the increased cost to its supplier, dealers and the end-user customers, its business, financial condition and results of operations could be materially and 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 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.

In addition, the Group's global operations also require the Group to comply with the environmental laws and regulations in other countries in the world, some of which may be more stringent than those in China. Many of the applicable environmental laws and regulations are new to the Group and its management. There is no assurance that the Group would be able to comply with those laws and regulations at all times, or that it would not be adversely impacted by costs, liabilities or claims with respect to existing or subsequently acquired operations, under either present laws and regulations or those that may be adopted or imposed in the future.

The Group may not be successful in expanding into new markets.

As part of the Group's future business strategy, it will seek appropriate opportunities to expand its business to target new customer groups or into new geographic markets. While the Group will continue to consolidate its leading position in the PRC, it intends to gradually establish or acquire production capability in a selection of the most important developing countries, including Angola, Madagascar, Algeria, Egypt, Chile, the United Arab Emirates, Vietnam, Philippines and Azerbaijan and will continue to explore appropriate expansion opportunities in the United States, Europe, Japan and Republic of Korea. There can be no assurance that such expansion strategy will generate the same results as the Group expects or will be successful. Expansion of customer base or the entry into new markets may require the Group to have an in-depth study of the target market or customers. The execution of such expansion plans sometimes requires a significant capital investment, and involves many uncertainties and exposure to new competitors. Failure to address these issues may result in monetary and other losses of the Group's expansion plan, which may in turn adversely affect its overall performance.

If the Group fails to market and distribute its products successfully through its distribution network, its business, results of operations and market position could be adversely affected.

The Group sells its vehicles, auto parts and accessories through a comprehensive nationwide sales network in the PRC. The performance of the Group's dealership network has a material impact on its sales, business and results of operations. There can be no assurance that all of the dealership outlets will comply with the Group's service level and other specifications and the contractual obligations imposed on them. In addition, there can be no assurance that the Group will be able to effectively manage its rapidly growing dealership network. Sales of the Group's products may be affected if any of these dealership outlets fail to meet the Group's requirements or provide quality services to its customers, or if the Group fails to manage the dealership outlets effectively. If the Group is unable to build or maintain well-developed and well-managed dealership networks, its business, financial condition and results of operations may be adversely affected.

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 prove 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.

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 its business prospects, results of operations and financial condition. On 5 January 2013, the Group announced a recall of 357 units of AUMAN tractors that were manufactured between 20 October 2009 and 30 July 2010 because of potential quality defects of their exhaust braking system which may lead to a safety hazard in extreme situations, such as travelling with heavy cargos on long downhill roads. The Group undertook to replace such defective exhaust braking system of the recalled AUMAN tractors free of charge. On 20 January 2015, the Group announced a recall of 19,075 units of Midi vehicles that were manufactured between 4 August 2008 and 30 April 2014 because of potential quality defects of the fuel pumps which may lead to fuel leakage. Such defective fuel pumps equipped in Midi vehicles were manufactured and supplied by a third-party company. The Group has offered to replace the fuel pumps of those recalled Midi vehicles free of charge.

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 can be no assurance that the Group's suppliers will always be able to cover these expenses or sufficiently compensate it for any expenses incurred by it, 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 turn reduce demand for its vehicles. Any future automobile recalls by the Group could have a material and adverse impact on its sales and, in turn, its results of operations, financial condition and prospects.

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 has a large amount of intellectual property rights in the forms of patents, trademarks and copyrights. It also possesses certain trade secret, proprietary technologies and know-how. 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 fail 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 is subject to safety and health laws and regulations and the production operations entail significant risks of workplace injury or fatality.

The Group's operations are subject to various national and local laws and regulations of the PRC and other countries where it has operates, which require the Group to provide a safe and healthy production and working environment for the employees by providing them with adequate protective clothing and gear, safety education and training and having dedicated safety management personnel. In addition, operators of some of the Group's equipment must undergo special training and obtain special work permits. Any failure to meet and maintain such legal and regulatory standards and requirements could subject the Group to warnings from relevant governmental authorities, governmental orders to rectify such non-compliance within a specified time frame, governmental fines and legal proceedings. The Group could also be required to temporarily suspend production or permanently cease its operations in the event of significant non-compliances.

Automobile production presents significant risks of workplace injury or fatality despite the implementation of safety precautions, training and compliance with state and local safety and health laws and regulations. The Group has in place and intends to continuously maintain policies and procedures to minimise these risks. During the three years ended 31 December 2014 and six months ended 30 June 2015, there were no material accidents which resulted in any fatality of the Group's employees. However, there is no assurance that the Group will not become subject to material liabilities for workplace injuries or fatalities in the future, which could interrupt its production operations and damage the Group's reputation, as well as have a material adverse effect on its business, financial condition or results of operations.

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. As at the date of this Offering Circular, there are 13 enforcement proceedings involving claims with a total value of approximately RMB3.8 million pending against the Guarantor or its operating subsidiaries in China.

The Beijing Municipal Government may influence the Group's decision-making.

The Group is indirectly and wholly owned by Beijing SASAC. Beijing SASAC is in a position to influence the Group on its decision making, including investment decisions and dividend policy, among others. Also, Beijing SASAC may change its policies, intention, preferences, views, expectations, projections, forecasts and opinions, as a result of changes in the economic, political and social environment of Beijing and China. Such changes may not be consistent with the interest of Noteholders. Any amendment, modification or repeal of the current regulatory regime could modify the existing regulatory regime and materially and adversely affect the Group's 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 can be 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 can be 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.

Sales of the Group's products may be affected by the ability of its dealers and end-user customers to obtain financing to purchase its vehicles.

Some of the Group's dealers and end-user customers rely on external financing, such as bank loans, to purchase its vehicles. Any difficulty of dealers or the Group's end-user customers in obtaining financing at an affordable cost will negatively affect the demand for and sales of its vehicles. To the extent that financing is not available at commercially acceptable terms to the Group's dealers and end-user customers, the sales of the Group's products could be negatively affected.

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 domestic and international competitive landscape of the industries in which the Group operates its businesses.

RISKS RELATING TO THE PRC

The slowdown of the PRC economy caused in part by the challenging global economic conditions may adversely affect the Group.

A substantial part of the Group's revenue is derived from sales of complete vehicles in China. The Group relies, to a significant degree, on domestic demand for complete vehicles to achieve revenue growth. Domestic demand for complete vehicles is materially affected by industrial development, growth of private consumption and overall economic growth in China. The global crisis in financial services and credit markets in 2008 caused a slowdown in the growth of the global economy, including China. In 2014, the PRC government adopted intensive reforms with the primary aim of restructuring and rebalancing the PRC economy towards a more sustainable model by focusing more on domestic consumption and away from investment and export fuelled growth. As a consequence of these reforms and instability in the recovery of international economy, China reported a gross domestic product of RMB63.65 trillion in 2014, representing year-on-year growth of 7.4 per cent., which was a record 24-year low. In the first quarter of 2015, China reported a gross domestic product of RMB140.7 billion, representing year-on-year growth of 7.0 per cent., according to the statistic released by National Bureau of Statistics of China. The continuing effects of reform in the PRC and the sovereign debt crisis in Europe may have an adverse effect on the global and the PRC economies resulting in continuing uncertainty for the overall prospects for the global and the PRC economies this year and beyond. Any slowdown of the PRC economy may create a credit tightening environment, increase the Group's interest expense, or reduce domestic demand for complete vehicles, and may materially and adversely affect the Group's business, financial condition or results of operations.

PRC economic, political and social conditions as well as government policies could adversely affect the Group's business.

The PRC economy differs from the economies of most developed countries in many respects, including with respect to government involvement, level of development, economic growth rate, control of foreign exchange and allocation of resources. The PRC economy has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC government has implemented a series of measures emphasising market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises.

However, a large portion of productive assets in China remain owned by the PRC government. The PRC government continues to play a significant role in regulating industrial development, the allocation of resources, production, pricing and management, and there can be no assurance that the PRC government will continue to pursue the economic reforms or that any such reforms will not have an adverse effect on the Group's business.

The Group's operations and financial results could also be affected by changes in political, economic and social conditions or the relevant policies of the PRC government, such as changes in laws and regulations (or the interpretation thereof). In addition, the growth of complete vehicle demand in the PRC depends heavily on economic growth. If the PRC's economic growth slows down or if the PRC economy experiences a recession, the growth of complete vehicle demand may also slow down or stop, and the Group's business prospects may be materially and adversely affected. The Group's operations and financial results, as well as its ability to satisfy its obligations under the Notes, could also be materially and adversely affected by changes to or introduction of measures to control inflation, changes in the rate or method of taxation, the imposition of additional restrictions on currency conversion and the imposition of additional import restrictions.

Turmoil in the financial markets could increase the Group's cost of borrowing and impedes access to or increase the cost of financing its operations and investments.

The availability of credit to entities operating within emerging markets, including the Group, is significantly influenced by levels of investor confidence in such markets as a whole. Any factors that may affect market confidence could affect the costs or availability of funding for entities within emerging markets. Historically, challenging market conditions in emerging markets have resulted in reduced liquidity, widening of credit spreads, lack of price transparency in credit markets, a reduction in available financing and a tightening of credit terms.

In 2015, Chinese stock markets have experienced significant turmoil and disruption. Throughout June and early July of 2015, the Shanghai Stock Exchange Composite Index experienced significant declines and many PRC-listed companies were subject to trading suspensions. The PRC government immediately responded by cutting interest rates, suspending initial public offerings and starting investigations into market manipulation in an effort to stabilise the market.

As the Guarantor's subsidiaries, Beiqi Foton and BAIC Motor, are listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, respectively, and the turmoil in these financial markets could cause substantial adverse effects on the Group's business operations and investments.

Interpretation and implementation of PRC laws and regulations involves significant uncertainties.

Many of the Group's subsidiaries are incorporated and exist under the laws of the PRC. The Chinese legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, the PRC government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, as these laws and regulations are relatively new, and due to the limited volume of published cases and judicial interpretation and their lack of precedential force, interpretation and enforcement of these laws and regulations involve significant uncertainties. As the Chinese legal system develops, there can be no assurance that changes in such laws and regulations, or in their interpretation or enforcement, will not have a material adverse effect on the automotive industry in China or on the Group's business operations.

Furthermore, the administration of PRC laws and regulations may be subject to a certain degree of discretion by the executive authorities. This has resulted in the outcome of dispute resolutions not being as consistent or predictable compared to more developed jurisdictions. In addition, it may be difficult to obtain a swift and equitable enforcement of laws in China, or the enforcement of judgments by a court of another jurisdiction. These uncertainties relating to the interpretation and implementation of PRC laws and regulations may adversely affect the legal protections and remedies that are available to the Group in its operations and to holders of the Notes.

China's inflation may affect the prices of energy and various materials used for the production of the Group's products.

Economic growth in the PRC has historically been accompanied by periods of high inflation. The PRC government has implemented various policies from time to time to control inflation. The PRC government has periodically introduced measures in certain sectors to avoid overheating of the economy, including tighter bank lending policies, increases in bank interest rates, and measures to curb inflation, which has resulted in a decrease in the rate of inflation. The global economic crisis resulted in a slowing of the rate of inflation in January 2009 and thereafter into negative territory until November and December 2009 according to the National Bureau of Statistics of the PRC. In 2011, the annual inflation rate was 5.4 per cent. which led to the PRC government raising lending interest rates and the reserve requirements for banks six times in 2011 to counter accelerating inflation. According to the National Bureau of Statistics of the PRC, the annual inflation rate for 2012 and 2013 fell to 2.6 per cent. as a result of the slowing economy and weakening further to 2 per cent. in 2014, below the 3.5 per cent.

target set by the PRC government. China's central bank, in its quarterly monetary policy report issued on 10 February 2015, noted that inflation figures had dropped to its lowest level in more than five years and that it would continue with its prudent monetary policy to ensure continuity and stability as the economy undergoes structural adjustments to its economic model. Recently, concerns have arisen over deflationary pressures in China as a result of weak domestic demand. A prolonged period of deflation may result in falling profits, closure of businesses, shrinking employment and incomes and increasing defaults on loans by companies and individuals, any of which could adversely affect the Group's business, financial condition or results of operations.

The Group's operations and financial performance could be adversely affected by changes to the PRC labour-related law and regulations, labour shortage and increase in labour costs.

The PRC Labour Contract Law (中華人民共和國勞動合同法) became effective on 1 January 2008 in the PRC and was amended on 28 December 2012. It imposes more stringent requirements on employers in relation to entry into fixed-term employment contracts and dismissal of employees. Pursuant to the PRC Labour Contract Law, the employer is required to make a compensation payment to a fixed-term contract employee when the term of their employment contract expires, unless the employee does not agree to renew the contract even though the conditions offered by the employer for renewal are the same as or better than those stipulated in the current employment contract. In general, the amount of compensation payment is equal to the monthly wage of the employee multiplied by the number of full years that the employee has worked for the employer. A minimum wage requirement has also been incorporated into the PRC Labour Contract Law. In addition, unless otherwise prohibited by the PRC Labour Contract Law or objected to by the employees themselves, the employer is also required to enter into non-fixed-term employment contracts with employees who have previously entered into fixed-term employment contracts for two consecutive terms.

In addition, under the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to paid annual leave ranging from five to 15 days, depending on the length of the employees' work time. Employees who consent to waive such vacation at the request of employers shall be compensated an amount equal to three times their normal daily salaries for each vacation day being waived. Under 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, all workers must receive paid annual leave by 2020. As a result of the PRC Labour Contract Law, the Regulations on Paid Annual Leave for Employees and the National Leisure and Tourism Outline 2013-2020, the Group's labour costs (inclusive of those incurred by contractors) may increase. Further, under the PRC Labour Contract Law, when an employer terminates its PRC employees' employment, the employer may be required to compensate them for such amount which is determined based on their length of service with the employer, and the employer may not be able to efficiently terminate non-fixed-term employment contracts under the PRC Labour Contract Law without cause. In the event the Group decides to significantly change or decrease its workforce, the PRC Labour Contract Law could adversely affect its ability to effect these changes in a cost-effective manner or in the manner that the Group desires, which could result in an adverse impact on the Group's business, financial condition and results of operations.

Further, in the event that there is labour shortage or the labour cost rises significantly, the costs of the Group's business operations are likely to increase. In such circumstances, the profit margin may decrease and the financial results may be adversely affected. In addition, inflation in China has increased in recent years. Inflation in China increases the costs of raw materials the Group needs for conducting its businesses and the costs of labour as well. Rising labour costs may increase the Group's operating costs and partially erode the cost advantage of the Group's PRC-based operations and therefore negatively impact the Group's profitability. For the years ended 31 December 2013 and 2014 and the six months ended 2015, the total amount of the Group's employee benefits were RMB7,028 million, RMB9,939 million and RMB5,281.5 million, respectively, accounting for 11.0 per cent., 8.1 per cent., and 7.8 per cent., respectively of the Group's revenue from operations.

Any force majeure events, including the outbreak, or threatened outbreak, of any severe communicable disease in China, could materially and adversely affect the Group's business and results of operations.

Any force majeure events, including the outbreak, or threatened outbreak, of any severe communicable disease (such as Ebola virus disease, atypical pneumonia or avian influenza) in Hong Kong or the PRC, could materially and adversely affect the overall business sentiment and environment in China, particularly if such outbreak is inadequately controlled. This, in turn, could materially and adversely affect domestic consumption, labour supply and, possibly, the overall gross domestic product growth of the PRC. The Group's revenue is currently derived mainly from its PRC operations and any labour shortages on contraction or slowdown in the growth of domestic consumption in the PRC could materially and adversely affect the Group's business, financial condition or results of operations. In addition, if any of the Group's employees are affected by any severe communicable disease, it could adversely affect or disrupt production levels and operations at the relevant plants and materially and adversely affect the Group's business, financial condition or results of operations, which may also involve a closure of the Group's facilities to prevent the spread of the disease. The spread of any severe communicable disease in the PRC may also affect the operations of the Group's customers and suppliers, which could materially and adversely affect the Group's business, financial condition or results of operations.

Governmental foreign exchange control may affect the value of your 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.

Risks Relating to the Automotive Industry in China

The sales of automobiles bear a strong correlation to macroeconomic cycles and are subject to macroeconomic changes.

As a pillar industry of the national economy, there is a strong correlation between the automotive industry and the macroeconomic volatility cycle in terms of time and amplitude. Generally, when the national economy is booming, the demand levels in the automotive market are also high, while during the period of national economic downturn, market demand in the automotive industry is relatively weak. In 2008, in order to further expand domestic demand and maintain steady and rapid growth of the national economy, the PRC published a package of economic stimulus plan, to deal with the impact of the international financial crisis. There have been positive changes in the national economy. In 2010, due to the effect of continue weakening and cancellation of the economic stimulus efforts, tightening of macro-control policies (energy conservation, elimination of backwards production capacity, real estate regulations, straightening up local government financing platforms and credit crunch) and other relevant factors, the PRC's economic growth showed signs of a gradual decline. In 2014, the sales volume for automobiles in the PRC was 23,491,900, a slight increase of 6.9 per cent. Compared with developed countries, the PRC's automobile and automotive industry still has large potential for development. However, the uncertainty of future macroeconomic trends, weakening of existing policies, increasing of inflationary pressure, reducing of purchasing tax concessions, capacity expansion went ahead of sales growth, and other relevant risk factors, may have an impact on the Group's revenue.

Changes in the regulations and policies relating to the automotive industry in China may adversely affect the Group's business, prospects, financial condition and results of operations.

A significant increase in the vehicle population in China has caused serious traffic congestion in many cities. The PRC government and the local governments of certain major cities have released policies and measures with an aim to control the rapid increase in the vehicle population within the relevant region. On 23 December 2010, the Beijing Municipal Government issued 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) and implemented a lottery system to limit the number of vehicles for purchase within Beijing. Guangzhou has also introduced a similar policy to limit vehicle purchases in June 2012. Similar controlling measures were subsequently adopted by the Tianjin government and Shenzhen government in December 2013 and December 2014, respectively. Any changes to the national or local industrial policies, cancellation of tax incentives on the purchase of vehicles, or implementation of restrictions on vehicle purchases in other large cities or anywhere else in China may adversely affect the Group's financial performance and profitability.

In addition, the demand for vehicles in China is also affected by various environmental protection laws, regulations and rules regulating the automotive industry, as well as industrial and monetary policies. On 1 July 2007, the National Emission Standards Phase III for motor vehicles came into force nationwide, marking the entry into a new phase of pollution control in the PRC. This was swiftly followed by the National Emission Standards Phase IV. In accordance with the "Reply on the Implementation date of the National Emission Standards Phase IV" of the Ministry of Environmental Protection dated 21 December 2010, from 1 January 2011, all cars and automobile with gas fuel ignition engines that do not meet the requirement of national IV standard may not be sold or registered. On 17 September 2013, the National Emission Standards Phase V became effective and is intended for nationwide enforcement in 2018. Adverse changes in the regulatory environment may decrease the demand for commercial and passengers vehicles. For example, with a view to controlling air pollution, local governments in China have issued and implemented stricter emission standards in recent years. The Beijing V emission standards, which has been viewed to be as strict as the Euro V emission standards, is applicable to new automobiles to be sold and those have yet to received license plates. Similar or even stricter emission standards for automobiles may be adopted in other cities in China in the future. There is no assurance that the implementation of the new emission standards will not have adverse impacts to the demand and sales of automobiles.

In addition, the PRC government has in recent years promulgated and implemented a series of policies to improve the quality and safety standard of automotive products and to promote energy conservation, including "Administrative Regulations on Recall of Defective Auto Products", "Collision from the Side of Vehicle and Passenger Protection" and "Safety Requirements on the Fuel System of Passenger Vehicles after Collision". Regulatory policies have improved the quality and technical standard for automotive products, while on the other hand, have also increased production costs and expenses of the automotive manufacturers in China such as the Group.

Automobile manufacturers face risks arising from changes in consumer demand.

Consumer demand for automobiles is shaped not only by real factors such as disposable income, but also by psychological factors that are impossible to plan for. For example, increased fuel and energy prices in the future could lead to unexpected buyer reluctance, which could be further exacerbated by media reports. Demand for vehicles is cyclical in nature and is affected by various factors, such as sales and financing incentives, pricing, cost of fuel and parking, tolls, environmental concerns and government regulations, including tariffs, import regulation and taxes. Demand for vehicles in China is also affected by government policies, such as discontinuance of public service vehicles for government officials. Volatility in market demand may lead to a fluctuation in vehicle sales and may increase the Group's inventory and pressure on pricing, which may in turn adversely affect the Group's business, financial condition and results of operations.

The profitability of the automobile manufacturers in China may be adversely affected by changes in the national industrial policy.

The automotive industry in China has long been supported and encouraged by the national industrial policy. Since 2009, in order to boost the domestic automotive industry, the PRC government issued a series of policies and measures to encourage automotive consumption, including tax incentives for purchasing passenger cars with engine displacement of 1.6 litres and below, providing a subsidy for trade-in and a subsidy for selling cars to the countryside. These policies were highly effective in promoting the rapid development of domestic automotive consumption. However, in 2011, these stimulus policies were either cancelled or had expired, causing a negative impact on the growth of automotive consumption. In 2009, a restructuring and revitalisation plan for the automotive industry was promulgated. The plan encouraged the development of automotive manufacturing companies which have advanced technology, large-scale production and a complete supply chain. Adjustments or changes to the national industrial policy could have an impact on the Group's business development.

RISKS RELATING TO THE NOTES AND THE GUARANTEE

The Issuer is a company with no material assets and will rely on remittances from the Guarantor and its subsidiaries to make payments under the Notes.

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 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 of the Notes), the Issuer may, at the option of any Noteholder, be required to redeem all but not some only, of such holder's Notes at 101 per cent. (in the case of a redemption for a Change of Control (as defined in the Terms and Conditions of the Notes)) or 100 per cent. (in the case of a redemption for a No Registration Event (as defined in the Terms and Conditions of the Notes)) of their principal amount, together in each case with accrued 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.

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 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 90 calendar days 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) rank equally in right of payment with all the Issuer's and the Guarantor's other present and future unsecured indebtedness; (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.

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

The Notes are denominated and payable in Euro. An investor who measures investment returns by reference to a currency other than Euro 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 Euro 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 rating of the Notes may be downgraded or withdrawn.

The Notes are expected to be assigned a rating of "A3" by Moody's, a rating of "A-" by S&P and a rating of "A-" by Fitch. The provisional ratings for the Notes are expected to be confirmed by the relevant rating agencies upon the completion of the registration with the SAFE by the Guarantor. The rating represents the opinion of the rating agency and its assessment of the ability of the Issuer to perform its obligations under the Notes and 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 may be subject to suspension, reduction or withdrawn at any time. The rating agencies may also arrange their methodology for rating at any time. Neither the Issuer nor the Guarantor is obligated to inform holders of the Notes if the ratings are lowered or withdrawn. A reduction or withdrawal of the rating may adversely affect the market price of the Notes and the Issuer's or the Guarantor's ability to access the debt capital markets.

The insolvency laws of Hong Kong, 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 Hong Kong and the Guarantor was incorporated under the laws of the PRC, any insolvency proceeding relating to the Issuer or, as the case may be, the Guarantor would likely involve Hong Kong 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 and the Guarantor than is available in certain other jurisdictions.

Each of the Issuer and the Guarantor is a private company, and therefore there is even less publicly available information about the Issuer and the Guarantor. In addition, the financial information of the Guarantor included in this Offering Circular has been prepared in accordance with PRC GAAP which differ in certain respects from U.S. GAAP and generally accepted accounting principles in other jurisdictions, which might be material to the financial information contained in this Offering Circular.

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 pursuant to Condition 9 and taking enforcement steps pursuant to Condition 13 of the Terms and Conditions of the Notes, 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 of the Notes) or the Terms and Conditions of the Notes 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 of the Notes, the Trust Deed and the Deed of Guarantee by the Trustee or less than all of the Noteholders.

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders 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 individuals.

The Terms and Conditions of the Notes 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 or the Deed of Guarantee (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 or the Deed of Guarantee which is of a formal, minor or technical nature or is to correct a manifest error or is to comply with any mandatory provision of applicable law.

In addition, the Trustee may (but shall not be obliged to), without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes, the Trust Deed or the Deed of Guarantee (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 exempted 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 audited consolidated financial statements and unaudited reviewed consolidated interim financial statements of the Guarantor included elsewhere in this Offering Circular are English translations of the Chinese versions of the financial statements of the Guarantor.

This Offering Circular contains the audited consolidated financial statements of the Guarantor for the year ended 31 December 2013, for the year ended 31 December 2014 and the unaudited reviewed consolidated interim financial statements of the Guarantor as at and for the six months ended 30 June 2015. Such financial statements are English translations of the Chinese versions of the financial statements of the Guarantor. Although the accuracy of the English translations have been independently verified by Grant Thornton, there can be no assurance that the information contained in the English translations of such financial statements is accurate, truthful or complete.

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 of the Notes 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 holders of the Notes would need to be subject to the exclusive jurisdiction of the Hong Kong courts. There is also 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 of the Notes and the transaction documents are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, 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), 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 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. While it is expected that the PRC courts will recognise and enforce a judgment given by Hong Kong courts governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the holders of the Notes will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the holder's ability to initiate a claim outside of Hong Kong will be limited.

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.

USE OF PROCEEDS

The Issuer intends to use the net proceeds from the offering of the Notes (after deducting commission and offering expenses payable by the Issuer) for offshore investment and general corporate purposes in compliance with relevant regulations issued by the SAFE. The Issuer and the Guarantor may adjust its business plans in response to changing market conditions and change the use of proceeds.

EXCHANGE RATE INFORMATION

PRC

The People's Bank of China (the "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. The 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 the 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. The PBOC 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, the 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 the PBOC. On 19 June 2010, the 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 the PBOC will place more emphasis on reflecting the market supply and demand with reference to a basket of currencies. On 12 April 2012, the 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 the PBOC. The 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 consecutive days commencing 11 August 2015, the 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.

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 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.

Period	Exchange Rate			
	Period End	Average ⁽¹⁾	High	Low
		(RMB per US\$1.00)		
2010	6.6000	6.7603	6.8330	6.6000
2011	6.2939	6.4475	6.6364	6.2939
2012	6.2301	6.2990	6.3879	6.2221
2013	6.0537	6.1478	6.2438	6.0537
2014	6.2046	6.1704	6.2591	6.0402
2015				
April	6.2018	6.2010	6.2185	6.1927
May	6.1980	6.2034	6.2086	6.1958
June	6.2000	6.2052	6.2086	6.1976
July	6.2097	6.2084	6.2097	6.2008
August	6.3760	6.3382	6.4122	6.2086
September	6.3556	6.3676	6.3836	6.3544
October (through October 2)	6.3559	6.3559	6.3559	6.3559

(1) Determined by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which are determined by averaging the daily rates during the respective months.

On 2 October 2015, the noon buying rate for U.S. dollar in New York City for cable transfers in Renminbi was US\$1.00 to RMB6.3559 as certified for customs purposes by the Federal Reserve Bank of New York.

EUROPE

The following table sets forth, for each of the periods indicated, certain information concerning the exchange rates between Euro and U.S. dollars. 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.

Period	Exchange Rate			
	Period End	Average ⁽¹⁾	High	Low
		(U.S. dollar per €1.00)		
2010	1.3269	1.3216	1.4536	1.4536
2011	1.2973	1.4002	1.4875	1.4875
2012	1.3186	1.2909	1.3463	1.3463
2013	1.3779	1.3303	1.3816	1.3816
2014	1.2101	1.3297	1.3927	1.2101
2015				
April	1.1162	1.0822	1.1174	1.0582
May	1.0994	1.1167	1.1428	1.0876
June	1.1154	1.1226	1.1404	1.0913
July	1.1028	1.0997	1.1150	1.0848
August	1.1194	1.1136	1.1580	1.0868
September	1.1162	1.1229	1.1358	1.1104
October (through October 2)	1.1276	1.1238	1.1276	1.1200

(1) Determined by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which are determined by averaging the daily rates during the respective months.

On 2 October 2015, the noon buying rate for U.S. dollar in New York City for cable transfers in Euro was US\$1.00 to €0.8868 as certified for customs purposes by the Federal Reserve Bank of New York.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the consolidated capitalisation and indebtedness of the Guarantor as at 30 June 2015 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 Guarantor's consolidated financial statements and related notes included in this Offering Circular.

	As at 30 June 2015	
	Actual	As adjusted
	(RMB in millions)	
Short-term indebtedness		
– Short-term loans	14,064.9	14,064.9
– Long-term borrowing due within one year	1,516.1	1,516.1
– Bonds payable due within one year	7,883.4	7,883.4
	23,464.4	23,464.4
Long-term indebtedness		
– Long-term borrowings	13,713.8	13,713.8
– Debenture payable	11,895.6	11,895.6
– Notes to be issued ⁽¹⁾⁽²⁾	–	3,580.4
	25,609.4	29,189.8
Total Indebtedness⁽³⁾	49,073.8	52,654.2
Owners' equity		
– Paid-in capital	12,732.0	12,732.0
– Other equity instrument	2,000.0	2,000.0
– Capital reserve	5,136.2	5,136.2
– Other comprehensive income	(185.6)	(185.6)
– Surplus reserve	550.7	550.7
– Undistributed profits	8,316.2	8,316.2
Total owners' equity attributable to the parent company	28,549.5	28,549.5
Minority interest	46,163.4	46,163.4
Total Owners' Equity	74,712.9	74,712.9
Total Capitalisation⁽⁴⁾	123,786.7	127,367.1

(1) This amount represents the aggregate principal amount of the Notes to be issued, before deducting the fees and commissions and other estimated expenses payable by the Issuer in connection with the issuance of the Notes.

(2) The amount in Renminbi was converted based on the middle rate for Euro to Renminbi published by the PBOC on 30 September 2015, which was €1.00 to RMB7.1608.

(3) Total indebtedness equals the sum of short-term indebtedness and long-term indebtedness.

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

Except as disclosed above, there has been no material change in the capitalisation and indebtedness of the Guarantor since 30 June 2015.

TERMS AND CONDITIONS OF THE NOTES

The following other than the words in italics is the text of the terms and conditions of the Notes which will appear on the reverse of each of the definitive Certificates evidencing the Notes:

The issue of €500,000,000 1.90 per cent. notes due 2020 (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 Inalfa HK Investment Co., Limited (the “**Issuer**”) passed on 25 September 2015. The Notes are constituted by a Trust Deed (the “**Trust Deed**”) dated on or about 2 November 2015 (the “**Issue Date**”) between the Issuer, Beijing Automotive Group Co., Ltd. (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 also have the benefit of a deed of guarantee (the “**Deed of Guarantee**”) dated on or about 2 November 2015 executed by the Guarantor and the Trustee relating to the Notes. The giving of the Guarantee (as defined in Condition 3(b)) was authorised by a resolution of the board of directors of the Guarantor on 12 October 2015. Copies of the Trust Deed, the Deed of Guarantee and the Agency Agreement (the “**Agency Agreement**”) dated on or about 2 November 2015 relating to the Notes between the Issuer, the Guarantor, the Trustee, The Bank of New York Mellon, London Branch as principal paying agent (the “**Principal Paying Agent**”), The Bank of New York Mellon (Luxembourg) S.A. as registrar (the “**Registrar**”) and transfer agent (the “**Transfer Agent**”) and any other agents named in it, are available for inspection during usual business hours at the principal office of the Trustee (being at the date of issue of the Notes at One Canada Square, London E14 5AL, United Kingdom) and at the specified office of the Principal Paying Agent from time to time. The “**Agents**” means the Principal Paying Agent, 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 the Deed of Guarantee and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

All capitalised terms that are not defined in these terms and conditions (“**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 €100,000 and integral multiples of €1,000 in excess thereof.

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

Title to the Notes shall pass by registration 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.

*Upon issue, the Notes will be represented by a global certificate (the “**Global Certificate**”) which will be registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream**”). The Conditions are modified by certain provisions contained in the Global Certificate. See “Summary of Provisions Relating to the Notes in Global Form”.*

2 Transfers of Notes

- (a) **Transfer:** A holding of Notes may, subject to Condition 2(d), be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) 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 such 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.

- (b) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Condition 2(a) shall be available for delivery within seven business days of receipt of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer 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 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 expense of the Issuer, failing whom, the Guarantor) 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(b), “**business day**” means a day, other than a Saturday or Sunday or public holiday, on which commercial banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).
- (c) **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.

- (d) **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) after the exercise of the put option in Condition 6(c), or (iii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(a)(ii)).

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 equally with all the Issuer's other present and future unsecured and unsubordinated obligations.
- (b) **Guarantee:** The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums 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 shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a), at all times rank at least equally 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 a Listed Subsidiary, a Subsidiary of a Listed Subsidiary, Inalfa or a Subsidiary of Inalfa) will, create, or have 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 (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the interest of the Noteholders or (ii) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.
- (b) **Undertakings relating to Reporting and Registration:** The Guarantor undertakes:
- (A) (i) to report or cause to be reported the relevant information in connection with the Notes to the NDRC, within 10 Registration Business Days after the Issue Date and in accordance with the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (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) promulgated by the NDRC effective from 14 September 2015 (the "**Post-Issuance Reporting**"); and (ii) to comply with all applicable PRC laws and regulations in relation to the Notes; and
- (B) (i) submit for registration with SAFE the Deed of Guarantee in accordance with, and within the time period prescribed by, the Foreign Exchange Administration Rules on Cross-border Security (跨境擔保外匯管理規定) ("**Cross-border Security Registration**"), (ii) use its best endeavours to complete the Cross-border Security Registration and obtain a registration record from SAFE on or before the Registration Deadline and (iii) comply with all applicable PRC laws and regulations in relation to the Guarantee.

(c) **Financial Information:** For so long as any Note remains outstanding:

- (i) the Issuer and the Guarantor will furnish the Trustee with (A) a Compliance Certificate of each of the Issuer and 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 the Accounting Standards for Business Enterprises in the PRC (“**PRC GAAP**”) (audited by an internationally recognised firm of independent accountants) of the Guarantor and its Subsidiaries and if such statements shall be in the Chinese language, together with an English translation of the same translated by (aa) an internationally recognised firm of independent accountants or (bb) a professional translation service provider and checked by an 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; and (B) a copy of the Guarantor Unaudited Financial Reports within 90 days of the end of each Relevant Period prepared on a basis consistent with the audited consolidated financial statements of the Guarantor and its Subsidiaries and if such statements shall be in the Chinese language, together with an English translation of the same and translated by (aa) an internationally recognised firm of independent accountants or (bb) a professional translation service provider and checked by an 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; and
- (ii) the Guarantor will, subject to its compliance with all Regulatory Approvals in connection therewith:
 - (A) publish any subsequent Guarantor Audited Financial Reports on the Guarantor Website within 150 days of the end of each Relevant Period; and
 - (B) publish any Guarantor Unaudited Financial Reports on the Guarantor Website within 90 days of the end of each Relevant Period,

provided that the Guarantor shall not be required to comply with the requirements of this Condition 4(c)(ii) if it gives written notice to the Trustee certifying that it is not practicable for the Guarantor to publish any such Guarantor Audited Financial Reports or Guarantor Unaudited Financial Reports on the Guarantor Website.

- (d) **Issuer Activities:** The Issuer shall not, and the Guarantor will procure that the Issuer will not, carry on any business activity whatsoever other than in connection with the Notes (such activities in connection with the Notes may, for the avoidance of doubt, include the on-lending of the proceeds of the issue of the Notes to the Guarantor or any Subsidiary of the Guarantor).

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 the transactions contemplated by the Trust Deed, the Deed of Guarantee and the Notes;

“**Compliance Certificate**” means, in respect of the Issuer and the Guarantor, a certificate of the Issuer or the Guarantor (as the case may be), deliverable in accordance with Condition 4(c)(i), and also deliverable within 14 days of any requested by the Trustee, signed by any

one of its directors or 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 this Trust Deed and the Notes;

“**Guarantor Audited Financial Reports**” means the annual audited consolidated balance sheet, income statement, statement of cash flows and statements of changes in owners’ 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 the semi-annual (or any other interim reporting period required by applicable law or regulations) unaudited consolidated balance sheet, income statement, statement of cash flows and statements of changes in owners’ 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;

“**Guarantor Website**” means www.baicgroup.com.cn or such other website as shall have been notified by the Issuer to the Trustee in writing and to the Noteholders in accordance with Condition 16;

“**Inalfa**” means Inalfa Roof Systems Group B.V.;

“**Independent Investment Bank**” means an independent investment bank of international repute (acting as an expert) selected by the Issuer (at the expense of the Issuer, failing whom, the Guarantor) and notified in writing to the Trustee and if, the Issuer fails to select an Independent Investment Bank where required, the Trustee may (at its absolute discretion) but shall not be obliged to select the Independent Investment Bank (at the expense of the Issuer, failing whom, the Guarantor) provided always that the Trustee will not be responsible or liable to Noteholders or any other person for the selection of such Independent Investment Bank or for any action taken, or omitted to be done or suffered to be taken, by such Independent Investment Bank or in accordance with any notice or certification provided by such Independent Investment Bank;

“**Listed Subsidiary**” means, at any time, any Subsidiary of the Issuer or the Guarantor, the ordinary voting shares of which are at such time listed on The Stock Exchange of Hong Kong Limited or any other recognised stock exchange;

“**NDRC**” means the National Development and Reform Commission of the PRC;

“**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;

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

“Registration Deadline” means the day falling 90 calendar days after the Issue Date;

“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 incurred outside 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);

“Relevant Period” means (i) in relation to the Guarantor Audited Financial Reports, each period of twelve months ending on the last day of the Guarantor’s financial year (being December 31 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 the Guarantor’s first half financial year (being June 30 of that financial year);

“SAFE” means the State Administration of Foreign Exchange or its local branch;

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 elect directors, managers or trustees 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; and

“TARGET System” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) system or any successor thereto.

5 Interest

The Notes bear interest on their outstanding principal amount from and including 2 November 2015 at the rate of 1.90 per cent. per annum, payable annually in arrear in equal instalments of €19 per €1,000 in principal amount of Notes on 2 November in each year (each an **“Interest Payment Date”**) commencing on 2 November 2016.

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 falling 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).

If interest is required to be calculated for a period of less than a full year, it shall be calculated on the basis of (i) the number of actual days in the period from and including the date from which interest begins to accrue (the “**Accrual Date**”) to but excluding the date on which it falls due, divided by (ii) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date.

6 Redemption and Purchase

- (a) **Final Redemption:** Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount on 2 November 2020 (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 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 was 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 Hong Kong 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 26 October 2015, 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 a director 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 the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) 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 Events:** 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, as defined below in this Condition 6(c)) or 100 per cent. (in the case of a redemption for a No Registration Event, as defined below in this Condition 6(c)) of their principal amount, together in each case with accrued interest up to and excluding, such 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 Certificate 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 the 14th day after the expiry of such period of 30 days as referred to above.

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 to the Trustee in writing by not later than 14 days (in the case of a redemption for a Change of Control) or five days (in the case of a redemption for a No 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 or any other person for any loss arising from any failure to do so.

In this Condition 6(c):

“**Beijing SASAC**” means the State-owned Assets Supervision and Administration Commission of the People’s Government of Beijing Municipality;

a “**Change of Control**” occurs when:

- (i) Beijing SASAC ceases to own or control (whether directly or indirectly) 100 per cent. of the Voting Rights of the issued share capital of the Guarantor; or
- (ii) Beijing SASAC or the Guarantor ceases to Control the Issuer; or
- (iii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of its assets to any other person or persons, acting together, except where such person(s) is/are Controlled, directly or indirectly, by Beijing SASAC;

“**Control**” means (where applicable): (i) the ownership, acquisition or control of more than 50 per cent. of the Voting Rights of the issued share capital of a person 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;

a “**No Registration Event**” occurs when the Registration Conditions are not satisfied on or before the Registration Deadline;

“**Registration Conditions**” means the receipt by the Trustee of:

- (i) a certificate of the Guarantor with the company seal of the Guarantor affixed thereto confirming the completion of (x) the Post-Issuance Reporting Filing of the Notes with the NDRC in accordance with the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates and (y) the registration of the Guarantee with SAFE in accordance with the Cross-border Security Registration; and
- (ii) a copy of (x) the relevant reporting documents filed for the purpose of the Post-Issuance Reporting Filing in (i)(x) above of this definition and (y) the relevant SAFE registration record relating to the registration of the Guarantee with SAFE in (i) (y) above of this definition and the particulars of registration, in each case with the company seal of the Guarantor affixed thereto;

a “**Relevant Event**” means a Change of Control or a No Registration Event; 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 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 and 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, among other things, 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.

7 Payments

(a) Method of Payment:

- (i) 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 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(a) (ii) below.
- (ii) Interest on each Note shall be paid to the person shown on the Register at the close of business on the fifth business day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Note shall be made by transfer to an account in Euros maintained by the payee with a bank in a city in which banks have access to the TARGET System. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made in Euros by cheque drawn on a bank and mailed (at the expense of the Issuer, failing whom, the Guarantor) to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register.

In this Condition 7(a)(ii), “**business day**” means a day, other than a Saturday, a Sunday or a public holiday, on which the Registrar is open for business in the place of its specified office.

- (iii) If the amount of principal or premium (if any) 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 or premium (if any) 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 interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest so paid.
- (b) **Payments Subject to Laws:** All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payment but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Noteholders in respect of such payments.
- (c) **Payment Initiation:** Where payment is to be made by transfer to an account in Euros, payment instructions (for value 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, and, where payment is to be made by cheque, the cheque will be mailed (at the expense of the Issuer), on the due date or, if that 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 where the relevant Certificate has not been surrendered at the specified office of any 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.
- (d) **Appointment of Agents:** The Principal Paying Agent, the Registrar and the Transfer Agent initially appointed by the Issuer and their respective specified offices are listed below. The Principal Paying Agent, the Registrar and the Transfer Agent 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, (iii) a Transfer Agent and (iv) such other agents as may be required by any other 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.
- (e) **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) or if a cheque mailed in accordance with Condition 7(a)(ii) arrives after the due date for payment.
- (f) **Payment Business Days:** In this Condition 7, “Payment Business Day” means a day (other than a Saturday or a Sunday or a public holiday) on which commercial banks and foreign exchange markets are open for business in Hong Kong and London and which is also a day on which the TARGET System is open and, in the case of presentation of a Certificate, in the place in which the Certificate is presented.

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 Hong Kong 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 rate of up to and including 10 per cent. 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 10 per cent., or any Hong Kong 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 Hong Kong 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 (where presentation is required) 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; or
- (c) **Payment to Individuals:** where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (d) **Tax Declaration:** to a holder (or to a third party on behalf of a holder) who would not be liable for or subject to such withholding or deduction by making a declaration of identity, non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested to make such declaration or claim, such holder fails to do so within any applicable period prescribed by such relevant tax authority.

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.

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 in writing 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 interest:

- (a) **Non-Payment:** there is failure to pay (i) the principal of or any premium on any of the Notes when due or (ii) any interest on any of the Notes within seven days after the due date for such payment;
- (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, the Deed of Guarantee or the Trust Deed (other than those referred to in Condition 9(a)) which default is incapable of remedy or, if capable of remedy, is not remedied within 30 days after notice of such default shall have been given to the Issuer and the Guarantor by the Trustee;
- (c) **Cross-Default:** (i) any other present or future indebtedness of the Issuer, the Guarantor or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) 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 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 CNY200 million or its equivalent in any other currency or currencies (on the basis of the middle spot rate for the relevant currency against the Renminbi as quoted by any leading bank on the day on which this Condition 9(c) operates);
- (d) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against a material part of the property, assets or revenues of the Issuer, the Guarantor or any of their respective Principal Subsidiaries and is not discharged or stayed within 30 days;
- (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 their respective Principal Subsidiaries over all or a material part of the assets of the Issuer, the Guarantor or their respective Principal Subsidiaries 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);
- (f) **Insolvency:** the Issuer, the Guarantor or any of their respective Principal Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, 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;

- (g) **Winding-up:** an administrator is appointed, an order 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 the Issuer, the Guarantor or any of their respective Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except for (i) the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (A) on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders, or (B) whereby the undertaking and assets of a Principal Subsidiary are transferred to or otherwise vested in the Guarantor or any of its Subsidiaries; or (ii) a solvent winding up of any Principal Subsidiary other than the Issuer;
- (h) **Nationalisation:** any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of any part of the assets of the Issuer, the Guarantor or any of their respective Principal Subsidiaries, which individually or in the aggregate would have a material adverse impact on the Issuer's or the Guarantor's ability to perform their respective obligations under the Notes, the Trust Deed or the Deed of Guarantee;
- (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, the Trust Deed and the Deed of Guarantee, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes, the Trust Deed and the Deed of Guarantee admissible in evidence in the courts of England is not taken, fulfilled or done;
- (j) **Illegality:** it is or will become unlawful for any of the Issuer and the Guarantor to perform or comply with any one or more of their respective obligations under any of the Notes, the Trust Deed or the Deed of Guarantee;
- (k) **Unenforceability of Guarantee:** 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 Conditions 9(a) to 9(k) (both inclusive).

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

- (a) whose total operating income or (in the case of a Subsidiary which itself has Subsidiaries) consolidated total operating income, as shown by its latest audited income statement are at least 5 per cent. of the consolidated total operating income as shown by the latest published 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;
- (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 5 per cent. of the consolidated net profit as shown by the latest published 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;

- (c) whose total assets or (in the case of a Subsidiary which itself has Subsidiaries) consolidated total assets, as shown by its latest audited balance sheet are at least 5 per cent. of the consolidated total assets of the Guarantor and its Subsidiaries as shown by the latest published audited consolidated balance sheet of the Guarantor and its Subsidiaries including, 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 (xx) 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 forthwith become a Principal Subsidiary and (yy) on or after the date on which the first published audited accounts (consolidated, if appropriate) of the Guarantor prepared as of a date later than such transfer are issued, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Principal Subsidiary shall be determined 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) and (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 published 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, total operating income, net profit or total 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 the Guarantor;
- (iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its total operating income, net profit or total 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 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.

10 Prescription

Claims against the Issuer and the Guarantor 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) 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 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 (provided that the requirement is reasonable in light of prevailing market practice). 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 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 or the Deed of Guarantee. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee and shall be convened by the Trustee if requested to do so in writing 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 two 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 two 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 cancel or amend the Deed of Guarantee otherwise than in accordance with Condition 12(b), in which case the necessary quorum will be two or more persons holding or representing not less than 66 per cent. or at any adjourned meeting not less than 33 per cent. in principal amount of the Notes for the time being outstanding. 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 a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in principal amount of the Notes for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (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, the Deed of Guarantee or the Agency Agreement that is of a formal, minor or technical nature or is made to correct a manifest error or is to comply with any mandatory provision of applicable law, 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, the Deed of Guarantee or the Agency Agreement that is not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and, unless the Trustee otherwise agrees, 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 interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders, 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.

13 Enforcement

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the terms of the Trust Deed, the Deed of Guarantee and the Notes, but it need not take any such 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 (without limitation) provisions relieving it from taking proceedings to enforce payment unless first indemnified and/or secured and/or pre-funded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and/or any entity related (directly or indirectly) to the Issuer or the Guarantor without accounting for any profit.

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 express 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, the Issuer, the Guarantor 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, the Deed of Guarantee 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 or liable to any person 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, the Deed of Guarantee or these Conditions.

The Trustee may rely without liability to Noteholders on any report, confirmation, opinion or certificate from 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, certificate or advice and, in such event, such report, confirmation, opinion, 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 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) and so that such further issue shall be consolidated and form a single series with the Notes. 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 Notes may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed.

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.

17 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.

18 Governing Law and Jurisdiction

- (a) **Governing Law:** The Trust Deed, the Agency Agreement, the Deed of Guarantee and the Notes are governed by, and shall be construed in accordance with, the laws of England.
- (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 the Notes, the Deed of Guarantee, the Agency Agreement and the Trust Deed and accordingly any legal action or proceedings arising out of or in connection with any Notes, the Deed of Guarantee or the Trust Deed (“**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.
- (c) **Agent for Service of Process:** Pursuant to the Trust Deed, the Guarantor has irrevocably agreed to receive service of process at BHAP HK Investment Limited’s registered office currently at 21st Floor Edinburgh Tower, The Landmark, 15 Queen’s Road Central, Hong Kong in any Proceedings in Hong Kong.
- (d) **Independence and Waiver of Immunity:**
 - (i) The Guarantor is a separate legal and independent entity organised under the Company Law of the PRC; it is an enterprise undertaking commercial activities independent from the PRC Government with ownership of its assets and the capacity independently to assume civil liabilities.
 - (ii) 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.

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The Global Certificate contains provisions which apply to the Notes in respect of which the Global Certificate is issued, some of which modify the effect of the terms and conditions of the Notes (the “Conditions” or the “Terms and Conditions”) set out in this Offering Circular. Terms defined in the 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 depository on behalf of Euroclear and Clearstream.

In the Global Certificate, the Issuer, for value received, promises to pay such principal and interest on the Notes to the holder of the Notes on such date or dates as the same may become payable in accordance with the Terms and Conditions of the Notes.

Owners of interests in the Notes in respect of which the Global Certificate is issued will be entitled to have title to such 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 such 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/or the Registrar may require to complete, execute and deliver such individual definitive Certificates.

PAYMENT

So long as the Notes are represented 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 Monday to Friday, inclusive except 25 December and 1 January.

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 it appropriate to do so in the circumstances, but without being obliged 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) may consider such interests on the basis that such accountholders were the holder of the Notes in respect of which the Global Certificate is issued.

NOTICES

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

NOTEHOLDERS' REDEMPTION

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

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 Note by the Issuer following its redemption or purchase by the Issuer will be effected by reduction in the principal amount of the Notes in the Register of the Noteholders.

MEETINGS

For the purpose 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 two persons for the purposes of any quorum requirements of a meeting of Noteholders and as being entitled to one vote in respect of each integral currency unit of the currency of the Notes.

DESCRIPTION OF THE ISSUER

FORMATION

The Issuer was incorporated in Hong Kong as a public company limited by shares on 17 September 2015 under the Companies Ordinance of Hong Kong (Chapter 622 of the Laws of Hong Kong) with company number 2287398. The registered office of the Issuer is located at 13/F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Central, Hong Kong. The Issuer is a wholly-owned subsidiary of BHAP, which is wholly-owned by Hainachuan. Hainachuan is a limited liability company incorporated in Hong Kong and the Guarantor beneficially owns 60 per cent. interest in Hainachuan. The remaining 40 per cent. interest in Hainachuan is beneficially owned by Beijing SASAC through one of its wholly owned enterprises.

SHARE CAPITAL

The total issued share capital of the Issuer is €1.00 divided into one ordinary share of €1.00 each. The share has been fully paid by the Issuer's sole shareholder, Hainachuan. 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 conduct no business or any other activities other than issuing the Notes and on-lending the proceeds to the Guarantor or its subsidiaries or affiliates. As at the date of this Offering Circular, the Issuer has no business activity and has no outstanding borrowings or contingent liabilities. As at the date of this Offering Circular, the Issuer has no subsidiaries or employees.

FINANCIAL STATEMENTS

Under Hong Kong law, the Issuer as a public company is required to file with the Hong Kong Companies Registry its audited financial statements with its annual return for the corresponding financial year. In addition, the Issuer is required to keep proper books of account as are necessary to give a true and fair view of the state of the Issuer's financial affairs and to explain its transactions.

The Issuer prepares audited financial statements on an annual basis with a financial year-end of 31 December. As the Issuer was incorporated on 17 September 2015, it has not prepared any financial statements as at the date of this Offering Circular. Its first financial year will end on 31 December 2015.

DIRECTORS

The directors of the Issuer are Mr. Han Yonggui, Mr. Shi Youwen and Mr. Li Xuejun. The business address of the directors is 99 Shuanghe Street, Shunyi District, Beijing, PRC.

There are no potential conflicts of interest between any duties of the Issuer's directors and their 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 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. The Group was one of the top five largest domestic automotive manufacturers in China in terms of aggregate sales volume in 2014 according to CAAM. It was ranked the 207th in the 2015 Edition of Fortune Global 500 compared to the 248th in 2014. Its brand name “北汽” was ranked the 19th among the “500 Most Valuable Corporate Brands in China 2015” by the World Brand Laboratory.

The Group’s business consists principally of the following segments:

- *Manufacturing and sales of complete vehicles.* The Group was the fifth largest automobile manufacturer in China in terms of aggregate sales volume, occupying 10.2 per cent. of China’s complete vehicle market in 2014 according to CAAM. The Group manufactures and sells a wide range of passenger vehicles and commercial vehicles mainly through Beijing Benz, Beiqi Foton and BAIC Motor, its key operating subsidiaries, and Beijing Hyundai, a key joint venture company. For the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, the Group together with Beijing Hyundai sold 1,499,347 units, 1,845,766 units and 923,366 units, respectively of passenger vehicles and sold 664,714 units, 555,135 units and 263,480 units, respectively of commercial vehicles. The Group sells its products primarily in China. It also exports to more than 30 countries.
- *Manufacturing and sales of auto parts and accessories.* The Group manufactures a number of key auto parts and accessories such as engines, powertrains, chassis products, auto electronic and electrical products and auto body products, primarily through Hainachuan. These auto parts are supplied for its own auto production as well as to third-party auto manufacturers in China and other countries.
- *Complementary services relating to auto sales and after-sales.* The Group provides diverse services complementary to its auto sales business, such as used car sales, auto lease, insurance and financing. The Guarantor believes that provision of these services positions the Group well, enabling it to capture the growing business opportunities in the auto after-sales market, such as auto lease, insurance and financing.

The Group is considered as one of the most important state-owned enterprises in Beijing and 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. The Group is the single largest enterprise owned by the Beijing SASAC in terms of revenue and profit in 2014 and one of the largest taxpayers in Beijing. The Guarantor functions as the Group’s central agency for matters relating to planning and strategy, asset management, product development and human resources and is indirectly and wholly owned by Beijing SASAC. Leveraging its connection with the Beijing Municipal Government, the Group receives strong government support in the forms of capital injection, bulk purchase for major projects, government subsidies and favourable policies.

The Group’s diversified product portfolio covers nearly all the market segments of passenger, commercial and other vehicles as well as construction engineering. The Group markets and sells its passenger vehicles primarily under joint-venture brands “Beijing Benz” and “Beijing Hyundai” and its proprietary brands “BAIC Motor”, “BJEV”, “BAW” and “Changhe”. Its commercial vehicles are principally marketed and sold under its proprietary brand “Beiqi Foton” and joint-venture brand “Foton Daimler”. The Group’s engines for use in commercial vehicles are marketed under the brand “Foton

Cummins” and its powertrain products are marketed under the proprietary brand “BAIC Motor”. After years of development, these brands have established strong market awareness in China and internationally.

The Group sells its products and provides services through its extensive distribution and after-sales service networks in China and globally. The Group’s customers of its vehicle products include government agencies, dealership networks, auto lease companies and retail purchasers and its customers of auto parts include domestic and international automotive manufacturers and automotive components companies.

The Group has a proven track record of successful joint venturing with international partners including exclusive arrangements with renowned auto manufacturing partners (such as Daimler AG and Hyundai Motor) and accessories partners (such as Cummins Power Generation, Lear, Johnson Controls, Inergy, Visteon, Tenneco, BorgWarner, Hella), many of which are considered leaders in their respective fields. The Guarantor believes that these joint ventures create synergies and strong sales momentum from the joint venture brands which has contributed to the substantial growth of its business and sales over the past decades.

For the years ended 31 December 2013 and 2014 and the six months ended 30 June 2014 and 2015, the Group’s total revenue from operations was RMB63,924.8 million, RMB122,799.0 million, RMB56,609.9 million and RMB67,496.0 million, respectively. For the years ended 31 December 2013 and 2014 and the six months ended 30 June 2014 and 2015, the Group’s revenue from sales of complete vehicles, auto parts and accessories was RMB57,087.1 million, RMB103,021.2 million, RMB52,944.1 million, RMB62,611.4 million, respectively, which represented 89.3 per cent., 83.9 per cent., 93.5 per cent. and 92.8 per cent., respectively of the Group’s total revenue from operations. As at 30 June 2015, the Group had total assets of RMB210,511.1 million.

COMPETITIVE STRENGTHS

The Guarantor believes that its success and future prospects are attributable to the following competitive strengths:

Strong business and financial support from the Beijing Municipal Government

The Group is considered as one of the most important state-owned enterprises in Beijing and plays a critical role in developing the automotive industry in China. In addition, the Group is a designated entity by the Beijing Municipal Government to develop the automotive industry in Beijing and China and has played a critical role in implementing the economic development plan of the Beijing Municipal Government for the five years from 2011 to 2015 (commonly known as the “**12th Five-Year Plan**”), which targets to increase the output value of Beijing’s automotive industry to RMB560 billion by the end of 2015 and develop a multi-national auto group in Beijing with output value of more than RMB300 billion.

Since China re-entered the World Trade Organization (“**WTO**”) in 2001, one of the PRC government’s priority tasks is to develop China’s automotive industry by benchmarking the standards of the automotive industries in other major industrial countries. The Beijing Municipal Government also designated the automotive industry as one of the pillar industries in the high value-added manufacturing sector. The Group, as the sole automotive manufacturing platform in Beijing and industry leader in China, is the beneficiary of governmental policies promoting the automotive industry. As a result, the Group’s major projects such as the establishment of independent research and development (“**R&D**”) capabilities and domestic and overseas investments and acquisitions, have received strong financial and policy support from the Beijing Municipal Government.

- *Favourable policy support.* The Group has received strong government policy support relating to its strategic investments and acquisitions. For example, the Beijing Municipal Government actively coordinated the formation of Beijing Benz and provided strong support, together with the PRC central government, in the Guarantor's subsequent investment in Beijing Benz which increased its ownership to 51 per cent. and in Daimler AG's investment in BAIC Motor which increased its interest by an additional 12 per cent. in 2013. To stimulate the domestic demand for new energy vehicles, the Beijing Municipal Government has made a special arrangement under its licence plate approval policy to effectively guarantee purchasers of selected models of new energy vehicles of a licence plate under the state lottery system. The Group's electric cars are included among the selected models of this special arrangement. The foregoing measures and policies are assisting the Group in its objective to build up the largest new energy automobile manufacturing base in China.
- *Financial support from the Beijing Municipal Government.* The Beijing Municipal Government, through Beijing SASAC, provides strong financial support to the Group, including in the form of equity support for its major projects, subsidies as well as in the form of low-cost shareholder loans. From 2006 to 2014, the Beijing Municipal Government had injected an aggregate amount of approximately RMB15.16 billion, comprised of approximately RMB10.4 billion in capital injection and RMB4.76 billion in subsidies, into the Group. Such strong government support has significantly enhanced the Group's domestic credit rating and reduced liquidity risk, creating an increased willingness among banks to provide financing to the Group. The Beijing Municipal Government has provided financial subsidies to support the Group's development of new energy vehicles.
- *Preferential tax treatment.* Certain members of the Group are entitled to preferential enterprise income tax rate of 15 per cent. compared to the statutory tax rate of 25 per cent. for their high-tech enterprise status and/or pursuant to applicable preferential taxation policies, such as Beiqi Foton, BAIC Motor, Beijing Electric Vehicle Co., Ltd. ("**BJEV**") (北京新能源汽车股份有限公司) and BAW. To support the development of new energy vehicles, the state and local tax authorities offer auto manufacturers, such as the Group, a tax return in the total amount of RMB80,000 for each new energy vehicle sold.
- *Continuing government procurement.* The PRC central government's and the Beijing Municipal Government's procurement agencies have supported the Group by making bulk purchases of the Group's vehicles and implementing preferential policies. For example, Beiqi Foton buses and Beijing Benz and Beijing Hyundai passenger cars are designated as priority purchase vehicles by the Beijing Municipal Government. The Group's new energy vehicles have also been supported by government policies and designated as priority purchase products.
- *Established dominant position during industry consolidation.* Due to the large number of automobile manufacturing companies in China with relatively low production levels, the PRC government made a concerted effort to encourage industry consolidation by focusing on developing five domestic automobile manufacturers that have annual production of one million units or more. With the support of the Beijing Municipal Government, the Group has been developed into one of such five dominant leaders in China's automotive industry through injection of performing assets and divestment of under performing assets. In 2015, the controlling interest in Shandong Binzhou Bohai Piston Co. Ltd. (山東濱州渤海活塞股份有限公司) ("**Bohai Piston**"), an auto piston manufacturer listed on the Shanghai Stock Exchange, was assigned to the Group through coordination and arrangement between Beijing SASAC and Shandong SASAC. The Guarantor believes that this acquisition further strengthens its vertically integrated business model and increases its market competitiveness.
- *Others.* The Group has been selected by the Beijing Municipal Government to be one of the key project companies in Beijing that will receive support from a RMB10 billion industry fund formed by Beijing SASAC, Beijing Development and Reform Commission, Beijing Economic and

Information Commission, Beijing Science and Technology Commission and Beijing Finance Bureau. The Beijing Municipal Government has also invested in cash, provided land and granted subsidies for specific projects such as the construction of the Group's R&D complex, the development of new energy technology, the establishment of joint ventures and the recruitment of overseas high-end talent.

A leading automotive group with well-established brand awareness

The 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. The Group was the fifth largest automobile manufacturer in China in terms of aggregate sales volume, occupying 10.2 per cent. of China's complete vehicle market in 2014 according to CAAM. The Group was ranked the 207th in the 2015 Edition of Fortune Global 500 compared to the 248th in 2014. Its brand name “北汽” was ranked the 19th among the “500 Most Valuable Corporate Brands in China 2015” by the World Brand Laboratory. In addition, a number of brands under which the Group markets and sells its vehicle products have established strong market recognition in China:

- “Beijing Benz”, a key joint venture brand of the Group, was ranked the third in terms of market share of joint venture premier passenger vehicles in China in 2014, and was considered one of the fastest growing joint venture premier passenger vehicle brands in China according to CAAM.
- “Beijing Hyundai”, another key joint venture brand of the Group, was ranked among the top five passenger vehicle manufacturers in China in the past two years according to CAAM and was ranked the first in terms of market share of the mid-to high-end joint venture SUVs market in China in 2014 according to CAAM.
- “Beiqi Foton”, one of the Group's proprietary brands, has been ranked the first in China's commercial vehicles segment for nine consecutive years since 2005 in terms of domestic sales volume according to CAAM. In 2013, Beiqi Foton was awarded the China Industry Prize and was the first commercial vehicle manufacturer to receive this prize according to the China Federation of Industrial Economics. According to the Most Valuable Brands Rank in China published by the World Brand Laboratory in 2013, Beiqi Foton was ranked the 34th (the fourth among all vehicle brands) with an estimated brand value of RMB50.867 billion.
- “BAIC Motor”, the Group's proprietary brand for its passenger vehicles, became the largest manufacturer of mid-to high-end mid-sized proprietary sedans in China in terms of its sales volume in 2013 according to CAAM.

A diversified and balanced product portfolio

The Group has a diversified and balanced product portfolio spanning passenger vehicles and commercial vehicles at different prices from entry to premium level and traditional and new energy vehicles. As at 30 June 2015, the Group had more than 41 models of passenger vehicles ranging from sedans, multi-purpose vehicles (“MPVs”), SUVs to crossover and mini-vehicles and more than seven series and 12 models of commercial vehicles spanning different types (trucks, buses and vans) and different loading capacities. The Group also maintains a competitive product line-up and releases new products on a regular basis. In recent years, the Group has further diversified its product portfolio by pioneering the development of new energy automobiles. The Group now offers several electric passenger vehicles and commercial vehicles such as Senova EV, E150EV, EV150/200 and Wevan 307EV by leveraging the technologies of its joint venture partners and in-house R&D capabilities. The Guarantor believes that its diversified and balanced product portfolio has allowed the Group to capture growth in different market segments and to mitigate risks from potential changes in demand, supply, competition and regulations.

Strong partnership and in-depth strategic cooperation with world-class vehicle, automotive and auto part manufacturers

The Group's strong business profile reflects to a large extent the strengths of its joint ventures set up with international auto and auto part manufacturers, particularly Beijing Benz and Beijing Hyundai, both of which have been key cash flow and profit contributors of the Group. The Group is the exclusive local joint venture partner of South Korea's Hyundai and Germany's Daimler AG and has successfully maintained mutually beneficial relationships with them. In 2014, Beijing Benz was the third-largest premium passenger vehicle maker in China and Beijing Hyundai was the fifth-largest passenger vehicle maker in China, both in terms of sales volume according to CAAM. The strong competitiveness of these joint ventures benefits from Daimler AG and Hyundai Motor's brand awareness and product competitiveness. By manufacturing Daimler AG's and Hyundai Motor's established vehicle models, the Guarantor believes that the Group is able to significantly reduce the costs and business risks relating to product development, branding and compliance with stringent safety and environmental standards.

In the meantime, the Group's joint ventures is of strategic importance to Daimler AG and Hyundai Motor because they contribute a significant portion of their business in China. Beijing Hyundai is Hyundai Motor's only passenger vehicle producer in China and Beijing Benz is Daimler's key passenger vehicle partner in China. According to CAAM, China was Mercedes-Benz Car's third-largest regional market in terms of unit sales at 17.0 per cent. in 2014 and Beijing Benz's domestic sales represented 49.7 per cent. of Mercedes-Benz Car's sales in China in 2014. China was Hyundai's largest regional market in terms of retail unit sales at 23.2 per cent. in 2014.

The Group also maintains strategic cooperation arrangements with reputable auto parts makers such as Cummins Power Generation, MOBIS, Johnson Controls, Vistron, Lear, Tenneco, BorgWarner, Asimco, Inergy and Hella, many of which are leaders in their respective fields. The Guarantor believes that such partnerships and strategic cooperation have created a synergy for both the Group and its foreign partners and will continue to be a key force to drive its growth in the future.

Extensive sales and service network coupled with diverse sales channels and marketing strategies

The Group has an extensive distribution and after-sales service network for each of its major brands with a dominant presence in China. Under the Guarantor's high-level management, each key operating auto manufacturing subsidiary or joint venture manages its own distribution and after-sales service network to support the sales of different auto products. As at 30 June 2015, Beijing Benz, Beijing Hyundai and BAIC Motor had approximately 300 dealers, 800 dealers and 500 dealers, respectively, in China. Beiqi Foton's sales network consisted of approximately 2,400 domestic first-tier sales outlets and approximately 2,000 second-tier sales outlets, covering 31 provinces and over one hundred cities in China, and more than 130 overseas dealers promoting sales in approximately 120 countries as at 30 June 2015. In addition, the Group had more than 5,000 after-sales service stations for its commercial vehicle products and approximately 800 after-sales service stations for its passenger vehicle products across China as at 30 June 2015. The Group's extensive distribution and after-sales service network has allowed it to access the demand from different customer groups and to capture growth opportunities in different geographical regions, which in turn helps it to expand its customer base and increase revenue.

The Group employs diverse and innovative marketing measures to promote the sales of its products. In addition to traditional direct sales and dealership distribution, the Group leverages new technologies and modern channels to increase its sales. The Group has established its self-operated online sales platform and set up sales platforms on JD.com and Taobao.com, two of the largest online retailers in China. In addition, the Group adopts a proactive marketing approach by introducing new vehicle models and technologies to its customers on a regular basis. The Guarantor believes that marketing through these channels not only helps to reduce its advertisement expenses, but also effectively enhances its brand awareness and promotes its sales.

A vertically integrated business model providing strong competitive advantages

The Group's operations cover the full spectrum of automotive-related businesses from manufacturing, distribution to after-sales services and R&D through its highly integrated platforms. The Guarantor believes that this vertically integrated business model has contributed to the Group's strong competitiveness and created a synergy among different business segments. By way of organic growth, joint venture investments and strategic acquisitions over the years, the Group has successfully expanded its integrated platforms. Beijing Benz, the Group's controlled joint venture with Daimler AG, is now an exclusive engine supplier of Daimler AG in China and also exports its engine products to Germany. The acquisition of 100 per cent. interest in Inalfa Roof Systems Group B.V. has given the Group access to the world's second-largest proof system manufacturing capacity. The Group now has the capability to manufacture and distribute a diversified portfolio of passenger and commercial vehicles and key auto part and components (such as engines, powertrains, chassis, roof and auto electronic and electrical products) and to provide a full range of services complementary to auto sales. The Guarantor believes that this model helps the Group to achieve better cost management, quality control and R&D activities and also positions the Group to capture the growing business opportunities in the auto after-sales market, such as auto lease, insurance and financing.

Industry-leading R&D capabilities

With half a century's development, the Guarantor's brand name has a deep history and represents outstanding industrial expertise and strong R&D capabilities. The Group's R&D global capabilities focus on automotive and powertrain manufacturing and the development of new energy cars. It had six R&D centres and more than 5,000 R&D specialists in China, Germany, the Netherlands, New Zealand and the United States, some of whom are foreign experts, university professors and world-renowned scholars. Its Beijing Automotive Research Institute has been certified jointly by the NDRC, the Ministry of Finance, the State Administration of Customs and the State Administration of Taxation as a nationally accredited technology enterprise centre. By leveraging the industry technologies and expertise of Daimler AG, Beijing Benz now operates a R&D centre which is Daimler's largest R&D base outside of Germany, significantly enhancing the Group's capabilities of localised design, auto and part testing, trial production and commercial production. In addition, the Group has established close cooperative relationships with domestic and international research institutes and universities in many countries such as Italy, Germany, Holland and the United States.

The Guarantor believes that its strong R&D capabilities and the technologies it has developed significantly improve the performance and competitiveness of its products and are key to its success in the past decades. It has established a leading R&D system that consists of 17 modules covering every key process of automotive manufacturing, including development, quality control, procurement management, manufacturing and inspection. As at 31 December 2014, the Guarantor and its subsidiaries had 6,848 registered patents in China and more than 300 registered patents in other countries. For the three years ended 31 December 2013 and 2014, the Group's R&D expenditure (including capitalised and expensed) totalled RMB3,542 million and RMB6,678 million, respectively.

The Group's leading R&D capabilities are also demonstrated by its dedication to and investment in developing new energy passenger and commercial vehicles. In the past five years, the Group invested more than RMB1.0 billion in this segment. In May 2014, the Group acquired a controlling interest in Atieva in the United States, whose R&D team participated in the development of electric cars for Tesla Motors. The Guarantor believes that such initiative has given them the opportunity to capitalise growth in new energy application in the automotive industry.

Sound corporate governance implemented by a team of experienced and dedicated directors and senior management

The Guarantor has an experienced management team with strategic vision and has displayed a strong capability to adapt and innovate. The members of the Guarantor's senior management team had on average over 21 years of experience in the automotive industry in China. All the Group's directors,

supervisors and a majority of the Guarantor's senior management are appointed by Beijing SASAC and some of them previously served as senior officials within a number of state-owned enterprises and ministries within the central government of China. Their understanding of, and insight into, the regulatory framework and China's governmental policies allow the Group to play a significant role in development projects with various local governments in China. In the meantime, this gives the management team the opportunity to better align its strategies with the government's future policies. The Guarantor's board and supervisory committee include members nominated by its employees, which allows the Guarantor to increase the transparency and fairness in its decision-making process.

The Group maintains a sound and effective corporate governance structure. Through its partnership with a number of world leading industry players, the Group has access to and has benchmarked certain key areas at its corporate governance to international standards. The Group maintains an effective internal control system focusing on financial reporting and asset and capital management, which ensures that the Group's internal control standards are maintained at the highest level at all times. In addition, some key operating subsidiaries of the Guarantor are listed on the stock exchanges of China or Hong Kong and are thus subject to the regulations and rules of the relevant markets on internal control and financial reporting, such as BAIC Motor (which is listed on the Hong Kong Stock Exchange) and Beiqi Foton and Bohai Piston (which are both listed on the Shanghai Stock Exchange).

The Group places significant emphasis on the quality of its employees. It has a comprehensive internal training and promotion system with a focus on developing and cultivating talent internally. Its research teams in different countries regularly send its staff to other R&D centres for training, such as China, Germany and the Netherlands. Management's depth of industry experience enables the Group to anticipate market trends and to manage its assets and risks more effectively. In addition, the Group's management and employees are constantly motivated by its corporate culture of pursuing excellence and performance-based incentives.

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 maintain an industry-leading position as a national automotive manufacturer and explore prudent overseas expansion opportunities

The Group will continue to consolidate and develop its position as a leading national automotive manufacturer by gaining additional market share and increasing its sales revenue. It is the Group's strategic plan in the next five years to further develop its proprietary brands and its joint venture brands in terms of market position and brand recognition. The Group will grow its market share by improving brand penetration in the next wave of developing cities in China. As this targeted growth area has been undergoing rapid urbanisation and transport infrastructure construction, there will be a corresponding increase in the demand for automobiles. In addition to its domestic success, the Group has prudently looked at expansion opportunities in overseas markets. The Group has established its sales and services network in over 30 countries and it is currently exporting vehicles to overseas markets such as Russia, the Middle East, Africa, South America and other Asian countries.

To meet this growing demand, the Group will increase its production capacity and introduce six additional vehicle production lines (three SUVs production lines, two new energy vehicle production lines and one cross-type vehicle production line). Existing production bases will be upgraded continually to improve production efficiency, and overall production capacity will be increased by leveraging the production bases in the North, South, Central and Southwest of China. By adopting these measures, the Group expects to substantially increase its aggregate annual production capacity together with improved utilisation rate, its annual sales volume and net profit after tax.

To become a market leader in the new energy vehicles market

New energy vehicles are expected to be the future growth driver of the automotive industry in China. The Group is positioning itself to explore this opportunity effectively by developing its new energy vehicle technology and expanding its production capabilities to achieve economies of scale. This will be achieved by exploiting the Group's expertise in electric bus and passenger vehicle technology, entering into the mass production of new energy vehicles, and spearheading ground breaking R&D of new energy vehicle technology. In addition, the Group intends to build the first fully-automated module production line and semiautomatic battery packing line in China through its strategic co-operation with SK Group. The Group has recently restructured its new energy vehicle business and acquired Atieva Ltd, a leading U.S. design and R&D technology provider for electric vehicles, and will leverage and develop its competitive strengths and strategic synergies to gain more market share in this growing market.

To further enhance the Group's expertise in independent R&D

The Group will develop its expertise in the R&D of passenger vehicles (including SUVs and MPVs) and commercial vehicles by utilising its home grown talent and internal resources, and by cooperating with domestic and international R&D institutions.

The objective is to fully integrate its R&D capabilities with the manufacturing arms to build a seamless and complete supply chain within the Group.

To continue developing proprietary brand vehicles, powertrain, and accessories

The Group will continue developing its proprietary brand of vehicles and automobile power systems (including advanced gasoline engines and transmission products) to effectively lower production costs and establish a steady supply chain of core vehicle parts. This will allow the Group to increase its competitiveness in the long run through effective cost-savings measures and continuous innovation of its proprietary products.

To improve the Group's corporate, financial and business structure for greater efficiency and growth

The Group intends to diversify its funding sources by tapping the offshore debt and equity capital markets. Capital proceeds obtained will be allocated to achieve further growth in existing business enterprises. The Group seeks to accelerate the growth of its sales and service sector by cooperating with leading international sales and service corporations, and by growing complementary businesses such as automobile finance, car rentals, exporting used cars and providing automobile repair and maintenance services.

In addition, the Group intends to improve the efficiency and management of its sales and service system by focusing on segments of the automotive industry which are able to generate high profit margins and increasing the profitability and competitiveness of its business generally.

HISTORY AND DEVELOPMENT

The Guarantor is currently registered as a limited liability company under the name Beijing Automotive Group Co., Ltd. (北京汽車集團有限公司) with the registration number of 110000005034385. The registered office of the Guarantor is located at No. 99, Shuanghe Street, Shunyi District, Beijing, PRC (86-010-87664009). As one of the first automobile manufacturers in China, the Group traces its origins back to 1958. Set forth below are certain milestone events in the Group's history:

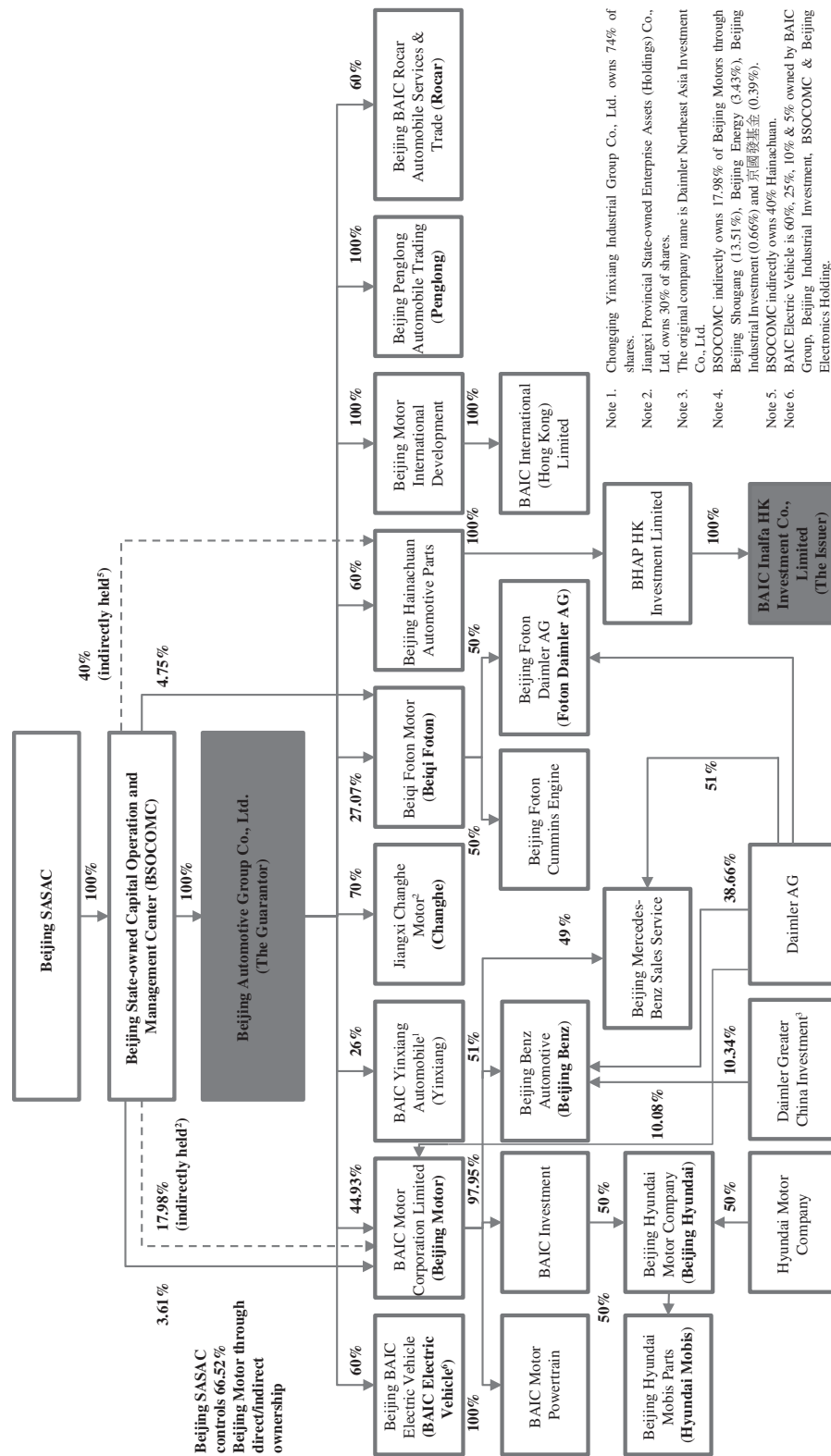
1958	Beijing Automobile Work, the predecessor of the Guarantor, was duly established in July 1958.
	China's first proprietary sedan "JingGangShan" was developed by Beijing Automobile Work.

- 1973 Beijing Automobile Work was expanded and was subsequently renamed as “Beijing Automotive Industry Group” as approved by the CPC Beijing Committee.
- 1980 On 16 October 1980, the Beijing Municipal Government approved the change of name of Beijing Automotive Industry Group to Beijing Municipality Automotive Industry Corporation.
- 1983 Beijing Jeep Motor Co., Ltd., the predecessor of Beijing Benz and the first Sino-foreign joint venture automobile company founded in China, was incorporated by Beijing Municipality Automotive Industry Corporation and American Motors Corporation.
- 1987 On 21 March 1987, Beijing Municipality Automotive Industry Corporation was restructured to form Beijing Automotive Industry Union Group pursuant to a notification issued by the General Office of the CPC Beijing Committee.
- 1992 On 29 June 1992, the Beijing Municipal Government renamed Beijing Automotive Industry Union Group as “Beijing Automotive Industry Corporation”.
- 1994 On 30 June 1994, according to a notification issued by the Beijing Municipal Government, Beijing Automotive Industry Group Limited was established as a result of the reorganisation of Beijing Automotive Industry Corporation.
- 2000 On 26 September 2000, the Beijing Municipal Government approved the change of name of Beijing Automotive Industry Corporation to Beijing Automotive Industry Holding Co., Ltd.
- 2002 Beijing Hyundai Motor Co., Ltd. was established on 18 October 2002 by BAIC Investment Co., Ltd. and Hyundai Motor Company (Korea), in which each party owned 50 per cent. interests. “Beijing Hyundai” was the first approved Sino-foreign joint venture automotive project after China was admitted to the WTO.
- 2005 The Guarantor, Daimler AG and Daimler Northeast Asia Ltd. established Beijing Benz on 8 August 2005. The capital contribution of the Guarantor represented 50 per cent. of Beijing Benz’s initial registered capital.
- 2009 The intellectual property rights of SAAB (including complete vehicles technologies, engines and transmission systems platform) was acquired by the Group.
- The Group successfully acquired all relevant intellectual property rights of SAAB Automobile AB in consideration of US\$200 million, which was the first successful acquisition of the entire European and American automobile technologies by a PRC company.
- In March 2009, Beijing SASAC injected its equity in Beijing Automotive Industry Holding Co., Ltd. into Beijing State-owned Capital Operation and Management Centre. After the transfer, Beijing State Capital Management Centre became the shareholder of the Guarantor.
- 2010 On 28 September 2010, with the approval of Beijing SASAC, Beijing Automotive Industry Holding Co., Ltd. was renamed as Beijing Automotive Group Co., Ltd. From 1 November 2010, the Group officially commenced operations under its current name.

- 2011 The Group acquired all equipment and technological documents of Swedish WEIGL transmission systems for a consideration of approximately €31 million.
- The Group acquired 100 per cent. equity interest in Inalfa Roof Systems Group B.V., the second largest brand and manufacturer of automobile sunroof in the world. BAIC Group also gained access to Inalfa Roof Systems Group's R&D team.
- Guangzhou Oriental Baolong Automotive Industry Co., Ltd. was acquired.
- 2012 Beijing Foton Daimler Automotive Co., Ltd. was established, each of Beiqi Foton and Daimler AG owned 50 per cent. interest.
- 2013 The Guarantor entered into a strategic agreement with Daimler AG, pursuant to which the Guarantor would increase its interest Beijing Benz from 50 per cent. to 51 per cent.
- Daimler AG purchased 12 per cent. equity interest in BAIC Motor, which was the first case of foreign automotive company holding interests in China's proprietary brand.
- 2014 In February 2014, the Guarantor and Atieva Inc. (U.S.) entered into a share purchase agreement, pursuant to which the Guarantor acquired 25.02 per cent. equity interest in Atieva Inc. and became the largest shareholder. The aim of this acquisition was to create a new energy high-end vehicle brand in China.
- The Guarantor and Daimler AG signed an agreement on 10 October 2014, pursuant to which the total investment of Daimler AG and the Guarantor in Beijing Benz would reach approximately €4 billion by 2015. Meanwhile, the new generation premier compact model (GLA) of Mercedes-Benz will be manufactured in China finally.
- BAIC Motor was listed on the Hong Kong Stock Exchange in December 2014. It is the first Hong Kong listed company within the Group.

CORPORATE STRUCTURE

The following chart sets forth a simplified version of the Group's corporate structure, listing a selection of its key subsidiaries:



DESCRIPTION OF THE GROUP'S BUSINESS

The Group's Brands and Products Portfolio

The Group is principally engaged in the R&D, design, manufacturing, marketing and distribution of passenger vehicles and commercial vehicles under its joint venture and proprietary brands. The Group offers a comprehensive product portfolio under its complementary brand portfolio, which mainly includes passenger vehicles under its joint venture brands Beijing Benz and Beijing Hyundai and its proprietary brand BAIC Motor and commercial vehicles under its proprietary brand Beiqi Foton. To capture the business opportunities presented by the growing new energy vehicle market in China and benefit from favourable government policies, the Group also develops and manufactures new energy vehicles under its proprietary brands.

The Group manufactures and distributes auto parts and accessories for both commercial and passenger vehicles. In recent years, the Group's accessories and parts manufacturing capability has been enhanced significantly through cooperation arrangements with world leading auto and auto parts manufacturers, such as Cummins Inc. and Daimler AG.

To complement and support its vehicles and auto parts core businesses and develop synergies amongst different business segments, the Group also provides complementary services relating to auto sales and after-sales, such as used car sales, auto lease, insurance and financing.

Principal Business Activities

Manufacturing and Sales of Complete Vehicles

The Group was the fifth largest automobile manufacturer in China in terms of aggregate sales volume, occupying 10.2 per cent. of China's complete vehicle market in 2014, according to CAAM. The Group has a diversified product offering. It owns eleven complete vehicle brands, which fully cover the product range of commercial vehicles and passenger vehicles. The Group has four main brands, including its joint venture brands Beijing Benz and Beijing Hyundai and its proprietary brands BAIC Motor and Beiqi Foton. Beijing Benz and Beijing Hyundai mainly manufactures and offers premier passenger vehicles and mid-to-high end passenger vehicles. BAIC Motor is the Group's core proprietary brand focusing on the manufacturing and distribution of passenger vehicles. Beiqi Foton is the Group's proprietary brand which focuses on the manufacturing and distribution of full-series commercial vehicles. New energy vehicles under its proprietary brands are also an important part of the Group's product portfolio.

For the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, the Group together with Beijing Hyundai sold 1,499,347 units, 1,845,766 units and 923,366 units, respectively of passenger vehicles and sold 664,714 units, 555,135 units and 263,480 units, respectively of commercial vehicles.

A selection of the Group's major joint venture and proprietary brands and its principal vehicle models is set out below:



Note:

- (1) The Group markets and sells its complete vehicles under 11 proprietary and joint venture brands, including its two major joint-venture brands “Beijing Benz” and “Beijing Hyundai” and two proprietary brands “BAIC Motor” and “Beiqi Foton”.

The following are the Group's main complete vehicle manufacturing subsidiaries under its joint ventures and proprietary brands, which covers a broad spectrum of passenger and commercial vehicles, including:

Beijing Benz

“Beijing Benz” is one of the major joint venture brands of the Group focusing on the manufacturing and sale of high-end passenger vehicles and is operated by Beijing Benz, a 51 per cent. owned subsidiary of the Guarantor. Beijing Benz was ranked the third in the joint venture premium passenger vehicle market in China as measured by its market share of 15.3 per cent. in 2014 according to CAAM. Beijing Benz was one of the fastest growing joint venture premier passenger vehicle brands in China in 2014. Currently, Beijing Benz primarily manufactures certain signature models of Mercedes-Benz including Benz E-Class, Benz C-Class and Benz GLK.

Beijing Benz's history traces to its predecessor, Beijing Jeep Motor Co., Ltd., which is the first Sino-foreign joint venture automobile company founded in China set up by Beijing Automotive Industry Corporation and American Motors Corporation. On 8 August 2005, with the approval of the MOFCOM, Beijing Jeep Automotive Co., Ltd was renamed as “Beijing Benz-Daimler Chrysler Co., Ltd.” In 2010, it was renamed as “Beijing Benz Automobile Co., Ltd.” The Group entered into a comprehensive co-operation agreement with Daimler AG in 2013. The agreement contemplated (1) Daimler AG's investment of RMB5.13 billion in return for 12 per cent. of BAIC Motor's issued shares, (2) BAIC Motor's reorganisation of its shareholding of Beijing Benz such that it holds 51 per cent. of the issued shares of Beijing Benz, (3) BAIC Motor's acquisition of the technologies relating to the Benz E-class V212 platform, and (4) the establishment of a joint sales services company. On 18 November 2013, the Guarantor increased its beneficial ownership in Beijing Benz from 50 per cent. to 51 per cent. through BAIC Motor, making Beijing Benz the first joint venture company in which the Chinese investor holds more than 50 per cent. of the equity interest in the automotive industry in China. As a result of this transaction, Beijing Benz's financial statements were consolidated into the Group since 18 November 2013 according to the Guarantor's accounting policies. See “Risk Factors – Risks Relating to the Group's Business – The Group's historical financial information is not directly comparable with its financial information in 2014 and beyond.”

The Group owns the sole engine production plant in Asia and a R&D centre of Daimler AG outside of Germany. The engine production plant has a designed annual production capacity of 300,000 units. Most of the engines produced by this plant are sold in China and a small portion of the engines are exported to Germany and other Benz production bases overseas as well.

The following table sets forth certain key operating data of Beijing Benz (in approximate amounts) during the periods and as at the dates indicated:

	As at/For the year ended 31 December		As at/ For the six months ended 30 June
	2013	2014	2015
Designed Production Capacity (units in thousands)	120	150	230
Actual Production Volume (units in thousands)	118.8	146.3	102.0
Utilisation Rate (by per cent.)	99.0	97.5	88.7 ⁽¹⁾
Sales Volume (units in thousands)	116.0	145.5	103.0
Sales Revenue (RMB in millions)	36,670.3	47,232.2	31,261.7
Sales-to-Production Ratio (by per cent.)	97.6	99.5	101.0

(1) Based on annualised production volume.

Beijing Hyundai

“Beijing Hyundai” is one of the major joint venture brands of the Group focusing on the R&D, manufacturing and sale of mass-market passenger vehicles. According to CAAM, Beijing Hyundai has been ranked among the top five passenger vehicle manufacturers in China for more than ten consecutive years in terms of sales volume, and the fourth sedan market in China in 2014. Beijing Hyundai was the second largest joint venture passenger car brand in China in terms of single-brand sales, representing 10.6 per cent. of the joint venture mid-to-high-end passenger car market in China in 2014. It is also the largest joint venture SUV manufacturer in China in 2014. Beijing Hyundai has successfully uplifted the proportion of sales volume represented by mid-sized passenger cars and SUVs, thereby lifting profitability. Beijing Hyundai was ranked number one in terms of market share of the mid-to high-end joint venture SUVs market in China in 2014 according to CAAM.

Beijing Hyundai was founded on 18 October 2002 by Beijing Automobile Investment Co., Ltd. (the predecessor of the Guarantor) and Hyundai Motor Company (“**Hyundai Motor**”) with each party holding 50 per cent. equity interest of Beijing Hyundai. Beijing Hyundai is the first Sino-foreign joint venture auto manufacturer established after China entered the WTO. The Group is the only joint venture partner for Hyundai Motor in China and has played a critical role in Hyundai Motor’s development in China. Beijing Hyundai’s fourth manufacturing base in Cangzhou and fifth manufacturing base in Chongqing are under construction. With annual production capacity of 300,000 units each, those two manufacturing bases are designed to have the capability to produce engines and other auto parts.

The following table sets forth certain key operating data of Beijing Hyundai (in approximate amounts) during the periods and as at the dates indicated.

	As at/For the year ended 31 December		As at/ For the six months ended 30 June
	2013	2014	2015
Designed Production Capacity (units in thousands)	900.0	1,100	1,100
Actual Production Volume (units in thousands)	1,040.0	1,120.0	518.9
Utilisation Rate (by per cent.)	115.6	101.8	94.3 ⁽¹⁾
Sales Volume (units in thousands)	1,030.8	1,120.0	501.3
Sales Revenue (RMB in millions)	109,110.6	115,880.2	50,076.4
Sales-to-Production Ratio (by per cent.)	99.1	100	98.3

(1) Based on annualised production volume.

BAIC Motor

BAIC Motor focuses on the manufacturing and sale of the Group’s proprietary brand passenger vehicles. BAIC Motor utilises advanced technologies for its production. It produces the following products: the Senova, a leading proprietary mid-to- high end product; the Beijing, targeting the economic passenger car and Wevan, specialising in crossover passenger car and MPV products. According to ACMR, Senova D70 ranked number one amongst proprietary mid-to-high-end mid-sized passenger vehicle brands in terms of sales volume in 2013. BAIC Motor completed its initial public offering and listing of its shares on the Main Board of the Hong Kong Stock Exchange on 19 December 2014 under the stock code “1958.HK”.

The following table sets forth certain key operating data of BAIC Motor (in approximate amounts) during the periods and as at the dates indicated.

	As at/For the year ended 31 December		As at/ For the six months ended 30 June
	2013	2014	2015
Designed Production Capacity (units in thousands)	350.0	480	480
Actual Production Volume (units in thousands)	162.0	223.4	105.3
Utilisation Rate (by per cent.)	57.2	46.5	43.9 ⁽¹⁾
Sales Volume (units in thousands)	202.3	201.9	112.3
Sales Revenue (RMB in millions)	13,754.4	60,072.2	38,573.5
Sales-to-Production Ratio (by per cent.)	124.9	94.4	106.6

(1) Based on annualised production volume.

Beiqi Foton

Beiqi Foton is one of the Group's key proprietary brands focusing on the manufacturing of commercial vehicles and has a comprehensive products portfolio. Beiqi Foton was founded on 28 August 1996 and was listed on the Shanghai Stock Exchange in 1998. Beiqi Foton is recognised as a leading brand of commercial vehicles in China, which has been ranked number one in terms of domestic sales volume of commercial vehicles in China for ten consecutive years since 2004, according to CAAM. As at 30 June 2015, Beiqi Foton offered more than six models of commercial vehicles to its customers. Beiqi Foton AIC Motor completed its initial public offering and listing of its shares on the Shanghai Stock Exchange in June 1998 under the stock code "600166".

The following table sets forth certain key operating data of Beiqi Foton (in approximate amounts) during the periods and as at the dates indicated:

	As at/For the year ended 31 December		As at/ For the six months ended 30 June
	2013	2014	2015
Designed Production Capacity (units in thousands)	726	732	736
Actual Production Volume (units in thousands)	652.3	551.7	271.4
Utilisation Rate (by per cent.)	89.8	75.4	73.8 ⁽¹⁾
Sales Volume (units in thousands)	664.7	555.1	263.5
Sales Revenue (RMB in millions)	34,152.5	33,691.3	17,220.6
Sales-to-Production Ratio (by per cent.)	101.9	100.6	97.1

(1) Based on annualised production volume.

New Energy Vehicles

The Group is committed to improving the battery, motor and power electronics equipment and other technologies relating to new energy vehicles. It seeks to achieve this by building and strengthening its cooperation arrangements with SK Group, Siemens and other international new energy vehicle manufacturers. Through its strategic cooperation with SK Group, the Group plans to build the first fully-automated modular production line and semi-automatic battery packing line in China. The Group's partnership with Siemens in the field of developing powertrain for electric vehicles has enabled the Group to develop a wide range of electric engines, ranging from 45KW engines to 200KW engines. This has in turn improved the overall performance of the Group's electric vehicles, and laid a solid foundation for the Group's goal to become a world-class new energy vehicle industry leader.

The Group also conducts independent R&D for new energy vehicles and collaborates with large institutions and specialised entities. In terms of production, the Group plans to build a new energy vehicle production base in Beijing for the manufacture of electric vehicles and medium-to-heavy duty hybrid vehicles while light-duty hybrids to be produced in other complete vehicle factories. The Group plans to set up the second large research and development centre in Aachen, Germany.

Each of the Group's main brands has development plans for new energy vehicles. Beijing Hyundai and Beijing Benz have been aggressively introducing new energy whole car products, aiming to achieve over one per cent. of sales volume in newly launched products. Beiqi Foton has been developing new energy vehicles for commercial car products and targeting city coach and official vehicles sectors to introduce new energy vehicles. Beiqi Foton's current new models for new energy vehicles are the E150EV, EV150/200, the Senova EV and the Wevan 307EV. Similarly, BAIC Motor has been focusing its resources on developing electric passenger cars. It has been installing BSG technology on typical oil-fuelled vehicles to enhance fuel efficiency. Its new models of new energy vehicles to be launched are the E200EV and the G50EV.

For the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, the Group manufactured 1,466 units, 5,233 units and 6,216 units of new energy vehicles, and revenue generated from sales of new energy vehicles amounted to RMB311.7 million, RMB818.3 million and RMB1,389.1 million, respectively.

Manufacturing and sales of Auto Parts and Accessories

In recent years, through cooperation arrangements with international manufacturers such as Cummins Inc., Daimler AG, Inergy, Visteon Corporation and Lear Corporation, the Group's auto parts manufacturing capability has grown significantly. The Group provides auto parts and accessories for both commercial and passenger vehicles. The Group has a technologically-advanced and cost-competitive product portfolio, covering five main automotive systems, namely vehicle accessory system, seat system, electronic system, heat exchange system, and chassis and other systems.

In addition to supplying to the Group's proprietary brands such as Beijing Hyundai and Beijing Benz, auto parts produced by the Group are also marketed to other well-known automobile brands in China and overseas, such as Ford, Volvo, Porsche, Peugeot, Toyota, General Motor, Renault and Fiat.

A majority of the manufacturing of auto parts and accessories is carried out through the Group's subsidiary, Hainachuan. Hainachuan primarily focuses on five key products, namely car seat system, auto interior and the exterior trim system, auto heat exchange system, auto electronic system, and auto chassis and other systems. Out of the Group's total procurement amount as at 30 June 2015, Hainachuan accounted for approximately 12.45 per cent. Among the Group's auto products, the Inalfa roof system is the most competitive product. In addition, through Beijing Benz, the Group operates Daimler AG's sole engine manufacturing plant in Asia. The engines are supplied to Daimler AG's other vehicles factories in Asia.

The Group emphasises on the development of joint ventures for the production of auto parts and accessories, from which the Group acquires technologies and R&D skills for its accessories and parts manufacturing business, the Group will focus on leveraging on its vehicle manufacturing business, optimising the coverage of product lines, enhancing product mix and R&D capabilities.

Foton Daimler

Beiqi Foton Daimler Automotive Co., Ltd. (“**Foton Daimler**”) was established as a joint venture between Beiqi Foton and Daimler AG in 2012. The joint venture company has a registered capital of RMB5.6 billion, and will produce the “Foton Auman” heavy-duty truck and, under licence from Daimler AG, the OM457 heavy-duty truck engine, which will achieve a Euro V emission standard and horsepower of 490 hp. Daimler AG provides technology and expertise, while leveraging on Beiqi Foton’s production lines and sales networks.

Complementary Services Relating to Auto Sales and After-sales

To complement and support its vehicles and auto parts core businesses and develop synergies among different business segments, the Group has developed services relating to auto sales and after-sales services, including the establishment of vehicle trade and services platforms and the provision of vehicle-related financial services.

The three main services trade business platforms include:

- Beijing BAIC Rocar Automobile Services & Trade Co., Ltd.: its three main business segments include automotive derivatives business, auto parts maintenance, sales of appliances and group procurement;
- Beijing Rocar Automobile Trade Co., Ltd.: it is a professional vehicles sales and services business platform of the Group, which speeds up the establishment of domestic network; and
- BAIC International Group: it is responsible for the comprehensive development of the Group’s international business, including exports of complete vehicles of proprietary brands and auto parts products, imports of technologies, equipments and complete vehicles and international strategic cooperation.

The Group also offers vehicle-related financial services including auto finance, auto insurance and financial leasing services through its subsidiaries engaged in finance and investment businesses.

SALES AND CUSTOMERS

Sales

The Group has established professional direct sales and market management departments responsible for collecting and analysing market information, formulating sales strategies and assisting in the execution of sales strategies of the Group.

For each of its major brands, the Group has implemented differentiated sales and marketing strategies.

Beijing Benz – Beijing Benz has a well-established sales and service network. As at 30 June 2015, Beijing Benz had approximately 300 dealers throughout China, mainly covering major first- and second-tier cities in China. In recent years, Beijing Benz has also been extending its sales and service network to third-tier cities in China to meet the growing demand in such area. Beijing Benz applies a strict criteria for each of its distributors to ensure a consistently high service standard for its customers. The marketing policy of Beijing Benz in China, similar to the Group’s other brands, is regional-based and the Group adopts the strategic business unit marketing model. Each unit is comprised of independent sales, services, network, administration and public relations departments. Beijing Mercedes-Benz Sales Service Co., Ltd., a joint venture between the Group and Daimler Greater China, was formed in December 2012 and is responsible for the sales and distribution of all imported and domestic-produced Mercedes-Benz passenger cars in China. The new joint venture facilitates the coordination of sales and marketing strategies for all Mercedes-Benz’s cars.

As at 30 June 2015, Beijing Benz had approximately 300 dealers compared to 238 dealers as at 31 December 2013.

Beijing Hyundai – Beijing Hyundai's products are mainly sold through dealership networks, leasing companies and government procurement agencies. As at 30 June 2015, Beijing Hyundai had approximately 800 dealers throughout China. Beijing Hyundai employs a strategy of devising different marketing focus on three major regions, namely northern, central and eastern China. It has been deepening coverage of high-growth cities in central China, and entering new markets in the Central-and-Southern regions by increasing penetration in third and fourth-tier cities. The sales network of Beijing Hyundai is managed by eleven departments, each overseen by both parties in the joint venture. The sales management system was developed with reference to Hyundai Motor's management system and experiences.

As at 30 June 2015, Beijing Hyundai had approximately 800 dealers compared to 715 dealers as at 31 December 2013.

BAIC Motor – BAIC Motor's products are mainly sold through its dealership network, leasing companies and government procurement agencies. BAIC Motor had approximately 500 dealers throughout China as at 30 June 2015. The key management personnel of BAIC Motor is highly experienced in managing sales networks for joint ventures. In general, BAIC Motor has employed the strategy of maintaining long-term relationship with dealers. Specifically, it enters into dealership agreements with all dealers which specifies the products under the dealership agreement and sets targets for annual sales. It also adopts a mix of commission and promotion policies. In addition, BAIC Motor distributes standard operating handbooks and provides useful business tools to dealers, such as consulting services from Deloitte, advanced information technology systems and a three-month specialised training to new dealership branches. All of such marketing efforts have enabled BAIC Motor to maintain and strengthen its cooperation relationship with its dealers.

BAIC Motor strategically focuses on key areas such as Beijing, Tianjin, Hebei, Shandong and Henan to maintain its market position. It also has dealership outlets in first- and second-tier cities in the coastal regions of China while also maintaining sales presence in other cities.

As at 30 June 2015, BAIC Motor had approximately 500 dealers compared to 413 dealers as at 31 December 2013.

Beiqi Foton – Beiqi Foton applies a marketing strategy that involves both dealers and direct sales, with sale outlets as its main distribution channel. Beiqi Foton uses direct sales for key and important customers to ensure flexibility in its marketing system. The dealership network of Beiqi Foton can be categorised into nine major networks and three network groups. As at 30 June 2015, Beiqi Foton had a large sales network with approximately 2,400 domestic first-tier sales outlets and approximately 2,000 second-tier sales outlets, covering 31 provinces and over one hundred cities and counties. Among these dealership branches, 35 per cent. are core channels that have contributed about 80 per cent. of the sales volume. In conjunction with the dealership branches, this brand also has over 5,000 service branches. As at 30 June 2015, Beiqi Foton had 130 overseas distributors located in 120 countries. Beiqi Foton's service network provides 24/7 service to its customers in all provinces and municipalities across China. In addition, Beiqi Foton has actively expanded to overseas markets with the establishment of Japan Foton Automobile Co., Ltd, Russia Sales Company, Overseas Truck Sales Company and Overseas Passenger Vehicle Sales Company. Strategically, Beiqi Foton has been focusing on exports of new products, maintaining its leadership in core markets in northern China and expanding to other regions of China.

Pricing Policy

The Group determines and adjusts its pricing policy from time to time on the basis of market supply and demand. In determining its prices, the Group typically takes into account costs of production, pricing of comparable products in the market, prevailing market conditions for its products and the positioning of its products in the relevant market. To better meet the challenges arising from the increased cost of raw materials, the Group has been shifting the additional cost to its suppliers to a certain extent on an annual basis and such cost-control mechanism has enabled the Group to maintain its profitability over the years.

Major Customers

The Group has established a diverse and broad customer base over the years, including individual customers, corporate customers and government agencies.

The Group's passenger vehicles are generally sold through its dealers to individual customers with some sales conducted through government procurement agencies. For instance, BAIC Motor and Beijing Hyundai passenger vehicles have been designated as priority purchase products by the Beijing Municipal Government for government use.

The Group's commercial vehicles are generally sold to domestic corporate customers or through government procurement and the remaining are exported to overseas markets including Russia, the Middle East, Africa, South America and other Asian countries.

The Group's auto parts are primarily sold to leading automobile manufacturers in China and also the international markets. A portion of the auto parts manufactured by the Group are purchased internally for the Group's complete vehicle manufacturing.

MAJOR SUPPLIERS

The Group has established broad and in-depth partnerships and cooperation with world-class auto parts manufacturers and such cooperation has significantly boosted the quality and technology standards of the Group's products. For each part of a typical vehicle, the Group cooperates with the following parts manufacturers:

<u>Products</u>	<u>Key Suppliers</u>
Auto powertrain products	<ul style="list-style-type: none">• Tenneco Beijing Ride Control System Co., Ltd.• BorgWarner TorqTransfer System (Beijing) Co., Ltd.• Beijing Hyundai MOBIS Automotive Parts Co., Ltd.• Beiqi Foton Cummins Engine Co., Ltd.• Beiqi Foton Daimler Automotive Co., Ltd.• BAIC Motor Power train Co., Ltd.
Interior and exterior trim products	<ul style="list-style-type: none">• Beijing Johnson Controls Automotive Components Company• Beijing Beiqi Lear Auto System Company• Yanfeng Visteon (Beijing) Automotive Trim Systems
Auto body products	<ul style="list-style-type: none">• Inalfa Roof System Co., Ltd.• Sanhe Infac Automotive Components Co., Ltd.
Auto chassis products	<ul style="list-style-type: none">• Tenneco Beijing Ride Control System Co., Ltd.• Inergy Automotive Plastic Fuel Tanks (Beijing) Co., Ltd
Auto electronic and electrical products	<ul style="list-style-type: none">• Visteon Automotive Air Conditioning (Beijing) Co., Ltd.• Beijing Lear Automotive Electronics and Electrical Products Co., Ltd.

Typically, in the automotive industry, each brand has a selection of its own suppliers. The major suppliers of the Group's major brands are set out below.

Beijing Benz

Beijing Benz's raw materials comprise of domestically-procured parts and knocked-down parts. Domestically-procured parts include steel plates, generic production raw materials and automotive parts. Knocked-down parts are imported through, among others, Daimler AG and ThyssenKrupp. Currently, vehicle production, engine production assembly, axle production assembly, body stamping, welding and painting are completed by Beijing Benz and other vehicle parts are obtained through external procurement.

Beijing Benz has developed a comprehensive procurement system covering each stage of the supply chain, namely, "prior to purchase", "before delivery", "during the delivery process", and "after delivery". It has taken various measures to ensure a stable supply of raw materials.

Beijing Hyundai

Beijing Hyundai has established long-term partnerships with a large number of domestic suppliers. These suppliers have been selected based on the quality and pricing of their goods and services.

Beijing Hyundai's main raw materials include steel plates, accessories and parts. Beijing Hyundai purchases its steel plates from Beijing Modern Hai Sike, which in turn obtains its steel plates from overseas suppliers.

Accessories and parts are procured through strategic procurement or competitive procurement (procurement through a bidding procedure). Particular accessories and parts required for specific vehicle models are usually procured through strategic procurement. For strategic procurement, Beijing Hyundai's largest supplier is Beijing Hyundai Mobis Automotive Parts Co., Ltd, which supplies parts for the vehicle chassis and the powertrain. Accessories and parts for general vehicle production and standard vehicle components are usually procured through a competitive procurement process. For a typical competitive procurement, Beijing Hyundai invites both its related parties and independent third parties, to submit their bids. The successful bidder is selected by taking into account the quality and pricing of its products and services.

Beijing Hyundai conducts annual reviews of its existing suppliers. In 2014, Beijing Hyundai's top five suppliers of raw materials were Hyundai Motors Groups, Beijing BAI Lear Automotive Systems Co., Ltd., KEFICO Automotive Co., Ltd., Hyundai Mobis Automotive Systems (Beijing) Co., Ltd. and Beinei Engine Parts Co., Ltd.

BAIC Motor

Despite its short operating history, BAIC Motor's supply chain system has made substantial progress in response to surging demand and sales in recent years. BAIC Motor has been working closely with Beijing Hainachuan, Beijing Hyundai and Beijing Benz and seeks to achieve the seamless integration of its logistics and procurement systems.

In addition, BAIC Motor has established separate supply chains for its products to achieve higher efficiency. It has a high-value supply chain comprised of industry-leading suppliers for its premier products, and a lower-cost supply chain for its budget products.

Beiqi Foton

As at the date of this Offering Circular, Beiqi Foton currently has more than 1,500 suppliers. Beiqi Foton has developed (i) a raw material procurement management practice; (ii) a technology-driven and cost-efficient vendor selection and management approach; and (iii) a general procurement management practice, which enables it to closely monitor and respond to price fluctuations of raw materials, and set targets to reduce procurement costs on a monthly basis.

Steel is the main raw material used in automobile manufacturing, which accounts for approximately 60 per cent. of Beiqi Foton's automobile production costs. Various types of steel required include automobile steel plates, high-quality steel, and structural steel, strip steel, steel pipes, and other metal products. Price fluctuations in steel have a significant impact on the production costs of automobile manufacturing companies. Beiqi Foton has entered into co-operation agreements with Shougang, Anshan Iron and Steel, Baoshan Iron and Steel, Benxi, Thai Steel, Panzhihua Iron and Steel and other reputable steel suppliers in China to ensure a stable supply of steel. In addition, Beiqi Foton's major engine suppliers include Yuchai and Cummins. Beiqi Foton procures transmission gearboxes mainly from Belfast and Wanliyang.

In 2014, Beiqi Foton's top five suppliers of raw materials were Anhui Ankai Futian Shuguang Axle Co., Ltd., Shanxi Fast Gear Co., Ltd., Beiqi Foton Cummins Engine Co., Ltd., Zhucheng Yihe Axle Co., Ltd. and Anhui Quanchai Engine Co., Ltd.

R&D CAPABILITIES

The Group's R&D team consists of approximately 5,000 professionals, which include foreign experts, university professors and internationally-renowned researchers. Approximately 86.8 per cent. of its R&D staff have bachelor or higher degrees and more than 25 per cent. have post-graduate degrees. Currently, the Group submits approximately 2.3 patent applications each business day on average. As at 31 December 2014, the Group has applied for 9,641 patents in China, of which 6,848 were approved and 2,793 were pending for approval. For the years ended 31 December 2013 and 2014, the Group's expenditures (including capitalised and expensed) in R&D amounted to RMB3,542 million, and RMB6,678 million, respectively.

The Group's R&D team works closely with domestic and international R&D institutions (including institutions based in Italy and Germany) and universities to further its technological pursuits. With a primary focus on automotive engineering R&D, the Group also emphasises on R&D of new energy vehicles and powertrains. New technologies are being developed with a view to improving the design, performance, and technical features of the Group's proprietary brand vehicles, as well as new energy vehicles.

The Group has been pursuing overseas acquisitions to enhance its R&D capabilities. In 2011, the Group acquired all of Helwig's Gearbox Factory's know-how and equipment, including their F25/35 gearbox production line, 22 vehicle accessories production lines and all the necessary equipment required of a gearbox factory (e.g. quality control and vehicle maintenance systems, power equipment, etc.). In 2011, the Group successfully acquired a 100 per cent. stake in the Inalfa Roof Systems Group B.V., which is the world's second-largest manufacturer of sunroofs. In 2013, the Guarantor set up a R&D institute focusing on SUVs with the relevant R&D capabilities and resources of Beijing Automotive Research Institute. Beijing Automotive Research Institute will continue to focus on the R&D of passenger vehicles. On 6 February 2015, MBtech Group GmbH & Co. KGaA and BAIC Motor entered into a joint venture agreement to form Beijing BAIC MBtech Development Center Co. Ltd. to development the technology of the high-end passenger vehicles and the platform and models of high-end vehicles of BAIC Motor. In addition, BAIC Motor is setting up a technology research centre in Michigan, the United States, which is expected to be focused on the advanced technology of chassis, R&D of the active safety technology, active noise control of engines and the development of online software structure and hardware of smart vehicles.

New Energy Technologies and Vehicles

BJEV serves as the Group's R&D platform for its new energy passenger cars, while Beiqi Foton focus on the development of new energy commercial vehicles. The Group continues to explore technological new fronts to improve the design, outlook and major technical performances of the new energy vehicles under its proprietary brands. As at 30 June 2015, the Group had over 1,000 workers in its new energy vehicle segment, of which 300 are R&D personnel. In September 2015, the Group and META Motoren-

und Energie-Technik GmbH jointly set up a R&D centre in Germany focusing on the development powertrain systems of range extended electric cars. This is the second energy R&D centre of the Group following the establishment of the first centre in the Silicon Valley in the United States.

In December 2012, the Group launched first “BAIC Motor” brand pure electric vehicles. This includes the B grade pure electric vehicle Q60FB, which is based on Saab’s 9-3 vehicle technology, the Group’s proprietary brand A0-class hatchback electric car C30DB and the pure electric minibus M30RB. In February 2014, the Guarantor entered into a share purchase agreement with Atieva from the US. BAIC acquired 25.02 per cent. of Atieva’s shares and became its largest shareholder. The R&D team of Atieva was involved in the R&D of electric cars for Tesla Motor.

INVENTORY MANAGEMENT

Each major brand of the Group has established its respective inventory control system to monitor the stock level of raw materials, auto 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 2013 and 2014 and 30 June 2015, the balance of the Group’s inventories was RMB13,672.7 million, RMB17,982.4 million and RMB18,206.4 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 auto parts and components are placed into the production process only when they are used. The volume of semi-manufactured products are 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 BAIC Motor and Beijing Benz are equipped with their respective proprietary information technology systems, which are installed in the dealership outlets to track the sales and inventory level of its dealers. Through this system, the Group is able to closely monitor the sales 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 automobile manufacturing industry in China is highly concentrated and competitive. The Group mainly faces competition from large automobile manufacturers in China. For the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, automobile manufacturers in China sold a total of approximately 22 million, 23 million and 12 million units of vehicles, respectively, and 72.0 per cent., 72.4 per cent. and 73.1 per cent., respectively, of these vehicles were produced by the five largest manufacturers according to CAAM.

The Group also faces competition from foreign automobile manufacturers. China's accession to the WTO has intensified competition from foreign automobile manufacturers, not only through imported foreign-made automobile parts and components, but also through increasing entries by foreign automobile manufacturers into China. Foreign automobile manufacturers that have formed sino-foreign joint ventures in China to produce vehicles or have established technological collaborative relationship with local manufactures include SAIC Motor Corporation Limited, FAW Group Corporation, Dongfeng Motor Group Co., Ltd and Changan Automobile Co., Ltd. Intense competition in the automobile manufacturing industry in China has added pricing pressure as well as generated incentive for automobile manufacturers in China to accelerate technological innovations.

The Group believes that the principal factors affecting competition in the automobile manufacturing industry in China are R&D capabilities, product quality, pricing, and brand recognition, responsiveness to design specifications of customers, distribution channels and customer services. To further improve its competitiveness, the Group plans to further enhance its independent R&D capabilities, increase its production capacities, diversify and upgrade its product lines, increase quality and cost control, further promote its brand image through advertising and further expand its sales and services network in both China and overseas.

QUALITY CONTROL

The Group believes that the quality of its products is crucial to its 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.

As at 30 June 2015, the Group had over 4,530 dedicated quality control personnel. These quality control personnel are familiar with the relevant PRC national standards, applicable ISO standards, industry standards and the legal and regulatory requirements applicable to its products. They are also required to attend professional trainings before performing certain quality assurance tasks.

Specifically, Daimler AG ensures the implementation of its global quality standards in the manufacturing process of each vehicle model of Beijing Benz through various measures, including the formulation of standardised quality control and assessment procedures, the hosting of regular professional training of quality control personnel, and the creation of an independent, specialised inspection team that visits Daimler's global production plants, including those of Beijing Benz, to conduct testing on key steps of the manufacturing process, meet with local quality control personnel and share global best practices.

The following table sets forth the major qualifications or awards in recognition of the Group's outstanding quality control in recent years:

Company	Qualification	Year of Award	Awarded by
The Group	First Quality Management Award	2015	Beijing Municipal Government
Beijing Hyundai	China Quality Volunteer Action Base (the only automobile enterprise winner)	2015	China Quality Association
BAIC Motor (Zhuzhou Branch)	AA-Level Enterprise for Industrial Vehicles	2014	Quality and Technology Supervision Bureau of Hunan Province
Beiqi Foton	National Export Product Quality and Safety Demonstration Area	2012	Beijing Entry-Exit Inspection and Quarantine Bureau

Quality Control Procedures

The Group has implemented stringent quality control systems and devoted significant resources to improve quality control. Its quality control starts at the design and development of its products and production process, and covers each stage of its manufacturing process through close inter-departmental collaboration. 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 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.

BAIC Motor, Beijing Hyundai and Beijing Benz attained excellent results in the Initial Quality Study (IQS) survey in recent years, ranking among the top players in the same categories. According to the 2013 China IQS issued by J. D. Pothe Group Asia Pacific, Mercedes-Benz passenger vehicles ranked first among all the passenger vehicle brands in China. Meanwhile, E-class vehicles ranked first in the quality report of premium mid- to large-size passenger vehicles. In 2014, the Group started to include IQS as a group-level quality indicator to monitor product quality. Targets for BAIC Motor, Beijing Hyundai and Beijing Benz have been set accordingly.

During the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, the Group has not experienced any material quality problems or material product defects, or received any material quality complaints from its end-user customers. The Group usually requires complaints from end-user customers to be resolved within two to three days.

INTELLECTUAL PROPERTY

The Group places great importance on the management and 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. One of the Group's key objectives is to develop its products with proprietary technologies in order to provide its customers with advanced technological solutions at competitive prices.

As at 31 December 2014, the Group owned 6,848 registered patents, of which 224 were invention patents, 5,289 were utility model patents and 1,335 was design patents. As at the same date, the Group is also authorised to use all patents owned by its joint venture partners free of charge for an initial term of three years and renewable at the same terms at its option.

INSURANCE

The Group maintains insurance coverage in amounts that the Group believes are consistent with its risk profile and the customary practice in the automotive industry. Consistent with the customary practice in China, the Group does not carry any third-party liability insurance to cover claims in respect of personal injury or property or environmental damage arising from accidents on its property or relating to its operations, nor does the Group carry any business interruption insurance or life insurance relating to its key employees. Such insurance is not mandatory according to the laws and regulations of China.

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. For example, to reduce pollution emissions, Beijing Hyundai has invested nearly RMB72 million in the improvement of its water-soluble paint technology and approximately RMB12 million in new regenerative thermal oxidizer equipment to reduce paint odour emissions. To address climate change, the Group is committed to the R&D, manufacturing and sale of new energy vehicles. 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, BAIC Motor, Beijing Hyundai, Beijing Benz, Beiqi Foton and Jiangxi Changhe Suzuku Automobile Co., Ltd. (“**Changhe**”)(江西昌河鈴木汽車有限責任公司) have obtained the ISO14001 Environmental Management Certification. Notably, one of Beiqi Foton's heavy-duty pick-up trucks, OM457, is expected to have its 490 horse-power engine produced in China in 2016 and the production process is expected to meet the European emission standard V.

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. In 2013, all of the complete vehicle manufacturing companies of the Group and core auto parts manufacturing enterprises of the Group have obtained ISO14001 certification and a majority of the Group's subsidiaries have also obtained OHSAS18001 Occupational Health and Safety Management Systems certification.

EMPLOYEES

As at 30 June 2015, the Group had approximately 110,000 fulltime employees. The Group complies with the relevant labour laws of China. Staff benefits include competitive salaries, provident fund contributions, insurance and housing fund. 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 and 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, 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.

MANAGEMENT

DIRECTORS

The Guarantor's board of directors consists of 11 members, including one Chairman, one Vice Chairman and nine directors. The board of directors is the final decision-making body of the Guarantor 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 Guarantor and appointing general manager and other senior management of the Guarantor.

The business address of the directors is No. 99, Shuanghe Street, Shunyi District, Beijing 101300, China.

The following table sets forth the members of the Guarantor's board of directors as at the date of this Offering Circular.

Name	Age	Position
Xu Heyi (徐和誼)	58	Chairman
Lv Zhenqing (呂振清)	59	Vice Chairman
Wei Huacheng (衛華誠)	56	Director
Zhang Xiyong (張夕勇)	52	Director
Li Zhili (李志立)	60	Director
Zhou Rong (周榕)	51	Director
Ma Chuanqi (馬傳騏)	59	Director
Han Yonggui (韓永貴)	52	Director
Li Feng (李峰)	52	Director
Zhang Hui (張輝)	51	Director
Jiang Daxing (蔣大興)	44	Independent non-executive director

Mr. Xu Heyi, 58, is the Chairman of the board of directors and the secretary of the Party Committee of the Guarantor. Mr. Xu was formerly the dean of Shougang Design Institute (首鋼設計院) and deputy general manager of Shougang Corporation (首鋼總公司). From October 2006 to December 2010, Mr. Xu served as the chairman of the board and the secretary of the Party Committee of Beijing Automotive Industry Holding Co., Ltd. (北京汽車工業控股有限公司). Between June 1997 and July 2002, he served in the government holding various positions, including the deputy secretary of the Party Committee and the deputy head of Beijing Economy Commission (北京市經濟委員會), as well as the deputy secretary of CPC Beijing Industrial Work Committee (中共北京市委工業工作委員會).

Mr. Lv Zhenqing, 59, is the Vice-Chairman of the board of directors and a standing committee member of the Party Committee of the Guarantor. From December 2008 to December 2010, Mr. Lv served as the vice chairman of the board of directors and a member of the Party Committee of Beijing Automotive Industry Holding Co., Ltd., and general manager and deputy secretary of the Party Committee of Beijing Xingdongfang Industrial Co., Ltd. (北京興東方實業有限責任公司). Mr. Lv once served as the secretary of Youth League Committee and deputy secretary of the Party Committee of Zhaoquanying Commune of Shunyi County in Beijing and the deputy secretary of the Party Committee of Shunyi District in Beijing. Between May 1989 and October 2001, he worked in the government holding various positions, including the deputy magistrate of Shunyi County and the deputy secretary of CPC Beijing Shunyi District Committee.

Mr. Wei Huacheng, 56, is a standing committee member of the Party Committee and Vice-Chairman of the board of directors of the Guarantor. Mr. Wei once served as a deputy general manager of Shougang Corporation, member and deputy secretary of the CPC Beijing Municipal Industrial Work Committee. He also held positions as the secretary of the Party Committee and chairman of Beijing Pharmaceutical Group Co., Ltd. (北京醫藥集團有限責任公司), and deputy secretary of the Party Committee and deputy general manager of China Resources Pharmaceutical Group Co. (中國華潤醫藥集團有限公司).

Mr. Zhang Xiyong, 52, is a standing committee member of the Party Committee, the General Manager and a director of the Guarantor. Mr. Zhang once served as the deputy factory manager of Zhucheng Motor Factory of Beijing Automobile and Motor United Manufacturing Company (北京汽車摩托車聯合製造公司) and the standing deputy general manager, deputy secretary of the Party Committee and vice chairman of Beijing Foton Motor Company.

Mr. Li Zhili, 60, is a standing committee member of the Party Committee, the secretary of Discipline Committee and also a director of the Guarantor. Mr. Li once served as the deputy secretary of Youth League Committee, the deputy secretary of the Party Committee, the chairman of labour union and a director of Beijing Jeep Corporation (北京吉普汽車有限公司). He also held positions with Beijing Hyundai as deputy secretary of the Party Committee, secretary of the discipline committee and chairman of the labour union.

Mr. Zhou Rong, 51, is a standing committee member of the Party Committee, the General Counsel and a director of the Guarantor. Mr. Zhou once served as the deputy general manager, director and general counsel of Beijing Automotive Industry Holding Co., Ltd. He had also held the positions of the deputy director, director, director of chief engineer office of Beijing Second Automotive Research Institute (北京第二汽車研究院). Mr. Zhou had also served in the government and held various positions, including assistant to district head and deputy district head of People's Government of Chongwen District, Beijing (北京市崇文區人民政府).

Mr. Ma Chuanqi, 59, is a director of the Guarantor. Mr. Ma was formerly the deputy general manager, general manager and general counsel of Beijing Automotive Industry Holding Co., Ltd. Mr. Ma also served as chief of financial department, deputy director of Beijing 774 Factory (北京774工廠) and deputy general manager of Beijing Automotive Investment Co., Ltd. (北京汽車投資有限公司). Mr. Ma had held various positions in the government, including deputy chief accountant of Beijing International Technology Cooperation Centre (北京國際技術合作中心), finance director of Beijing Economy Commission (北京市經委), Industrial Working Committee of Beijing Party Committee (北京市委工業工委) and finance director of Beijing Industrial Promotion Bureau (北京市工業促進局).

Mr. Han Yonggui, 52, is a standing committee member of the Party Committee, the Deputy General Manager and a director of the Guarantor. Mr. Han once served as the Secretary of the Board. He was the former deputy secretary of Communist Youth League Committee of Beijing Automotive Industry United Company (北京汽車工業聯合公司) and the deputy Secretary, secretary of Communist Youth League committee, education manager, deputy general manager and director of Beijing Automotive Industry Corporation (北京汽車工業總公司).

Mr. Li Feng, 52, is a standing committee member of the Party Committee and a director of the Guarantor. Mr. Li once served as deputy president and deputy secretary of Party Committee in BAIC Motor. He also worked as secretary of the Party Committee and deputy general manager of Beijing Hyundai.

Mr. Zhang Hui, 51, is a standing committee member of the Party Committee, the chairman of labour union and a director of the Guarantor. Mr. Zhang once served as the deputy director of the general manager office of Beijing Automotive Industry Corporation, the assistant general manager, the deputy secretary of the Party Committee of passenger vehicle division, and chief of labour union of Beijing Automotive Industry Holding Co., Ltd.

Mr. Jiang Daxing, 44, is the independent non-executive director of the Guarantor. Mr. Jiang has been working in the law school of Peking University since 2008. Mr. Jiang graduated from Nanjing University in 2005 with a doctorate in law. He had also obtained his master degree in law from Nanjing University earlier. He once worked at the People's Court of Shaoyang City, Hunan Province from 1993 to 1996.

There are no potential conflicts of interest between any duties of the Guarantor's directors and their private interests and/or other duties.

SUPERVISORS

The board of supervisors is responsible for monitoring the Guarantor's financial matters and overseeing the actions of the board of directors and the management of the Guarantor. The board of supervisors currently consists of five supervisors, three of which are designated representatives who may be elected and removed by Beijing SASAC and two of which are representative of the employees and were elected by the Guarantor'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
Wu Wenxue (吳文學)	49	Chairman of the board of supervisors
Zhang Yuguo (張裕國)	59	Full-time supervisor
Wang Pusheng (王普升)	50	Full-time supervisor
Wang Shouxiao (王守孝)	52	Employee representative supervisor
Li Chengjun (李承軍)	47	Employee representative supervisor

Mr. Wu Wenxue, 49, is the Chairman of the board of supervisors of the Guarantor. Mr. Wu formerly served as the vice president and secretary of the Party Committee in Beijing Electronics Holding Co., Ltd. (北京電子控股有限責任公司) and the vice chairman of board in BOE Technology Group Co Ltd. (京東方科技集團股份有限公司)(stock code: 000725), and in Beijing Electronic Zone Investment and Development Co., Ltd. (北京電子城投資開發股份有限公司)(stock code: 600658).

Mr. Zhang Yuguo, 59, is a supervisor of the Guarantor. Mr. Zhang is also a supervisor in Beijing SASAC of which he served as deputy director of supervisory board office before. Mr. Zhang held the position of full-time supervisor in various companies, including Beijing Capital Group Co., Ltd. (北京首都創業集團有限公司). He also formerly served as the deputy director of supervision department in the Supervision Bureau of Beijing city.

Mr. Wang Pusheng, 50, is a supervisor of the Guarantor. Mr. Wang is also a current supervisor in the fourth office of Beijing state-owned enterprises board of supervisors. Mr. Wang once served as the secretary of the Military Conscription Office of the Beijing Municipal Government.

Mr. Wang Shouxiao, 52, is the deputy secretary of Disciplinary Committee, head of the Disciplinary Department and an employee representative supervisor of the Guarantor. Mr. Wang previously served as the deputy secretary of the Party Committee, secretary of Disciplinary Committee and supervisor of the supervisory board of Beijing Lightbus Corp. Ltd. (北京旅行車股份有限公司). He had also worked as the deputy secretary of Disciplinary Committee and director of disciplinary inspection office of Beijing Automotive Industry Holding Co., Ltd.

Ms. Li Chengjun, 47, is a standing committee member of the Discipline Committee, the vice chairman of labour union and an employee representative supervisor of the Guarantor. Ms. Li once served as the director of public relations department in Beijing Hyundai. She also worked as director of the woman labour union committee and the vice chairman of labour union in Beijing Automotive Industry Holding Co., Ltd. (北京汽車工業控股有限責任公司).

SENIOR MANAGEMENT

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

Name	Age	Position
Zhang Xiyong (張夕勇)	52	General manager
Han Yonggui (韓永貴)	52	Deputy general manager
Zhang Jian (張健)	54	Deputy general manager
Cai Suping (蔡速平)	52	Deputy general manager
Zhang Xin (張欣)	49	Deputy general manager
Ye Zhengmao (葉正茂)	52	Deputy general manager
Chen Jiang (陳江)	45	Deputy general manager
Kong Lei (孔磊)	37	Deputy general manager
Zhang Jianyong (張建勇)	39	Deputy general manager

Mr. Zhang Xiyong, 52, is the general manager and a director of the Guarantor. Since November 2011, Mr. Zhang has been the vice chairman of the board of directors of Beiqi Foton, a company listed on the Shanghai Stock Exchange (Stock Code: 600166.SH). Between January 1994 to June 2013, he held various positions, including the deputy factory manager of Zhucheng Light Industry Machinery Factory of Beijing Automobile and Motor Joint Manufacturing Company (北京汽車摩托車聯合製造公司) and deputy general manager, deputy secretary of the Party Committee and vice chairman of the board of Beiqi Foton.

Mr. Han Yonggui, 52, is a standing committee member of the Party Committee, director and deputy general manager of the Guarantor. He was the former deputy secretary of Youth League Committee of Beijing Automotive Industry United Company (北京汽車工業聯合公司) and the deputy secretary, secretary of Youth League Committee, deputy general manager and director of Beijing Automotive Industry Corporation.

Mr. Zhang Jian, 54, is the chief economist and a deputy general manager of the Group. Mr. Zhang was the chief accountant of the Guarantor. He also held positions of the deputy section chief of planning section, section chief of production and deputy director of planning department of Shougang Beijing Steel Company (首鋼北京鋼鐵公司), assistant director of Shougang planning department, operation deputy director of Shougang Second Steel Works Factory (首鋼第二鋼鐵廠), deputy director, director of finance department of Shougang Corporation, and finance director of planning department of Shougang Group (首鋼集團).

Mr. Cai Suping, 52, is a deputy general manager of the Guarantor. Mr. Cai formerly held the positions of deputy technology supervisor, supervisor of the sheet metal stamping workshop and director of the aircraft technology department, deputy general manager, vice chairman, deputy secretary of the Party Committee of Changhe Aircraft Industries Group Corporation (昌河飛機工業集團公司), the general manager and deputy secretary of the Party Committee of Jiangxi Changhe Suzuku Automobile Co., Ltd (a Sino-Japanese joint venture)(江西昌河鈴木汽車有限責任公司)(中日合資) and general manager (legal representative) of China Aviation Automotive Industry General Corporation (中國航空汽車工業總公司).

Mr. Zhang Xin, 49, is a deputy general manager of the Guarantor. Mr. Zhang formerly held the positions of general manager of Nanjing Automotive Logistics Ltd. of Yuejin Group (躍進汽車集團南京物流有限公司); general manager and secretary of the Party Committee of Nanjing Iveco Automotive Co., Ltd. (南京依維柯汽車有限公司). He had also worked as a director and member of the Party Committee of Yuejin Automotive Group Corporation (躍進汽車集團公司) and member of the Party Committee and deputy general manager of Nanjing Automotive Group Co., Ltd. (南京汽車集團有限公司).

Mr. Ye Zhengmao, 52, is a deputy general manager of the Guarantor. Mr. Ye previously held the positions of deputy director of personnel department of Beijing Internal Combustion Engine General Plant (北京內燃機總廠), factory manager and secretary of Beinei Forging Stamping Plant, deputy General Manager of Beinei Forging Corporation (北內鍛造公司), deputy director of the Industry Adjustment Office of Beijing Municipal Commission of Economy (北京市經濟委員會調整工業辦公室), deputy director and director of the Enterprise Reform Department (企業改革處) and deputy general manager, general secretary of the Party Committee of Beijing Automotive Investment Co., Ltd. (北京汽車投資有限公司).

Mr. Chen Jiang, 45, is a deputy general manager of the Guarantor. Mr. Chen formerly held the positions of deputy director of the management office and assistant to manager of Beijing Light Bus Corporation Limited (北京輕型客車股份有限公司), head of the enterprise reform department of Beijing Automotive Industry Holding Co., Ltd., head of the enterprise reform department of the Group and deputy general manager of Beijing Automotive Asset Management Ltd. (北京汽車資產經營有限公司).

Mr. Kong Lei, 37, is a deputy general manager of the Guarantor. Mr. Kong formerly held the positions of a teacher and school deputy secretary at the Automotive Engineering Faculty of Tsinghua University (清華大學汽車工程學院), deputy secretary of the Communist Youth League of Tsinghua University (清華大學) and secretary of the Beijing Chaoyang District Communist Youth League (北京市朝陽區共青團).

Mr. Zhang Jianyong, 39, is a deputy general manager in charge of finance of the Guarantor. Since he joined the Group in October 2003, Mr. Zhang has been working as the deputy head of finance department, head of finance department, deputy director of finance, director of Beijing Automotive Group Finance Co., Ltd. (北京汽車集團財務有限公司) and an executive director of Beijing Automotive Industry Investment Group Co., Ltd. (北京汽車集團產業投資有限公司).

BOARD COMMITTEES

The Guarantor's board of directors has established an audit committee, a nomination, remuneration and revaluation committee and a strategic and investment committee. These committees operate in accordance with terms of reference adopted by its board of directors.

Audit Committee

The responsibilities of the Guarantor's audit committee include, among others:

- to communicate, supervise and verify external and internal audit issues of the Guarantor;
- to review financial information and evaluate its quality;
- to review and supervise the effective implementation of internal control and standard of risk management through audit and the provision of corresponding recommendations to the board of directors; and
- other duties conferred by the board of directors.

The audit committee currently consists of two directors, including Ma Chuanqi as the chairman, and Zhou Rong.

Nomination, Remuneration and Revaluation Committee

The responsibilities of the nomination, remuneration and revaluation Committee include, among others:

- to assist the Board in conducting study and forming opinion on the nomination, remuneration and appraisal of members of senior management; and
- other duties conferred by the board of directors.

The Nomination, Remuneration and Evaluation committee currently consists of four directors of the Guarantor, including Xu Heyi as the chairman, Li Zhili, Han Yonggui and Zhang Hui.

Strategic and Investment Committee

The responsibilities of the strategic and investment committee include, among others:

- to conduct preliminary studies and provide professional advice or report to the board of directors on issues substantial to the development of the Group and related to its overall development strategy, medium-to-long-term development plan and investment in major projects and to strengthen the rationale of the board of directors' decisions on major issues based on professional analysis, for the sake of ensuring sustained and stable development of the Group; and
- other duties conferred by the board of directors.

The strategic and investment committee currently consists of seven directors, including Xu Heyi as the chairman, Zhang Xiyong, Han Yonggui, Li Feng, Ma Chuangqi, Cai Suping and Zhang Xin.

PRINCIPAL SHAREHOLDERS

The following table sets forth the information regarding the beneficial ownership of the Guarantor's shares as at 30 June 2015 by each person known to the Guarantor to beneficially own 5.0 per cent. or more of the Guarantor's issued and outstanding shares as at 30 June 2015:

<u>Principal Shareholder</u>	<u>Capacity</u>	<u>Percentage of issued share capital</u>
Beijing State-owned Capital Operation and Management Centre	Beneficial owner ⁽¹⁾	100 per cent.
Beijing SASAC	Held by controlled corporation	100 per cent.

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- (1) Beneficial ownership is determined by and includes the power to direct the voting or the disposition of the securities or to receive the economic benefit of the ownership of the securities.

RELATED PARTY TRANSACTIONS

The table below sets forth the material transactions between the Group and its related parties during each of the years ended 31 December 2013 and 2014. Details of the related party transactions, including the related comprehensive information, are included in note 11 of the Guarantor's audited consolidated financial statements for the year ended 31 December 2014.

Related Party	Nature of Transaction	Year ended 31 December	
		2013	2014
		(RMB in million)	
Good purchased and receiving service			
Beijing Beiqi Lear Automotive Systems, Inc.	Purchase of raw material	193.6	1,074.0
Beijing Foton Daimler Automotive Co., Ltd.	Purchasing vehicle and raw material, receiving service-shuttle bus, water and electricity, vehicle certification test and others	2,524.9	2,810.0
Beijing Foton Cummins Engine Co., Ltd.	Purchase of raw material	958.5	2,175.7
Beijing Hainachuan Xiezhong Automotive Air Conditioning Co., Ltd.	Purchase of raw material	184.1	257.2
Beijing Shougang Cold-rolled Sheet Co. Ltd.	Purchase of raw material	450.5	492.4
Beijing Hyundai	Purchasing vehicle	2,291.3	1,022.6
BAIC Yinxiang Automotive Co., Ltd.	Purchase of raw material	1,221.5	3,271.9
Mercedes – Benz (China) Automobile Sales Co., Ltd.	Purchasing vehicle	–	2,197.8
Weichai Power Yangzhou Diesel Engine Co., Ltd.	Purchase of raw material	453.3	269.2
Xinxing Foton Construction Co., Ltd.	Receiving service- architectural and engineering services	328.6	275.5
Yanfeng Visteon (Beijing) Automotive Trim Systems Co., Ltd.	Purchase of raw material	131.0	280.1
Good sold and rendering service			
Beijing Foton Daimler Automotive Co., Ltd.	Engines, stampings, steel and accessories for sales	752.2	1,326.4
Beijing Hyundai MOBIS Auto Parts Co., Ltd.	Goods sales	398.0	619.3
Beijing Hyundai	Goods sales	508.1	344.7
BAIC Yinxiang Automotive Co., Ltd.	Goods sales	173.6	816.5

PRC REGULATIONS

A summary of the main PRC laws, regulations and rules applicable to our 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 the NDRC and 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 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 Implementation of the Administration of Branded Automobile Sales (汽車品牌銷售管理實施辦法)(the “**Automobile Sales Measures**”), promulgated by the MOFCOM, the NDRC and SAIC on 21 February 2005, which became effective on 1 April 2005.

The Automobile Sales Measures provide for two categories of automobile distributors, namely general automobile distributors and automobile brand dealers. Foreign automobile manufacturers are required to establish general automobile distributors in the PRC to distribute their automobiles and parts. Automobile brand dealers are defined under the Automobile Sales Measures as enterprises authorised by automobile suppliers (either automobile manufacturers or their general automobile distributors) to engage in automobile sales and services.

An automobile brand dealer shall be a legal person, authorised by an automobile supplier to sell the supplier’s brand of automobiles. An automobile brand dealer shall comply with the supplier’s requirements relating to the intellectual property rights associated with the automobile brands, such as trademarks, labels and store names, and is also subject to regulation by local municipal and commercial development authorities.

According to the Automobile Sales Measures, automobile brand dealers shall file with the relevant local branch of the MOFCOM upon obtaining a business license. Further, according to a notice issued by the SAIC on 10 November 2005, automobile brand dealers shall also file registrations with the SAIC prior to commencing business operations.

Automobile Maintenance and Repair Services

Our automobile maintenance and repair business is 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 as amended on 8 August 2015.

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, an operator shall file an application with the local department of the Ministry of Transport and obtain a road transport license (the “**Road Transport License**”) prior to providing automobile maintenance and repair services. Violation of the Road Transportation Regulations may result in fines and suspension of business operations against the operator, and criminal liability may be imposed upon a person who is held directly responsible for the violation, with a sentence of imprisonment for a term up to five years, criminal detention, and/or fines of two to ten times the amount of the illegal gains. To successfully renew the Road Transport License, an applicant 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. Pursuant to this regulation and its implementation rules, the city imposes an annual quota on the issuance of new vehicle registration plates. On 28 November 2013, Beijing Transportation Committee issued an announcement to amend the Implementation Rules of the Interim Provisions on Quantity Control for Small Passenger Cars in Beijing accordingly, which became effective on 1 January 2014. In addition to the amended Implementation Rules, the annual quota from 2014 to 2017 is 150,000 and by the end of 2017 the number of Beijing’s vehicle possession shall be limited to within 6,000,000. Potential automobile purchasers need to meet specific criteria and enter into a monthly draw. 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 quantity control measures on vehicles similar to those of Beijing’s. On 1 May 2015, Hangzhou started to implement quantity control measures on vehicles similar to those of Beijing’s.

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, the NDRC, the MOFCOM, and the General Administration of Customs on 12 March 2004, which became effective on 1 October 2004, 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), which became effective on 1 January 2013 (the “**New Recall Rules**”). 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 products quality supervision authorities, and who refuse to make corrections after receiving the orders from products 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 (產品品質法) promulgated by the Standing Committee of the National People’s Congress on 22 February 1993, and as amended on 8 July 2000.

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.

CONSUMER PROTECTION

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, which became effective on 15 March 2014, 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 upon during the purchase or use of a product may demand compensation from the relevant vendor. In the event 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 case 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, 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 1 January 2012, tax on passenger cars is calculated and imposed based on the engine displacement capacity. The annual benchmark tax on passenger cars with engine displacement capacity of 1.0 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.

Other Taxes

Please see "Taxation – PRC" in this Offering Circular.

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, 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, 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 amended on 15 March 1996 and 28 February 2008, 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 (環境雜訊污染防治法), promulgated by the Standing Committee of the National People's Congress on 29 October 1996, which became effective on 1 March 1997, 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, 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 29 November 1998, and the Measures for the Administration of Examination and Approval of Environmental Protection Facilities of Construction Projects (建設專案竣工環境保護驗收管理辦法), promulgated by the Ministry of Environmental Protection on 27 December 2001, which became effective on 1 February 2002 and as amended on 22 December 2012, require 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, the Interim Regulations on the Collection and Payment of Social Insurance Premiums (社會保險費征繳暫行條例), 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, 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.

REGULATIONS REGARDING OVERSEAS INVESTMENT, FINANCING AND ACQUISITION ACTIVITIES

NDRC Supervision

According to the Measures for the Administration of Approval and Filing of Overseas Investment Projects (境外投資項目核准和備案管理辦法) effective from 1 May 2014 and amended on 27 December 2014, the procedure of approval and filing shall be respectively applied to different overseas investment projects. Specifically, if the amount of the investment made by the Chinese party is US\$1 billion or more, or if the project is related to the sensitive countries, regions or industries, regardless of the investment amount, the projects shall be subject to the approval of NDRC. If the amount of the investment made by the Chinese party is US\$2 billion or more, and the project is related to the sensitive countries, areas or industries, the projects shall be subject to the examination of NDRC and then shall be reported to the State Council for the approval. Other than the projects specified above, the other projects shall be subject to the filing with the competent governmental body.

Specifically, overseas investment projects carried out by enterprises under central management, or those carried out by local enterprises in which the amount of Chinese investment reaches or exceeds US\$300 million shall be subject to the filing with NDRC. Those carried out by local enterprises in which the amount of Chinese investment is below US\$300 million shall be subject to the filing with competent investment departments of the provincial government.

Investment projects to be carried out in Hong Kong and/or the Macau Special Administrative Region shall be governed by the Measures for the Administration of Approval and Filing of Overseas Investment Projects.

According to the Notice on Promoting the Administrative Reform for the Filing and Registration of Offshore Debt Issuances (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)(the “**NDRC Notice**”), which was issued by the NDRC on 14 September 2015 and came into effect on the same day, if a PRC enterprise or an offshore enterprise controlled by a PRC enterprise wishes to issue bonds outside of the PRC with a maturity of more than one year, such enterprise must in advance of issuing such bonds, file certain prescribed documents with the NDRC and procure a registration certificate from the NDRC in respect of such issue. According to the NDRC Notice, the NDRC is expected to issue a decision on the submission within seven working days after it accepts the submission. The Guarantor is also required to report certain details of the Notes to the NDRC within ten working days after the closing date of the offering. The Guarantor has been advised by its PRC legal advisors that there are no foreseeable obstacles to the completion of the registration so long as all relevant documents have been duly submitted to the NDRC. The Guarantor submitted the application for the registration of foreign debt to the NDRC and received NDRC’s approval on the offering of the Notes on 25 September 2015.

MOFCOM Supervision

MOFCOM issued the new version of the Overseas Investment Administration Rules (境外投資管理辦法) on 6 September 2014, effective from 6 October 2014 (the “**New Overseas Investment Rules**”). Under the New Overseas Investment Rules, a domestic enterprise intending to carry out any overseas investment shall report to the competent department of commerce for verification or filing and the competent department of commerce shall, with regard to an enterprise so verified or filed, issue thereto an Enterprise Overseas Investment Certificate (企業境外投資證書). If two or more enterprises make joint investment to establish an overseas enterprise, the larger (or largest) shareholder shall be responsible for the verification or filing procedure after obtaining written consent of other investing parties.

An enterprise that intends to invest in a sensitive country or region or a sensitive industry shall apply for the verification by MOFCOM. “Sensitive countries and regions” mean those countries without a diplomatic relationship with the PRC, or subject to the UNSC sanctions or otherwise under the list of

verified countries and regions published by MOFCOM from time to time. “Sensitive industries” mean those industries involving the products and technologies which are restricted from being exported, or affecting the interests of more than one country (or region). In accordance with the New Overseas Investment Rules, a central enterprise shall apply to MOFCOM for verification and MOFCOM shall, within 20 working days after accepting such application, decide whether or not the verification is granted. For a local enterprise, it shall apply through the provincial department of commerce to MOFCOM for such verification. The provincial department of commerce shall give a preliminary opinion within 15 working days after accepting such local enterprise’s application and submit all application documents to MOFCOM, while MOFCOM shall decide whether or not the verification is granted within 15 working days of receipt of such preliminary opinion from the provincial department of commerce. Upon verification, the Enterprise Overseas Investment Certificate shall be issued to the investing enterprise by MOFCOM.

Other than those overseas investments subject to MOFCOM verification as described above, all other overseas investments are subject to a filing procedure. The investing enterprise shall complete the filing form through the Overseas Investment Management System, an online system maintained by MOFCOM and print out a copy of such filing form for stamping with the company chop, and then submit such stamped filing form together with a copy of its business licence, for filing at MOFCOM (for a central enterprise (中央企業)) or the provincial department of commerce (for a local enterprise) respectively. MOFCOM or the provincial department of commerce shall accept the filing and issue the Enterprise Overseas Investment Certificate within three working days of receipt of such filing form.

The investing enterprise must carry out the investment within two years of the date of the relevant Enterprise Overseas Investment Certificate, otherwise such certificate will automatically become invalid and a new filing or verification application has to be made by the investing enterprise. In addition, if any item specified in such certificate is changed, the investing enterprise shall make the change of registration at MOFCOM or the provincial department of commerce (as the case may be).

If an overseas invested company carries out a re-investment activity offshore, the investing enterprise shall report such re-investment activity to MOFCOM or the provincial department of commerce (as the case may be) after the legal process of the investment is completed offshore. The investing enterprise shall complete and print out a copy of the Overseas Chinese-invested Enterprise Re-investment Report Form (境外中資企業再投資報告表) from the Overseas Investment Management System and stamp and submit such form to MOFCOM or the provincial department of commerce.

The New Overseas Investment Rules specifically provide that an overseas invested company cannot use the words of “China” (“中國” or “中華”) in its name, unless otherwise approved.

Foreign Exchange Administration

According to Circular of the State Administration of Foreign Exchange on Further Improving and Revising the Foreign Exchange Control Policy on Direct Investment (國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知), corporations, enterprises or other economic organisations (domestic investors) that have been permitted to make outbound investment shall go through the procedures of registration to the Foreign Exchange Bureau (外匯管理機構). The Foreign Exchange Bureau shall issue the Foreign Exchange Registration Certificate (外匯登記證) for overseas direct investment or an IC card to the domestic institution. The domestic institution shall go through the formalities for outward remittance of funds for overseas direct investment at a designated foreign exchange bank by presenting the approval document issued by the department in charge of overseas direct investment and the Foreign Exchange Registration Certificate for overseas direct investment. The scope of foreign exchange funds for overseas direct investment of domestic institutions includes their own foreign exchange funds, domestic loans in foreign currencies in compliance with relevant provisions, foreign exchange purchased with Renminbi, material objects, intangible assets and other

foreign exchange funds approved by the Foreign Exchange Bureaus for overseas direct investment. The profits gained from overseas direct investment of domestic institutions may be deposited in overseas banks and used for overseas direct investment.

State-owned Assets Supervision

The Interim Measures for Administration of Overseas State-owned Property Rights of Central Enterprises (中央企業境外國有產權管理暫行辦法) and the Interim Measures for the Supervision and Administration of Overseas State-owned Assets of Central Enterprises (中央企業境外國有資產監督管理暫行辦法) also apply to overseas investment projects. Where overseas enterprises wholly owned or controlled by central enterprises or their subsidiaries at all levels conduct economic activities such as transferring or acquiring properties, making non-monetary contribution, changing the state-owned shareholding in non-listed companies, consolidation, division, dissolution or liquidation, they shall appoint a professional agency with the corresponding qualifications, professional experiences and good reputation to evaluate or assess the subject matters, and the evaluation items or valuation results shall be submitted to SASAC for record-filing or approval (as the case may be).

Pursuant to the Interim Measures for Administration of Overseas State-owned Property Right of Central Enterprises, the central enterprise shall, in a unified way, apply for property right registration with the SASAC, where any of the following events take places in connection with a central enterprise or its subsidiaries at all levels:

- (i) where an overseas enterprise is established by way of investment, division or consolidation, or the property right of an overseas enterprise is obtained for the first time by way of acquisition or equity investment;
- (ii) where any change occurs to an overseas enterprise's basic information including its name, registration place, registered capital and the main business scope, or the overseas enterprise's property right information changes due to any changes in the capital contributors, amount of capital contributions and proportions of capital contributions;
- (iii) where an overseas enterprise no longer keeps state-owned property right due to dissolution, bankruptcy, or property right transfer and capital reduction; or
- (iv) other circumstances in which property right registration needs to be made.

CROSS-BORDER GUARANTEE REGULATIONS

On 12 May 2014, the SAFE promulgated the Notice concerning the Foreign Exchange Administration Rules on Cross-Border Guarantees (跨境擔保外匯管理規定的通知) and the relevant implementation guidelines (collectively the “**Cross-Border Guarantee Regulations**”). The Cross-Border Guarantee Regulations, which came into force on 1 June 2014, replace twelve other regulations regarding cross-border security and introduce a number of significant changes, including: (i) abolishing prior SAFE approval and quota requirements for cross-border security; (ii) requiring SAFE registration for two specific types of cross-border security only; (iii) removing eligibility requirements for providers of cross-border security; (iv) the validity of any cross-border security agreement is no longer subject to SAFE approval, registration, filing, and any other SAFE administrative requirements; and (v) removing SAFE verification requirement for performance of cross-border security. A cross-border guarantee is a form of security under the Cross-Border Guarantee Regulations. The Cross-Border Guarantee Regulations classify cross-border security into three types:

- Nei Bao Wai Dai (內保外貸)(“**NBWD**”): security/guarantee provided by an onshore security provider for a debt owing by an offshore debtor to an offshore creditor.

- Wai Bao Nei Dai (外保内贷)(“**WBND**”): security/guarantee provided by an offshore security provider for a debt owing by an onshore debtor to an onshore creditor.
- Other Types of Cross-border Security (其他形式跨境担保): any cross-border security/guarantee other than NBWD and WBND.

In respect of NBWD, in the case where the onshore security provider is a non-financial institution, it shall conduct a registration of the relevant security/guarantee with local SAFE within 15 working days after its execution (or 15 working days after the date of any change to the security). The funds borrowed offshore shall not be directly or indirectly repatriated to or used onshore by means of loans, equity investments or securities investments without prior approval from local SAFE. The onshore security provider can pay to the offshore creditor directly (by effecting remittance through an onshore bank) where the NBWD has been registered with local SAFE. In addition, if any onshore security provider under a NBWD provides any security or guarantee for an offshore bond issuance, the offshore issuer's equity shares must be fully or partially held directly or indirectly by the onshore security provider. Moreover, if the proceeds from any such offshore bond issuance are to be applied towards any offshore project(s), the onshore entity must hold equity interests in such projects and all requisite approvals, registrations, records, or confirmations in respect of the offshore project(s) must have been obtained from or made with the competent authorities subject to PRC Laws.

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's obligations in respect of the Notes and the Trust Deed (the “**Guarantee**”) are contained in the Deed of Guarantee. The Deed of Guarantee will be executed by the Guarantor on or before the Issue Date. The Deed of Guarantee does not require any pre-approval from SAFE under the Cross-Border Guarantee Regulations and shall be binding and effective upon execution.

The Guarantor is required to submit the Deed of Guarantee to the local SAFE for registration within 15 working days after its execution. The SAFE registration is merely a post signing registration requirement, which is not a condition to the effectiveness of the Guarantee.

Under the Cross-Border Guarantee Regulations, the local SAFE will go through a procedural review (as opposed to a substantive approval process) of the Guarantor's application for registration. Pending completion of the review, the local SAFE will issue a registration notice or record to the Guarantor to confirm the completion of the registration.

Under the Cross-Border Guarantee Regulations:

- non-registration does not render the Guarantee ineffective or invalid under PRC law although SAFE may impose penalties on the Guarantor if registration is not carried out within the stipulated time frame of 15 working days; and
- there may be logistical hurdles at the time of remittance (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 order to effect such remittance, although this does not affect the validity of the Guarantee itself.

The Terms and Conditions of the Notes provide that upon completion by the Guarantor of registration of the Guarantee with SAFE, the Guarantor shall deliver an officer's certificate to the Trustee in the form set forth in the Trust Deed attaching a copy of the relevant certificate of registration from SAFE and certifying that such copy is true and correct upon completion of such registration (the “**Registration Records**”) on or before the date following 90 days after the Issue Date (the “**SAFE Completion Deadline**”). If the Guarantor fails to complete the SAFE registration and deliver the Registration

Records to the Trustee before the SAFE Completion Deadline, the Noteholders will have a put option to require the Issuer to redeem all but not some of the Notes held by them at their principal amount together with accrued interest (see Condition 6(c) of the Terms and Conditions of the Notes).

A domestic non-financial institution may provide Renminbi guarantee for external parties in accordance with the Property Law of the People's Republic of China, the Guarantee Law of the PRC and other relevant laws. According to 2013 the PBOC Notice, where the domestic non-financial institution uses Renminbi to perform its obligations as a guarantor of external guarantees, the relevant domestic bank shall process Renminbi settlement for the said institution after examining the authenticity of relevant transactions, and submit relevant information to the cross-border Renminbi receipt and payment information management system. The domestic non-financial institution may also directly pay the funds for performance of its obligations as the guarantor with the Renminbi funds retained overseas.

In 2014, the Guarantor entered into a keepwell and liquidity support deed (the “**Keepwell Deed**”) with Citicorp International Limited as the trustee (the “**2014 CNY Notes Trustee**”) relating to its CNY1.5 billion 4.50 per cent. notes due 2017 (the “**2014 CNY Notes**”) issued through Maikun Investment Co., Ltd. a wholly-owned subsidiary of the Guarantor. Pursuant to the terms of the 2014 CNY Notes and the Keepwell Deed, the Guarantor is not allowed to guarantee any debt securities issued outside the PRC unless the Guarantor at the same time or prior to giving such guarantee (a) provides an unsubordinated guarantee or indemnity in respect of the 2014 CNY Notes in form and substance satisfactory to the 2014 CNY Notes Trustee or (b) offers to exchange the 2014 CNY Notes for securities issued or guaranteed by the Guarantor with terms substantially identical to those of the 2014 CNY Notes. However, if the giving of such guarantee or indemnity or the offer to exchange requires any regulatory approval, the Guarantor shall only be required to use all reasonable endeavours to obtain the regulatory approval and its failure to obtain such regulatory approval after using all reasonable endeavours will no longer prevent the Guarantor from giving a guarantee in respect of other debt securities.

In connection with the offering of the Notes, the Guarantor consulted with the Beijing Branch of SAFE on 11 September 2015 and the NDRC on 10 October 2015, whose approvals are necessary for the giving of guarantee and making an exchange offer relating to the 2014 CNY Notes in accordance with the Cross-border Guarantee Regulation, the Administrative Measures for Registration of Foreign Debts (外債登記管理辦法) and the Operation Guidelines for Administration of Registration of Foreign Debts (外債登記管理操作指引). The relevant authorities indicated that they would not issue an approval for the Guarantor to (a) provide a guarantee in respect of the 2014 CNY Notes, or (b) exchange the 2014 CNY Notes for securities guaranteed by the Guarantor. On this basis, the Guarantor believes that it has used all reasonable endeavours to obtain the relevant regulatory approvals and is in compliance with the terms of the 2014 CNY Notes.

FOREIGN EXCHANGE CONTROLS

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange at this time. SAFE, under the authority of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

Prior to 31 December 1993, a quota system was used for the management of foreign currency. Any enterprise requiring foreign currency was required to obtain a quota from the local SAFE office before it could convert Renminbi into foreign currency through the PBOC or other designated banks. Such conversion had to be effected at the official rate prescribed by SAFE on a daily basis. Renminbi could also be converted into foreign currency at swap centre. The exchange rates used by swap centres were largely determined by the demand for, and supply of, the foreign currency and the Renminbi requirements of enterprises in the PRC. Any enterprise that wished to buy or sell foreign currency at a swap centre had to obtain the prior approval of SAFE.

On 28 December 1993, the PBOC, under the authority of the State Council, promulgated the Notice on Deepening the Reform of the Foreign Exchange Administration System (關於進一步改革外匯管理體制的通知), effective from 1 January 1994. The notice announced the abolition of the foreign exchange quota system, the implementation of conditional convertibility of Renminbi in current account items, the establishment of the system of settlement and payment of foreign exchange by banks, and the unification of the official Renminbi exchange rate and the market rate for Renminbi established at swap centres. On 26 March 1994, the PBOC promulgated the Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理暫行規定)(the “**Provisional Regulations**”), which set out detailed provisions regulating the trading of foreign exchange by enterprises, economic organisations and social organisations in the PRC.

On 1 January 1994, the former dual exchange rate system for Renminbi was abolished and replaced by a controlled floating exchange rate system, which was determined by demand and supply of Renminbi. Pursuant to such system, the PBOC set and published the daily Renminbi-U.S. dollar exchange rate. Such exchange rate was determined with reference to the transaction price for Renminbi-U.S. dollar in the inter-bank foreign exchange market on the previous day. Also, the PBOC, with reference to exchange rates in the international foreign exchange market, announced the exchange rates of Renminbi against other major foreign currencies. In foreign exchange transactions, designated foreign exchange banks may, within a specified range, freely determine the applicable exchange rate in accordance with the rate announced by the PBOC.

On 29 January 1996, the State Council promulgated the Regulations for the Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理條例)(the “**Foreign Exchange Regulations**”) which became effective from 1 April 1996. The Foreign Exchange Regulations classifies all international payments and transfers into current account items and capital account items. Most current account items are subject to the approval by relevant banks that are duly authorised by SAFE to do so, while capital account items are still subject to SAFE approval directly. The Foreign Exchange Regulations was subsequently amended on 14 January 1997. Such amendment affirms that the State shall not restrict international current account payments and transfers. On 1 August 2008, the Foreign Exchange Regulations were further amended pursuant to a resolution of the State Council of China and came into effect on 5 August 2008 (the “**New Forex Regulation**”). Under the New Forex Regulation, foreign currency received under current account by onshore entities will not be asked to be settled into Renminbi automatically, while foreign currency under capital account may also be maintained upon approval. The Renminbi will be convertible for current account items (including the distribution of dividends, interest and royalties payments, and trade and service-related foreign exchange transactions) upon presentation of valid receipts and proof certifying the purposes of the conversion of Renminbi into foreign currency to the designated foreign exchange banks. Conversion of Renminbi into foreign exchange and remittance of foreign exchange funds outside of the PRC for capital account items, like direct investment, loan, loan guarantee, securities investment, capital contribution and repatriation of investment, is still subject to restriction, and prior approval from SAFE or its competent branch.

On 20 June 1996, the PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定)(the “**Settlement Regulations**”) which became effective on 1 July 1996. The Settlement Regulations superseded the Provisional Regulations and abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items. Domestic entities seeking to enter into foreign exchange transactions are required to open up foreign exchange accounts for current account or capital account transactions, as the case may be, at banks involved in foreign exchange business. Interest payments for foreign debt may be made from a foreign exchange account of a domestic entity or using foreign exchange purchased at designated foreign exchange banks after the verification of the bona fide nature of the transaction by SAFE. Domestic entities may apply to SAFE for approval to purchase foreign exchange by presenting valid documents required by the Settlement Regulations for repayment of foreign debt principal and such payment can be made upon the approval of SAFE.

On 25 October 1998, the PBOC and SAFE promulgated the Notice Concerning the Discontinuance of Foreign Exchange Swapping Business (關於停辦外匯調劑業務的通知) pursuant to which and with effect from 1 December 1998, all foreign exchange swapping business in the PRC for foreign-invested enterprises shall be discontinued, while the trading of foreign exchange by foreign-invested enterprises shall be regulated under the system for the settlement and sale of foreign exchange applicable to banks.

On 21 July 2005, the PBOC announced that, beginning from 21 July 2005, the PRC will implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the U.S. dollar only. the PBOC will announce the closing price of a foreign currency such as the U.S. dollar traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each business day, setting the central parity for trading of the Renminbi on the following business day.

TAXATION

The following summary of certain tax consequences relating to the Notes is based upon applicable laws, rules and regulations 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. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including any possible consequences under the laws of their country of citizenship, residence or domicile.

PRC

EIT LAW

Pursuant to the EIT Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions whose “de facto management bodies” are within the territory of the PRC may be deemed by the relevant PRC tax authorities to be PRC tax resident enterprises for the purpose of the EIT Law and required to pay enterprise income tax at the rate of 25 per cent. in respect of their income sourced from both within and outside China. If the 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 Law and be subject to enterprise income tax at the rate of 25 per cent. on its income sourced from both within and outside PRC.

The EIT Law, its implementation regulations impose withholding tax at the rate of 10 per cent. on PRC-source income paid to a “non-resident enterprise” that does not have an establishment or place of business in China or that has an establishment or place of business in China but the relevant income is not effectively connected therewith. Pursuant to these provisions of the EIT Law, in the event the Issuer is considered a PRC resident enterprise by the PRC tax authorities in the future, interest payable to non-resident enterprise holders of the Notes may be treated as income derived from sources within China and be subject to PRC withholding tax at a rate of 10 per cent., and any gains realised on the transfer of the Notes by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC tax at a rate of 10 per cent. if such gains are regarded as income derived from sources within the PRC. In addition, there is uncertainty as to whether PRC-source interest paid on, or PRC-source 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 the Issuer is treated as a PRC tax resident. If such interest or gains are subject to PRC income tax, the 10 per cent. enterprise income tax 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 on the transfer of the Notes 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 the avoidance of double taxation, Noteholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Notes. As the Guarantor is a PRC enterprise, payments in respect of interest under the Guarantee will be subject to withholding tax at a rate of 10 per cent. in the case of payments to non-PRC enterprises or 20 per cent. in the case of non-PRC individual (the tax liability may be ultimately reduced to 7 per cent. in the case of Hong Kong tax residents). As confirmed by the Issuer, as at the date of this Offering Circular, the Issuer has not been given notice or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law, nor has it sought clarification from the PRC tax authorities in this regard. On that basis, non-resident enterprise holders of the Notes would not be subject to 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.

Stamp Duty

No PRC stamp tax will be chargeable upon the issue or transfer of a Note to the extent that the register of holders of the Notes is maintained outside mainland China. The Issuer intends to maintain the register of holders of the Notes outside mainland China.

HONG KONG

Withholding tax

No withholding tax is payable in Hong Kong in respect of payments of principal 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 (Cap. 112) 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, professional 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 company 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 company (such as a partnership), carrying on a trade, profession or business in Hong Kong and is in respect of the funds of the trade, profession or business.

Sums derived from the sale, disposal or redemption of the Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

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 the Notes will be subject to profits tax.

If the Notes are short or medium term debt instruments (as defined in the Inland Revenue Ordinance), profits tax will be assessable at one-half of the standard profits tax rate.

Stamp duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Note.

EU SAVINGS DIRECTIVE

Under Council Directive 2003/48/EC on the taxation of savings income (the “**Savings Directive**”), Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State. For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories have adopted similar measures (either provision of information or transitional withholding).

On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above (the “**Amending Directive**”). Member States are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities. The Amending Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

The European Commission has proposed that the Savings Directive should be repealed, generally with effect from 1 January 2016, in order to avoid overlap with Council Directive 2011/16/EU on administrative cooperation in the field of taxation (as amended by Council Directive 2014/107/EU), pursuant to which Member States will be required to apply new measures on mandatory automatic exchange of information, generally with effect from 1 January 2016. The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

Investors who are in any doubt as to their position should consult their professional advisers.

Proposed Financial Transactions Tax (“FTT”)

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common financial transactions tax in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**Participating Member States**”).

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission’s Proposal, the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, “established” in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

The FTT proposal remains subject to negotiation between the Participating Member States. Joint Statements issued by Participating Member State indicate an intention to implement the FTT by 1 January 2016. It may however be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

SUMMARY OF CERTAIN MATERIAL DIFFERENCES BETWEEN THE PRC GAAP AND IFRS

The consolidated financial statements of the Guarantor included in this Offering Circular have been prepared and presented in accordance with the PRC GAAP. The PRC GAAP is substantially in line with IFRS, except for certain modifications between the PRC GAAP and IFRS, which might be relevant to the financial information of Company included herein.

The following is a general summary of certain differences between the PRC GAAP and IFRS as applicable to the Guarantor. The differences identified below are limited to those significant differences that are appropriate to the Guarantor's financial statements. Since the summary is not meant to be exhaustive, there can be no assurance regarding the completeness of the summary. The Guarantor has not prepared a complete reconciliation of the consolidated financial information and related footnote disclosure between the PRC GAAP and IFRS and has not quantified such differences. Had any such quantification or reconciliation been undertaken by the Guarantor, other potentially significant accounting and disclosure differences may be required that are not identified below. Additionally, no attempt has been made to identify possible future differences between the PRC GAAP and IFRS as a result of prescribed changes in accounting standard. Regulatory bodies that promulgate the PRC GAAP and IFRS have significant projects ongoing that could affect future comparisons such as this one. Finally, no attempt has been made to identify future differences between the PRC GAAP and IFRS that may affect the financial information as a result of transactions or events that may occur in the future. Accordingly, no assurance is provided that the following summary of differences between the PRC GAAP and IFRS is complete.

In making an investment decision, prospective investors must rely upon their own examination of the Issuer, the Guarantor, the Group, the terms of the offering and other disclosure contained herein. Prospective investors should consult their own professional advisors for an understanding of the differences between the PRC GAAP and IFRS and/or between the PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.

Accounting Year

Under the PRC GAAP, the accounting year shall run from 1 January to 31 December.

IFRS requires financial statements to be presented at least annually. However, it does not specify the start or end of the financial reporting period and permits an entity to change its reporting date.

Format of Financial Statements and Items Presented

The PRC GAAP contains detailed requirements on the format of financial statements and the items to be presented.

IFRS sets out overall principles and minimum line items to be presented but does not prescribe the formats in detail.

Classification of Expenses in the Income Statement/Statement of Comprehensive Income

Under the PRC GAAP, expenses must be classified based on their function in the income statement.

Under IFRS, enterprises may classify expenses either based on the nature of the expenses or their function in the statement of comprehensive income, depending on which format is considered reliable and more relevant.

Statement of Cash Flows

Under the PRC GAAP, the direct method together with a supporting note reconciling operating result to cash flows arising from operations is the only permitted method.

Under IFRS, enterprises can choose whether to present cash flows from operating activities using the direct method or indirect method. Typically, entities reporting under IFRS use the indirect method.

Accounting for Business Combinations Involving Entities under Common Control

Under the PRC GAAP, business combinations involving entities under common control shall be accounted for using a method of accounting similar to the pooling of interests method.

IFRS provides a definition of “Business combinations involving enterprises under common control.” However, it uses this definition to scope out such business combinations from the requirements of IFRS and does not contain any alternative detailed accounting rules for such transactions.

In practice, divergent accounting treatments exist under IFRS. For example, some enterprises refer to generally accepted accounting principles in the United States, which is similar to the PRC GAAP in principle. However, other enterprises apply the accounting treatments of business combinations not involving enterprises under common control as set out in IFRS.

Non-Controlling Interest/Minority Interest

Under the PRC GAAP, the acquirer should always recognise the minority interest at the minority shareholders’ proportionate interest in the acquirers identifiable net assets.

Under IFRS, the acquirer can choose, on an acquisition by acquisition basis, whether to measure components of non-controlling interest in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation at fair value or at the non-controlling interest’s proportionate share of the acquiree’s identifiable net assets.

Fixed Assets

Under the PRC GAAP, only the cost model is permitted.

Under IFRS, an enterprise should make a policy choice, on a class by class basis, to carry items of property, plant and equipment held for own use using either the cost model or the revaluation model.

Intangible Assets

Under the PRC GAAP, only the cost model is permitted.

Under IFRS, an enterprise should make a policy choice, on a class by class basis, to carry intangible assets using either the cost model or the revaluation model.

Borrowing Costs Eligible for Capitalisation

Under the PRC GAAP all exchange differences arising from the retranslation of the principal and interest of a specific foreign currency borrowing are eligible for capitalisation.

Under IFRS, borrowing costs eligible for capitalisation include exchange differences arising from foreign currency borrowings only to the extent that they represent an adjustment to interest costs.

Impairment of Assets (Including Long-Term Assets Measured at Historical Cost, such as Fixed Assets and Intangible Assets, and Assets Held for Sale)

Under the PRC GAAP, once an impairment loss is recognised, it shall not be reversed in a subsequent period.

Under IFRS, impairment losses recognised in prior periods for an asset other than goodwill should be reversed when the recoverable amount of the asset increases as a result of a change in estimates.

SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with the Joint Lead Managers dated on or about 26 October 2015 (the “**Subscription Agreement**”), pursuant to which and subject to certain conditions contained therein, the Issuer and the Guarantor have agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have severally but 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 out in the Subscription Agreement.

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/or their respective 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 and/or Transactions**”). The Joint Lead Managers and their respective affiliates have, from time to time, performed, and may in the future perform, various Banking Services and/or Transactions with the Issuer and the Guarantor, for which they have received or will receive customary fees and expenses.

The Joint Lead Managers and their respective affiliates may purchase the Notes and allocated the Notes for asset management and/or proprietary purposes but not with a view to distribution. 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 of the Notes. 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 respective 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 – A trading market for the Notes may not develop”. 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/or the Guarantor, including the Notes. Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Issuer and/or the Guarantor routinely hedge their credit exposure to the Issuer and/or the Guarantor consistent with their customary risk management policies. Typically, such Joint Lead Managers and their 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 and/or the Guarantor's securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Joint Lead Managers and their 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 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 of the Joint Lead Managers appointed as Stabilising Manager or any person acting on behalf of the Stabilising Manager may, to the extent permitted by applicable laws and directives, over-allot the Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail, but in so doing, the Stabilising Manager or any person acting on behalf of 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 any person 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 of the Notes and 60 days after the date of allotment of the Notes. Any loss or profit sustained as a consequence of any such over-allotment or stabilisation by a Stabilising Manager shall be for the account of such Stabilising Manager.

GENERAL

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Notes are subject to restrictions and may not be made except pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisors 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 or will be taken in any jurisdiction by the Issuer, the Guarantor or the Joint Lead Managers that would, or is intended to permit a public offering, or any other offering under circumstances not permitted by applicable law, of the Notes, or possession or distribution of this Offering Circular, any amendment or supplement thereto issued in connection with the proposed resale of the Notes or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Offering Circular comes are required by the Issuer, the Guarantor and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this Offering Circular or any other offering material relating to the Notes, in all cases at their own expense.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of them is a license broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Issuer in such jurisdiction.

UNITED STATES

The Notes and the Guarantee have not been and will not be registered under the Securities Act and 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. The Notes and the Guarantee are being offered and sold outside of the United States in offshore transactions in accordance with Regulatory S.

UNITED KINGDOM

Each Joint Lead Manager has represented 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 Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of the 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 Joint Lead Manager has represented 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 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 the Laws 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 of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the 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.

PRC

Each Joint Lead Manager has represented and agreed that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the People’s Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan as part of the initial distribution of the Notes), except as permitted by the securities laws of the People’s Republic of China.

SINGAPORE

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in

connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person 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.

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Notes may not be circulated or distributed, nor may any 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 under Section 274 of the SFA, (ii) to a relevant person 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; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA, except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising 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;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

JAPAN

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, each Joint Lead Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

GENERAL INFORMATION

1. **Clearing Systems:** The Notes have been accepted for clearance through Euroclear and Clearstream under Common Code 130833250 and ISIN XS1308332508.
2. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue of and performance of its obligations under the Notes, the Trust Deed and the Agency Agreement. The issue of the Notes was authorised by resolutions of the board of directors of the Issuer passed on 25 September 2015. The Guarantor has obtained all consents, approvals and authorisations in connection with the giving of the Guarantee and the performance of its obligations under the Trust Deed, the Agency Agreement and the Deed of Guarantee except the registration of the Deed of Guarantee with the Beijing Branch of SAFE immediately after the offering of the Notes. The giving of the Guarantee was authorised by resolutions of the board of directors of the Guarantor passed on 12 October 2015.
3. **No Material Adverse Change:** There has been no material change in the prospects of the Guarantor since 31 December 2014. Except as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Guarantor that has occurred since 30 June 2015 and there has been no significant change in the financial or trading position of the Issuer that has occurred since 17 September 2015.
4. **Litigation:** Except as disclosed in this Offering Circular, none of the Issuer, the Guarantor or any member of the Group is involved in any litigation, governmental or arbitration proceedings over the past 12 months, which may have or have had significant effects on the Issuer's, the Guarantor's or the Group's financial condition or profitability and, so far as the Issuer, the Guarantor or the Guarantor is aware, no such litigation, governmental or arbitration proceedings are pending or threatened.
5. **Listing of the Notes:** Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and traded on the Global Exchange Market which is the exchange regulated market of the Irish Stock Exchange. The Global Exchange Market is not a regulated market for the purposes of Directive 2004/39/EC. This Offering Circular constitutes Listing Particulars for the purpose of such application and has been approved by the Irish Stock Exchange. It is expected that dealing in, and listing of, the Notes on the Irish Stock Exchange will commence on or around 3 November 2015. Maples and Calder is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on the Global Exchange Market of the Irish Stock Exchange. The estimate of the total expenses related to admission to trading is the ISE annual fee which is €6,540 payable annually.
6. **Available Documents:** As long as any Note is outstanding, hard copies of the following documents will be available for inspection during normal business hours at the specified office of the Principal Paying Agent from time to time:
 - (a) articles of association (or equivalent) of the Issuer and the Guarantor;
 - (b) copies of (i) the audited consolidated financial statements of the Guarantor as at and for the year ended 31 December 2013, (ii) the audited consolidated financial statements of the Guarantor as at and for the year ended 31 December 2014 and (iii) the unaudited interim consolidated financial statements of the Guarantor for the six months ended 30 June 2015;
 - (c) the Agency Agreement;

- (d) the Trust Deed; and
 - (e) the Deed of Guarantee.
7. **Financial Statements and Independent Auditors:** The Guarantor's consolidated financial statements as at and for the years ended 31 December 2013 and 2014 have been audited by Grant Thornton, Chinese Certified Public Accountants, the independent auditors of the Guarantor. The Guarantor's consolidated financial statements for the six months ended 30 June 2015 have been reviewed by Grant Thornton, Chinese Certified Public Accountants.
8. **Auditor's Consent:** Grant Thornton, Chinese Certified Public Accountants, has given and not withdrawn their written consent to the reproduction of its audit report dated 24 April 2015 for the year ended 31 December 2014, its audit report dated 8 April 2014 for the year ended 31 December 2013 and its review report dated 25 September 2015 for the six months ended 30 June 2015 in this Offering Circular and with references to its name in the form and context in which they appear.

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Review Report of Interim Financial Information

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[English Translation for Reference Only]

GT ZZ (2015) No.110ZA3314

To the Board of Beijing Automotive Group Company Limited.

We have reviewed the accompanying financial statements of Beijing Automotive Group Company Limited ("the Company"), which comprise the consolidated and company's balance sheet as of 30 June 2015, the consolidated and company's income statement, cash flow statement, statement of changes in owners' equity for the six months period then ended, and notes to the financial statements. Management is responsible for the preparation of these financial statements. Our responsibility is to express a conclusion on these financial statements based on our review.

We conducted our review in accordance with China Standards on Reviewing Engagement 2101- Review of Interim Financial Statement. These standards require that we plan and perform the review to obtain limited assurance about whether the financial statements are free of material misstatement. 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. The level of assurance of a review is less than an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the financial statements does not present fairly, in all material respects, the consolidated and company's financial position as of 30 June 2015, and of its financial performance and its cash flows for the six months period then ended in accordance with the Accounting Standard for Business Enterprises.



Sep.25 2015

Chinese Certified Public Accountant

Chinese Certified Public Accountant

Consolidated Balance Sheet

Prepared by: BEIJING AUTOMOTIVE GROUP CO., LTD.

RMB

Item	Note	2015.6.30		2014.12.31	
		Consolidated	Individual	Consolidated	Individual
Current assets:					
Cash and bank balances	8.1	35,589,818,696.97	4,304,526,998.03	35,288,416,570.37	4,267,963,615.13
Financial assets at fair value through profit or loss	8.2	1,021,844,138.93		881,971,106.09	
Derivative financial assets					
Notes receivable	8.3	4,615,389,272.45	34,720,053.21	5,062,704,277.46	45,018,680.00
Accounts receivable	8.4	16,067,691,941.53	101,204,620.14	9,162,321,497.47	174,026,446.03
Advances to suppliers	8.5	3,422,367,919.17	39,965,507.70	2,323,452,875.49	27,274,059.58
Interest receivable		14,426,052.47		16,382,991.35	
Dividends receivable		146,698,914.66	1,171,617,465.32	61,962,764.31	544,044,480.31
Other receivables	8.6	7,062,696,261.03	6,567,359,452.09	6,952,181,824.83	7,069,587,026.25
Inventories	8.7	18,206,410,376.08	38,556,788.13	17,982,411,701.67	51,989,443.17
Inc:Raw materials		6,200,787,715.07	28,725,780.27	4,313,864,248.90	29,692,577.20
Goods on hand (finished goods)		10,242,109,344.08	3,452,168.78	9,674,457,423.33	19,071,782.16
Assets held for sale					
Non-current assets maturing within one year		1,375,191,626.49	337,020,000.00	1,543,965,220.30	180,000,000.00
Other current assets	8.8	3,608,053,572.79	94,301,288.27	2,671,454,745.91	
Total Current Assets		91,130,588,772.57	12,689,272,172.89	81,947,225,575.25	12,359,903,750.47
Non-current assets:					
Available-for-sale financial assets	8.9	2,752,701,185.53	315,878,000.00	1,937,393,024.41	315,878,000.00
Held-to-maturity investments					
Long-term receivables	8.10	3,918,116,377.47		1,678,760,978.85	
Long-term equity investments	8.11	16,476,334,429.77	26,282,902,864.01	18,682,051,420.61	24,783,348,734.64
Investment properties	8.12	1,699,377,114.06	404,827,566.74	1,509,659,796.42	410,732,394.14
Fixed assets - Original cost	8.13	60,410,276,142.54	1,923,628,921.45	52,050,103,372.86	869,914,482.69
Less: accumulated depreciation		13,753,944,904.69	138,796,782.55	11,243,532,365.12	115,983,939.33
Fixed assets – net amount		46,656,331,237.85	1,784,832,138.90	40,806,571,007.74	753,930,543.36
Less: Fixed assets impairment provision		1,456,637,841.54		1,465,690,448.47	
Fixed assets – net book value		45,199,693,396.31	1,784,832,138.90	39,340,880,559.27	753,930,543.36
Construction in progress	8.14	16,744,139,911.11	668,901,743.51	19,365,314,592.71	395,115,104.38
Construction supplies				1,955.00	
Fixed assets disposal					
Productive biological assets					
Petroleum and natural gas assets					
Intangible assets	8.15	13,547,411,432.75	315,004,317.16	13,468,520,278.28	73,334,945.81
Capitalized Development expenditure	8.16	11,556,879,017.56	25,320,443.45	9,492,227,548.19	19,297,636.84
Goodwill	8.17	1,816,306,965.73		1,868,046,007.57	
Long-term prepaid expenses	8.18	729,382,326.65	198,448.52	780,261,789.55	229,979.15
Deferred income tax assets	8.19	4,239,527,625.02		3,688,104,281.60	
Other non-current assets	8.20	700,597,516.73	202,978,600.00	654,008,548.68	202,978,600.00
Including: Reserve specifically authorized assets					
Total non-current assets		119,380,467,298.69	30,000,844,122.29	112,465,230,781.14	26,954,845,938.32
TOTAL ASSETS		210,511,056,071.26	42,690,116,295.18	194,412,456,356.39	39,314,749,688.79

Consolidated Balance Sheet

Prepared by: BEIJING AUTOMOTIVE GROUP CO., LTD.

RMB

Item	Note	2015.6.30		2014.12.31	
		Consolidated	Individual	Consolidated	Individual
CURRENT LIABILITIES					
Short-term loans	8. 21	14,064,903,263.88	1,900,900,000.00	15,988,411,979.69	3,200,900,000.00
Deposits and inter-bank placements		1,235,362,196.72		1,519,281,242.03	
Financial liabilities at fair value through profit or loss		17,014,654.21		23,071,334.64	
Derivative financial liabilities					
Notes payable	8. 22	10,307,697,493.99		6,737,900,158.57	
Accounts payable	8. 23	30,313,048,170.34	211,491,128.98	25,320,737,769.28	205,725,783.90
Advances from customers	8. 24	7,255,652,723.17	380,627,600.00	7,037,023,034.58	
Employee compensation payable	8. 25	1,009,119,192.88	26,277,736.30	1,364,132,965.72	25,460,315.69
Tax expenses payable	8. 26	1,214,181,257.79	3,771,863.67	551,478,169.62	29,406,553.50
Interest payable	8. 27	665,235,405.34	274,427,372.87	482,775,522.71	142,541,141.05
Dividends payable		1,476,239,630.27		532,433,082.95	
Other payables	8. 28	25,386,015,103.83	4,535,726,657.03	24,699,542,285.31	4,625,283,959.90
Divided into debt held for sale					
Non-current liabilities maturing within one year	8. 29	10,163,887,779.66	4,785,598,361.41	7,241,586,007.70	
Other current liabilities		360,553,144.88		180,227,445.91	
Total current liabilities		103,468,910,016.96	12,118,820,720.26	91,678,600,998.71	8,229,317,754.04
NON-CURRENT LIABILITIES					
Long-term loans	8. 30	13,713,753,684.52	2,086,800,000.00	15,461,104,672.64	2,086,800,000.00
Debentures payable	8. 31	11,895,556,442.29	4,874,222,177.87	14,746,286,106.99	7,659,820,539.28
Long-term payables	8. 32	820,012,083.06		884,749,853.97	
Long-term employee compensation payable				29,069,760.91	
Specific payables	8. 33	272,218,822.31		280,906,599.56	
Provisions	8. 34	1,349,072,485.09		1,077,384,590.20	
Deferred income	8. 35	3,052,763,101.06		2,733,955,321.43	
Deferred income tax liabilities	8.19	1,053,086,953.63		1,068,439,727.39	
Other non-current liabilities	8. 36	172,771,234.57		94,103,687.09	
Incl: Special reserve fund					
Total non-current liabilities		32,329,234,806.53	6,961,022,177.87	36,376,000,320.18	9,746,620,539.28
TOTAL LIABILITIES		135,798,144,823.49	19,079,842,898.13	128,054,601,318.89	17,975,938,293.32
OWNERS' EQUITY					
Paid-in capital	8. 37	12,732,008,335.00	12,732,008,335.00	11,732,008,335.00	11,732,008,335.00
Other equity instrument	8. 38	2,000,000,000.00	2,000,000,000.00	2,000,000,000.00	2,000,000,000.00
Capital reserve	8. 39	5,136,153,714.33	1,367,198,654.47	3,912,200,237.73	1,297,737,506.58
Less: Treasury stock					
Other comprehensive income	8. 40	-185,619,034.61	9,651,557.93	-182,910,727.38	9,651,557.93
Incl: Foreign currency financial statements translation		-379,426,995.24		-194,971,082.84	
Special reserve					
Surplus reserve	8. 41	550,740,387.12	517,656,392.54	550,740,387.12	517,656,392.54
Incl: Statutory reserve fund		550,740,387.12	517,656,392.54	550,740,387.12	517,656,392.54
Voluntary reserve fund					
Undistributed profits	8. 42	8,316,190,742.05	6,983,758,457.11	7,497,893,019.78	5,781,757,603.42
Total owners' equity attributable to parent company		28,549,474,143.89	23,610,273,397.05	25,509,931,252.25	21,338,811,395.47
Minority interests		46,163,437,103.88		40,847,923,785.25	
Total owners' equity		74,712,911,247.77	23,610,273,397.05	66,357,855,037.50	21,338,811,395.47
TOTAL LIABILITIES AND OWNERS' EQUITY		210,511,056,071.26	42,690,116,295.18	194,412,456,356.39	39,314,749,688.79

Legal representative:

Person in charge of financial function:

Prepared by:

Consolidated Income Statement

Prepared by: BEIJING AUTOMOTIVE GROUP CO., LTD.

RMB

Item	Note	2015.1-6		2014.1-6	
		Consolidated	Individual	Consolidated	Individual
Total revenue from operations		67,495,952,578.42	292,875,211.84	56,609,907,235.44	108,841,716.09
Incl: Revenue from operations	8、43	67,266,464,978.12	292,875,211.84	56,396,148,974.71	108,841,716.09
Interest income		229,487,600.30		213,758,260.73	
Total cost of operations		67,572,958,801.64	769,265,875.15	57,789,025,233.35	419,868,261.11
Incl: Cost of operations	8、43	55,490,558,607.74	155,987,243.19	47,411,087,132.95	
Interest expense		76,356,147.41		87,771,850.65	
Business tax and surcharge		2,723,718,293.45	15,097,403.44	2,184,102,604.88	267,485.26
Selling expenses		4,445,002,090.22		3,720,448,337.23	
Administrative expenses		3,926,527,827.64	264,710,245.76	3,405,032,930.90	150,593,687.49
Financial expense		352,530,870.65	330,108,991.10	651,411,237.79	243,126,312.93
Assets impairment losses	8、44	558,264,964.53	3,361,991.66	329,171,138.95	25,880,775.43
Others					
Add: Gains from change of fair value ("-" for loss)		230,183,881.22		1,371,991.00	
Investment gains("-" for loss)	8、45	2,560,542,144.20	1,121,364,880.23	3,252,058,950.25	374,796,295.19
Incl: Gains from investments in associates and joint ventures		2,456,105,037.08	8,717,029.37	3,251,458,889.42	1,039,341.68
Operating profit("-" for loss)		2,713,719,802.20	644,974,216.92	2,074,312,943.34	63,769,750.17
Add: Non-operating income	8、46	1,585,033,225.61	544,720,275.01	468,199,976.91	1,820.00
Incl:Gains from disposal of non-current assets		76,502,634.57	27.00	95,389,554.81	
Gains from exchange of non-monetary assets(none-monetary transaction income)					
Governmental Subsidies		851,890,873.06		306,707,860.39	
Gains from debt restructuring		27,825,228.57			
Less: Non-operating expenses	8、47	58,131,954.04	508,379.39	39,121,968.64	791,500.00
Incl:Loss on disposal of non-current assets		7,721,575.58		10,432,580.74	
Loss on exchange of non-monetary assets(non-monetary transaction loss)					
Loss on debts restructuring					
Total profit("-" for loss)		4,240,621,073.77	1,189,186,112.54	2,503,390,951.61	62,980,070.17
Less:Income tax expenses	8、48	946,270,989.58	-12,814,741.15	460,608,702.64	
Net profit("-" for loss)		3,294,350,084.19	1,202,000,853.69	2,042,782,248.97	62,980,070.17
Net profits attributable to parent company		818,297,722.27	1,202,000,853.69	576,388,736.65	62,980,070.17
* Minority profit and loss		2,476,052,361.92		1,466,393,512.32	
Other comprehensive income - net of tax		-2,708,307.23		-58,016,186.10	
Other comprehensive income not reclassified into profit or loss in the future					
Other comprehensive income that will be reclassified into profit or loss in the future	8、49	-2,708,307.23		-58,016,186.10	
Incl: a. Shares of other comprehensive income in investee under equity method that will reclassified into profit or loss in future					
b. Gains and losses from changes in fair value of available-for-sale financial assets		323,950.99		-6,413,075.14	
c. Gains and losses from held-to maturity investments classified as available-for-sale financial assets					
d. The effective portion of cash flow hedges gains and losses					
e.Foreign currency financial statements translation differences		-3,032,258.22		-51,603,110.96	
Total comprehensive income		3,291,641,776.96	1,202,000,853.69	1,984,766,062.87	62,980,070.17
Comprehensive income attributable to parent company		815,589,415.04	1,202,000,853.69	518,372,550.55	62,980,070.17
* Comprehensive income attributable to minority shareholders		2,476,052,361.92		1,466,393,512.32	
Earnings per share (EPS)					
Basic EPS					
Diluted EPS					

Legal representative:

Person in charge of financial function:

Prepared by:

CONSOLIDATED CASH FLOW STATEMENT

Prepared by: BEIJING AUTOMOTIVE GROUP CO., LTD.

RMB

Item	NOTES	2015.1-6		2014.1-6	
		Consolidated	Individual	Consolidated	Individual
1. Cash flows from operating activities					
Cash received from sale of goods or rendering of services		67,528,440,732.94	587,783,801.56	47,052,799,901.96	
Tax refund received		615,089,533.45		505,526,118.44	
Other cash received relating to operating activities		4,365,407,721.15	1,976,255,533.40	7,816,788,234.32	2,991,879,967.19
Sub-total of cash inflows		72,508,937,987.54	2,564,039,334.96	55,375,114,254.72	2,991,879,967.19
Cash paid for goods and services		52,954,194,608.81	76,073,196.64	26,889,659,361.71	171,198.48
Cash paid to and on behalf of employees		5,281,522,596.03	190,325,718.15	4,346,449,924.89	127,641,885.55
Payments of all types of taxes		6,437,268,934.77	71,947,520.07	6,943,580,228.44	328,868,681.97
Other cash paid relating to operating activities		6,532,108,727.19	2,285,945,957.04	13,346,229,768.42	4,340,387,414.14
Sub-total of cash outflows		71,205,094,866.80	2,624,292,391.90	51,525,919,283.46	4,797,069,180.14
Net cash flows from operating activities		1,303,843,120.74	-60,253,056.94	3,849,194,971.26	-1,805,189,212.95
2. Cash flows from investing activities					
Cash received from disposal of investments		804,917,763.01		37,141,276.17	
Cash received from returns on investments		5,480,472,243.52	436,245,423.81	5,958,394,823.80	747,724,675.69
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		42,374,281.04		442,542,100.07	
Cash received from disposal of subsidiaries and other business units				366,010,850.38	
Other cash received relating to investing activities		637,403,169.78	30,760,871.89	803,613,719.95	399,096,156.17
Sub-total of cash inflows		6,965,167,457.35	467,006,295.70	7,607,702,770.37	1,146,820,831.86
Cash paid to acquire fixed assets, intangible assets and other long-term assets		9,815,425,442.48	348,524,150.35	7,115,301,328.83	180,647,953.62
Cash paid to acquire investments		3,040,391,113.86	1,460,234,600.00	3,623,318,692.24	2,479,159,669.03
Cash paid to acquire subsidiaries and other business units		3,738,670.47		858,970,754.63	
Other cash paid relating to investing activities		3,357,031,078.23	30,164,241.56	222,241,793.52	13,729,479.09
Sub-total of cash outflows		16,216,586,305.04	1,838,922,991.91	11,819,832,569.22	2,673,537,101.74
Net cash flows from investing activities		-9,251,418,847.69	-1,371,916,696.21	-4,212,129,798.85	-1,526,716,269.88
3. Cash flows from financing activities					
Cash received from capital contribution		6,621,754,817.93	1,000,000,000.00	3,886,916,202.79	400,000,000.00
Incl: Cash received from capital contribution to subsidiaries by minority interests		1,409,189,331.14		1,081,818,510.00	
Cash received from borrowings		13,147,488,033.86		16,568,239,379.63	2,324,000,000.00
Cash received from bonds issued		3,092,113,962.27	1,996,000,000.00	996,413,962.27	
Cash received relating to other financing activities		3,489,996,621.40		682,336,013.42	
Sub-total of cash inflows		26,351,353,435.46	2,996,000,000.00	22,133,905,558.11	2,724,000,000.00
Cash repayments of amounts borrowed		18,567,057,862.81	1,300,000,000.00	11,902,718,280.20	
Cash payments for interest expenses and distribution of dividends or profits		1,079,747,477.61	205,004,246.95	1,989,210,635.17	76,199,487.22
Incl: Cash payment for distribution of dividends or profits to minority interests by subsidiaries		436,245,423.91		34,443,076.61	
Other cash payments relating to financing activities		443,427,695.36	22,262,617.00	674,181,614.83	110,000.00
Sub-total of cash outflows		20,090,233,035.78	1,527,266,863.95	14,566,110,530.20	76,309,487.22
Net cash flows from financing activities		6,261,120,399.68	1,468,733,136.05	7,567,795,027.91	2,647,690,512.78
4. Effect of foreign exchange rate changes on cash		68,146,052.37		-28,459,078.74	
5. Net increase in cash and cash equivalents		-1,618,309,274.90	36,563,382.90	7,176,401,121.58	-684,214,970.05
Add: Opening balance of cash and cash equivalent		30,385,581,337.44	4,267,959,165.77	23,973,191,820.91	3,963,107,482.38
6. Closing balance of cash and cash equivalent		28,767,272,062.54	4,304,522,548.67	31,149,592,942.49	3,278,892,512.33

Legal representative:

Person in charge of financial function:

Prepared by:

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

Prepared by: BEIJING AUTOMOTIVE GROUP CO., LTD.		2015.1-6											In RMB Yuan	
Item		Owners' equity attributable to parent company											Minority interests	Total owners' equity
		Paid-in capital	Other equity instruments	Capital surplus	Less: treasury stock	Other consolidated income	Special reserve	Surplus reserve	General Risk Reserve	Undistributed profit	Others	Subtotal		
		1	2	3	4	5	6	7	8	9	10	11	12	13
I. Closing balance of previous year		11,732,008,335.00	2,000,000,000.00	3,912,200,237.73		-182,910,727.38		550,740,387.12		7,497,893,019.78		25,509,931,252.25	40,847,923,785.25	66,357,855,037.50
Add/Change in accounting policy														
Correction of previous errors														
Others														
II. Opening balance of current year		11,732,008,335.00	2,000,000,000.00	3,912,200,237.73		-182,910,727.38		550,740,387.12		7,497,893,019.78		25,509,931,252.25	40,847,923,785.25	66,357,855,037.50
III. Increase/decrease of current year ("+" for decrease)		1,000,000,000.00		1,223,953,476.60		-2,708,307.23				818,297,722.27		3,039,542,891.64	5,315,513,318.63	8,355,056,210.27
1. Total comprehensive income														
2. Contribution and withdrawal of capital by shareholders														
a. Common stock by shareholders														
b. Capital invested by holders of other equity instruments														
c. Share-based payment recognized in owners' equity														
d. Others														
3. Special reserve appropriation and usage:														
a. appropriation to special reserves														
b. usage of special reserves														
4. Profit distribution														
a. Provision for surplus reserve														
Ind: Statutory surplus reserve														
Voluntary surplus reserve														
#Reserve fund														
#Enterprise expansion fund														
#Investment by returned profit														
b. Provision for general risks														
c. Distribution to owners (or shareholders)														
d. Others														
5. Inter-account movements in owners' equity														
a. Capital surplus transfer to capital														
b. Surplus reserve transfer to capital														
c. Surplus reserve offsetting losses														
d. the changes from the carried-over of redefined and re-measured net liabilities or net assets of the benefit plans														
e. Others														
IV. Closing balance of current year		12,732,008,335.00	2,000,000,000.00	5,136,153,714.33		-185,619,034.61		550,740,387.12		8,316,190,742.05		28,549,474,143.89	46,163,437,103.88	74,712,911,247.77

Legal representative:

Person in charge of financial function:

Prepared by:

Prepared by: BEIJING AUTOMOTIVE GROUP CO., LTD.

RMB

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

2014.1-6														
Item	Owners' equity attributable to parent company												Minority interests	Total owners' equity
	Paid-in capital	Other equity instrument	Capital surplus	Less: treasury stock	Other consolidated income	Special reserve	Surplus reserve	Generic Risk Reserve	Undistributed profit	Others	Subtotal			
1	10,076,908,335.00		2,721,273,144.82		-66,398,894.40	19	405,923,223.83	21	6,322,103,889.33	23	24	25	26	
2														
3	Add:Change in accounting policy													
4	Correction of previous errors													
5	Others													
6	III. Opening balance of current year	10,076,908,335.00		2,721,273,144.82	-66,398,894.40		405,923,223.83		6,322,103,889.33		19,459,809,698.58	29,848,530,652.20	49,308,340,350.78	
7	III. Increase/decrease of current year ("+" for decrease)	1,655,100,000.00		-31,511,153.28					576,388,736.65		2,199,977,583.37	1,466,393,512.32	3,666,371,095.69	
8	1.Total consolidated income													
9	2.Contribution and withdrawal of capital by shareholders													
10	a. Common stock by shareholders	1,655,100,000.00									576,388,736.65	1,466,393,512.32	2,042,782,248.97	
11	b. Capital invested by holders of other equity instruments	1,655,100,000.00		-31,511,153.28							1,623,588,846.72		1,623,588,846.72	
12	c. Share-based payment recognized in owners' equity										1,655,100,000.00		1,655,100,000.00	
13	d. Others			-31,511,153.28										
14	3.Special reserve extraction and use of:										-31,511,153.28		-31,511,153.28	
15	a. extraction special reserves													
16	b.use special reserves													
17	4. Profit distribution													
18	a. Provision for surplus reserve													
19	Incl: Statutory surplus reserve													
20	Voluntary surplus reserve													
21	Reserve fund													
22	Enterprise expansion fund													
23	Investment by returned profit													
24	b.Provision for general risks													
25	c.Distribution to owners (or shareholders)													
26	d.Others													
27	15. Inter-account movements in owners' equity													
28	a.Capitalization of capital surplus													
29	b.Capitalization of surplus reserve													
30	c.Surplus reserve offsetting losses													
31	d.the changes from the carried-over of redefined and re-measured net liabilities or net assets of the benefit plans													
32	e.Others													
33	IV. Closing balance of current year	11,732,008,335.00		2,689,761,991.54	-66,398,894.40		405,923,223.83		6,898,492,625.98		21,659,787,281.95	31,314,924,164.52	52,974,711,446.47	

Legal representative:

Person in charge of financial function:

Prepared by:

5-2

Prepared by: BEIJING AUTOMOTIVE GROUP CO., LTD.

INDIVIDUAL STATEMENT OF CHANGES IN OWNERS' EQUITY

Item	2015.1-6											In RMB Yuan	
	Owners' equity attributable to parent company											Minority interests	Total owners' equity
	Paid-in capital	Other equity instruments	Capital surplus	Less: treasury stock	Other consolidated income	Special reserve	Surplus reserve	General Reserve	Undistributed profit	Others	Subtotal		
	1	2	3	4	5	6	7	8	9	10	11	12	13
I. Closing balance of previous year	1	2,000,000,000.00	1,297,737,506.58		9,651,557.93		517,656,392.54		5,781,757,603.42		21,338,811,395.47		21,338,811,395.47
Add: Change in accounting policy	2												
Correction of previous errors	3												
Others	4												
II. Opening balance of current year	5	11,732,008,335.00	1,297,737,506.58		9,651,557.93		517,656,392.54		5,781,757,603.42		21,338,811,395.47		21,338,811,395.47
III. Increase/decrease of current year ("-" for decrease)	6	1,000,000,000.00	69,461,147.89						1,202,000,853.69		2,271,462,001.58		2,271,462,001.58
1. Total comprehensive income	7								1,202,000,853.69		1,202,000,853.69		1,202,000,853.69
2. Contribution and withdrawal of capital by shareholders	8	1,000,000,000.00	69,461,147.89								1,069,461,147.89		1,069,461,147.89
a. Common stock by shareholders	9	1,000,000,000.00									1,000,000,000.00		1,000,000,000.00
b. Capital invested by holders of other equity instruments	10												
c. Share-based payment recognized in owners' equity	11												
d. Others	12		69,461,147.89								69,461,147.89		69,461,147.89
3. Special reserve appropriation and usage	13												
a. appropriation to special reserves	14												
usage of special reserves	15												
4. Profit distribution	16												
a. Provision for surplus reserve	17												
Incl: Statutory surplus reserve	18												
Voluntary surplus reserve	19												
#Reserve fund	20												
#Enterprise expansion fund	21												
#Investment by returned profit	22												
b. Provision for general risks	23												
c. Distribution to owners (or shareholders)	24												
d. Others	25												
5. Inter-account movements in owners' equity	26												
a. Capitalization of capital surplus	27												
b. Capitalization of surplus reserve	28												
c. Surplus reserve offsetting losses	29												
d. the changes from the carried-over of redefined and re-measured net liabilities or net assets of the benefit plans	30												
e. Others	31												
IV. Closing balance of current year	32	12,732,008,335.00	1,367,198,654.47		9,651,557.93		517,656,392.54		6,983,758,457.11		23,610,273,397.05		23,610,273,397.05

Legal representative:

Person in charge of financial function:

Prepared by:

INDIVIDUAL STATEMENT OF CHANGES IN OWNERS' EQUITY

Prepared by: BEIJING AUTOMOTIVE GROUP CO., LTD.		2014, 1-6										In RMB Yuan
Item		Owners' equity attributable to parent company										Total owners' equity
		Paid-in capital	Other equity instruments	Capital surplus	Less: Treasury stock	Other consolidated income	Special reserve	Surplus reserve	General Reserve	Undistributed profit	Others	
		14	15	16	17	18	19	20	21	22	23	26
1	I. Closing balance of previous year	10,076,908,335.00		1,330,238,439.26		9,651,557.93		372,839,229.25		4,884,089,833.86		16,664,075,837.37
2	Add: Change in accounting policy											
3	Correction of previous errors											9,651,557.93
4	Others											
5	II. Opening balance of current year	10,076,908,335.00		1,330,238,439.26		9,651,557.93		372,839,229.25		4,884,089,833.86		16,673,727,395.30
6	III. Increase/decrease of current year ("-" for decrease)	1,655,100,000.00		-31,511,153.28				144,817,163.29		-81,837,093.12		1,666,568,916.89
7	1. Total consolidated income									62,980,070.17		62,980,070.17
8	2. Contribution and withdrawal of capital by shareholders			-31,511,153.28								1,623,588,846.72
9	a. Common stock by shareholders											1,655,100,000.00
10	b. Capital invested by holders of other equity instruments											
11	c. Share-based payment recognized in owners' equity											
12	d. Others			-31,511,153.28								-31,511,153.28
13	3. Special reserve extraction and use of											
14	a. Extraction special reserves											
15	b. Use special reserves											
16	4. Profit distribution											
17	a. Provision for surplus reserve											
18	Ind: Statutory surplus reserve							144,817,163.29		-144,817,163.29		
19	Voluntary surplus reserve							144,817,163.29		-144,817,163.29		
20	Reserve fund											
21	Enterprise expansion fund											
22	Investment by returned profit											
23	b. Provision for general risks											
24	c. Distribution to owners (or shareholders)											
25	d. Others											
26	5. Inter-account movements in owners' equity											
27	a. Capitalization of capital surplus											
28	b. Capitalization of surplus reserve											
29	c. Surplus reserve offsetting losses											
30	d. The changes from the carried-over of redefined and re-measured net liabilities or net assets of the benefit plans											
31	e. Others											
32	IV. Closing balance of current year	11,732,008,335.00		1,298,727,285.98		9,651,557.93		517,656,392.54		4,802,252,740.74		18,360,296,312.19

Legal representative:

Person in charge of financial function:

Prepared by:

1. Basic corporate information

Beijing Automotive Group Co., Ltd. (hereinafter referred to as "the Company"), formerly Beijing Automotive Industry Holding Co. Ltd., changed its name on September 28, 2010 after the approval of the State-owned Assets Supervision & Administration Commission of the People's Government of Beijing Municipality in Jing Guo Zi [2010] No.207. The Company, originally known as Beijing Automotive Industrial Company, was established in 1973 as a state-owned enterprise with the approval of the Beijing Administration for Industry & Commerce. On 15 May, 1995, approved by the Beijing Municipal Bureau of Finance and the State-owned Assets Supervision & Administration Commission of the People's Government of Beijing Municipality in Jing Guo Zi Gong (1995) No. 208, the Company officially established Beijing Automotive Industrial Group and Beijing Automotive Industry Corporation, thereby becoming an Authorized Operation of State-owned Assets. In 2000, the Company was approved to set up Beijing Automotive Industry Holding Co., Ltd by the People's Government of Beijing Municipality. In 2011, the Company changed its registered capital to RMB 4,549,332,035 Yuan, which was verified by Beijing Zhengruihua CPAs Firm Co., Ltd. with the issuance of capital verification report Zheng Rui Hua Yan Zi [2011] No. 2013 and registered in the change of state-owned property rights. On 20 November, 2013, the Company was reissued a business license with registration No.110000005034385, changed its domicile of incorporation to No. 99, Shuanghe Street, Shunyi District, Beijing; Legal Representative: Xu Heyi; Type of Enterprise: Limited Liability Company (Wholly/Solely State-owned).

For details of subsidiaries of the Company refer to Note 7.

The Company's principal business scope are management of authorized State-owned property; investment and investment management; automobile manufacturing and distribution; manufacturing and distribution of agricultural machinery, agricultural vehicles, motorcycles, internal combustion engines and auto parts; the import and export trade of automobiles and auto parts; technology development, services, and consultation; information consultancy service (intermediary service not included); device installation; and real estate development and distribution. The major business operations of the Company include automobile manufacturing and distribution, auto parts manufacturing and distribution, and automobile service trade.

On 31 March, 2009, in accordance with Jing Guo Zi [2009] No. 70 issued by the State-owned Assets Supervision & Administration Commission of the People's Government of Beijing Municipality, the Commission classified the Company under the supervision of Beijing State-owned Capital Operation & Management Center.

The company's consolidated financial statements and notes have been approved by the Board of Directors on 25 September, 2015.

2. Basis of preparation of financial statements

The Company has applied the Accounting Standards for Business Enterprises and guidelines, interpretations and other related provisions promulgated by the Ministry of Finance for the preparation of the financial statements of the Company (collectively referred to as Accounting Standards for Business Enterprises).

The financial statements of the Company have been prepared on going concern basis.

The Company's financial statements have been prepared on an accrual basis. Except for certain financial instruments which are measured at fair value, the financial statements are prepared under the historical cost convention. Non-current assets held for sale should be booked at the lower of fair value less expected costs incurred and the original book value when meeting the conditions for sale. In the event that impairment of assets occurs, a provision for impairment is made accordingly in accordance with the relevant regulations.

3. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements have been prepared in compliance with the Accounting Standard for Business Enterprises to truly and completely reflect the consolidated financial position of the Company as at 30 June, 2015 and its consolidated operating results and consolidated cash flows in six months for 2015.

4. Significant accounting policies and accounting estimates

(1) Accounting period

The financial year of the Company is from 1 January to 31 December of each calendar year.

(2) Reporting currency

The Company's functional and reporting currency is Renminbi ("RMB").

(3) Basis of preparation and principle of measurement

The Company's financial statements have been prepared on an accrual basis. Except for certain financial instruments which are measured at fair value, the financial statements are prepared under the historical cost convention.

(4) Business Combination

1) Business combinations involving enterprises under common control

For the business combinations involving enterprises under common control, assets and liabilities obtained by combining party in the business combination are recognized at their carrying amounts at the date of merger as recorded by the party being combined, except for the items that are adjusted being the accounting policies applied by the absorbing party are inconsistent with those adopted by the party being absorbed. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination is adjusted to capital reserves. If the capital reserves is not sufficient to absorb the difference, any excess is adjusted to retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss when incurred by the combining

2) Business combinations not involving enterprises under common control

For the business combinations not involving enterprises under common control, the combination costs shall be the fair value of the assets paid, the liabilities incurred or assumed and the equity instruments issued by the acquirer in exchange for the control over the acquiree on the acquisition date. Assets, liabilities and contingent liabilities of acquiree are measured at fair value on the acquisition date.

The overhead for the business combination of the combining party, including the expenses for audit, legal services, assessment, and other administrative expenses, shall be recorded in profit or loss for the current period when incurred. The transaction expenses of the equity securities or liability securities issued as the consideration for the combination shall be recorded as the initial recognition amount of the equity securities or liability securities.

Any contingency payment shall be recorded in the combination cost at fair value at the acquisition date. For those conditions already known at acquisition date that were subsequently changed or more evidence provided within 12 months after acquisition date, that trigger a change of contingency payment, the combination goodwill will be adjusted accordingly.

For the difference that the combination cost is larger than the portion of fair value of net identifiable assets of acquiree acquired in combination, it is recognized as goodwill, and then measured at cost less accumulated impairment losses; For those with combination cost lower than the portion of fair value of net identifiable assets of acquiree acquired in combination, they are credited to profit or loss for the current period after reviewed.

If the business combination is implemented step-by-step through multiple transactions, the combination costs should be the sum of the consideration paid on the date of purchase and the fair value of the equity held before the date of purchase in the consolidated financial statements. For the shares of the acquiree held prior to the date of purchase, the Company should re-measure the fair value at the purchase date. The difference between the fair value and book value should be recorded in investment income in the current period. If the shares of the acquiree held prior to the date of purchase were related to other comprehensive income, other comprehensive income should be converted to current investment income at the date of purchase except for the other comprehensive income that generated as a result of the invested party remeasured net assets or liabilities changes in defined benefit plan.

Determination of the date of acquisition and disposal of entities not under common control is the day on which the Company obtains or loses the controlling right over the acquired entity.

Determination of fair value of relevant transactions on combination date is mainly relied on the results of assets valuation or other methods in establishing the fair value of relevant transactions at the combination date. The detail recognition method refers to Note 4.30.

(5) Basis for preparation of consolidated financial statements

The scope of consolidation for consolidated financial statements includes the Company and all its subsidiaries.

The scope of consolidated financial statements is determined on the basis of control.

Consolidated financial statements shall be prepared by a parent company on the basis of the financial statements of the parent company and its subsidiaries and in accordance with other relevant data. Major accounting policies and accounting periods adopted by the subsidiaries are defined according to the standardized accounting policies and accounting periods stipulated by the Company. The significant transactions and balances between inter-company should be eliminated.

Where a subsidiary or business has been acquired through a business combination involving enterprises under common control in the reporting period, the subsidiary or business is deemed to be included in the consolidated financial statements from the date they are controlled by the ultimate controlling party. Their operating results and cash flows are included in the consolidated income statement and consolidated cash flow statement from the date they are controlled by the ultimate controlling party.

The portion of a subsidiary's equity that is not attributable to the parent is treated as minority interests and presented in the consolidated balance sheet within shareholders' equity. The portion of net profit or loss of subsidiaries for the period attributable to minority interests is presented in the consolidated income statement below the "net profit" line item as "minority interests". When the loss of the subsidiary attributable to minority interests is more than minority interests in that subsidiary at beginning of the period, the minority interest shall be reversed by the balance of the loss of the subsidiary attributable to minority interests.

For the transaction of acquiring minority interests of its subsidiaries or disposing part of its subsidiaries' equity without losing control, treated as equity transaction, the book value of shareholder's equity attributed the Company and that of minority interest should be adjusted to reflect the change in the Company's interest in the subsidiaries. Difference between the adjustment of minority interests and the fair value of consideration are adjusted to capital reserve. If the differences exceed capital reserve, retained earnings shall be adjusted.

When the Company loses control over subsidiary because of disposing part of equity investment or other reasons, the remaining part of the equity investment should be re-measured at fair value at the date when losing control over the subsidiary. A gain or loss is recognized in profit or loss and is calculated by the aggregate of the fair value of consideration received in disposal of the equity investment and the fair value of remaining part of the equity investment, and deduct the share of net assets in proportion to previous shareholding percentage in former subsidiary since acquisition date and the relating goodwill is derecognized.

Other comprehensive income and the movement of other owners' equity related to the former subsidiary shall be transferred to profit or loss for the current period of disposal, except for those comprehensive income arising on the movement of net liabilities or assets in the former subsidiary's re-measurement of defined benefit plan.

If each of the multiple transactions forms part of a bundled transaction which eventually results in the loss of control in the subsidiary, these multiple transactions are accounted for as a single transaction. In the consolidated financial statements, the difference between the consideration received and the corresponding proportion of the subsidiary's net assets (calculated continuously from the acquisition date) in each transaction prior to the loss of control shall be recognized in other comprehensive income and transferred to profit or loss when the parent eventually loses control of the subsidiary.

(6) Joint arrangement classification and accounting treatments

A joint arrangement is an arrangement of which two or more parties have joint control. The Company classifies joint arrangements into joint operations and joint ventures.

1) Joint operations

A joint operation is a joint arrangement whereby the joint operators have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Company recognizes the following items in the relation to its interest in a joint operation, and account for them in accordance with relevant accounting standards:

- A、 its solely-held assets, and its share of any liabilities incurred jointly;
- B、 its solely-assumed liabilities, and its share of any liabilities incurred jointly;
- C、 its revenue from the sale of its share of the output arising from the joint operation;
- D、 its share of the revenue from the sale of the output by the joint operation; and
- E、 its solely-incurred expenses, and its share of any expenses incurred jointly.

2) Joint ventures

A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement.

The Company adopts equity method under long-term equity investment in accounting for its investment in joint venture.

(7) Cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(8) Foreign currency transactions and translation of foreign currency statement

1) Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the Company, using the exchange rates prevailing at the dates of the transactions (spot exchange rate)

As at the balance sheet date, monetary items denominated in foreign currency are exchanged to Renminbi ("RMB") by adopting the prevailing exchange rate on that date. Foreign exchange difference arising from the difference between the prevailing exchange rate on that date and the prevailing exchange rate on initial recognition or on the previous balance sheet date are recognized in profit or loss for the current period. Non-monetary items denominated in foreign currency that are measured at historical cost are still measured at amount denominated in reporting currency exchanged at the prevailing exchange rate at the transaction date. Non-monetary items denominated in foreign currency that are measured at fair value are translated using the exchange rate at the date when fair value was determined and the difference between the translated functional currency amount and the prevailing exchange rate on initial recognition or on the previous balance sheet date are recognized in profit or loss for the current period.

2) Translation of foreign currency statement

At the balance sheet date, when translating the foreign currency financial statements of overseas subsidiaries, the assets and liabilities of the balance sheet are translated to RMB using the spot exchange rate at the balance sheet date. Items of the shareholders' equity, except for "undistributed profits", are translated at the spot exchange rate at the dates on which such items arose.

The revenue and expenses in the income statement are translated using the spot exchange rate at the transaction date.

Items of the cash flow statement are translated using the spot exchange rate when it incurs. Effects arising from changes of exchange rates on cash and cash equivalents is presented separately as "Effect of changes in exchange rates on cash and cash equivalents" in the cash flow statement.

Differences arising from the translation of financial statements are separately presented as "other comprehensive income" in the shareholders' equity of the balance sheet.

When the control on foreign operation is lost due to the disposal of ownership interests of foreign operation or partial disposal of equity investment or other reasons, exchange differences of foreign currency statements attributable to the shareholders of the parent company related to such foreign operation and presented under shareholder's equity item in the balance sheet are all or partially transferred to profit or loss for the current period.

(9) Financial instruments

Financial instruments refer to the contracts of forming enterprise financial assets and other entities' financial liabilities or equity instruments.

1) Recognition and derecognition of financial instruments

A financial asset or financial liability is recognized when the Company becomes one party of financial instrument contracts.

If one of the following conditions is met, the financial assets are terminated:

- ① The right of the contract to receive the cash flows of financial assets terminates;

②The financial asset has been transferred, and is in accordance with the following conditions for derecognition.

If the obligations of financial liability have been discharged in total or in part, derecognize all or part of it. If the Company (debtor) makes an agreement with the creditor to replace the current financial liability of assuming new financial liability which contract provisions are different in substance, derecognize the current financial liability and meanwhile recognize as the new financial liability.

If the financial assets are traded routinely, recognize and derecognize them at the transaction date.

2) Classification and measurement of financial assets

Financial assets are, upon initial recognition, classified into the following four categories: financial assets at fair value through profit or loss ("FVTPL" financial assets), held-to-maturity investments, loans and receivables, available-for-sale financial assets ("AFS" financial assets). Financial assets are initially recognized at fair value. In the case of financial assets at fair value through profit or loss ("FVTPL" financial assets), the related transaction costs are recognized in profit or loss for the current period. For other financial assets, transaction costs that are attributable to the acquisition of the financial assets are included in the initial recognition amounts.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition as at fair value through profit or loss. This kind of financial assets are subsequently measured at fair value, all realized and unrealized gains and losses are recognized in profit or loss for the current period.

Financial assets or financial liabilities shall be designated as financial assets or financial liabilities at fair value through profit or loss in initial measurement if one of the following conditions is met:

①The designation could eliminate or distinctly cut down the inconsistent cases of confirmation or measurement of relevant gains or losses incurred due to the difference of measurement basis of financial assets or financial liabilities.

②The official written document of risk management or investment strategy has specified that the financial assets portfolio, the financial liabilities portfolio, or the financial assets and financial liabilities portfolio were managed, evaluated and reported to key managers on the basis of fair value.

③The financial assets or financial liabilities include embedded derivative instrument that need to be split separately.

According to above conditions, the designated financial assets or financial liabilities of the Company mainly include: (describe the designated conditions specifically)

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. Gains and losses arising from derecognition, impairment or amortization is recognized in profit or loss for the current period.

The Company shall re-classify an investment to available-for-sale financial assets and measure at fair value subsequently if the investment is no longer suitable to be classified as held-to-maturity investment due to the change of intention or ability of holding. If the amount of the sale or reclassification of held-to-maturity is large, and it does meet the exceptional circumstance specified in Article 16 of Accounting Standard for Business Enterprises No. 22-The Recognition and Measurement of Financial Instruments, and the residual part is no longer suitable to be classified as held-to-maturity, the Company shall reclassify the residual part as available-for-sale financial assets and measure it at fair value subsequently. The variance between the book value and the fair value of the investment is recognized in owner's equity on reclassification day and recognized in current profit or loss when the available-for-sale financial assets has impairment or transferred out when de-recognition happens.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market including account receivables and other receivables (Note 4.10). Receivables are subsequently measured at amortized cost using the effective interest method. Gains and losses arising from derecognition, impairment or amortization is recognized in profit or loss for the current period.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale and financial assets other than those above mentioned. AFS financial assets are subsequently measured at fair value, the discount or premium are amortized using the effective interest method and recognized as interest income. The gains and losses arising from changes in fair value of AFS financial assets (other than impairment losses and foreign exchange gains and losses resulted from foreign currency monetary assets which are recognized in profit or loss for the current period) are recognized as other comprehensive income, until the financial assets are derecognized, are transferred to profit or loss for the current period. Interest income and dividends related to the AFS financial assets are recognized as profit or loss for the current period.

For the equity instruments without quoted price in an active market and whose fair value cannot be reliably measured and the derivative financial instruments related to and settled by delivery of an equity instrument, are measured at cost.

The Company should measure available-for-sale financial assets in cost method or amortized cost when the financial assets is no longer suitable to be measured at fair value due to the change of intention or ability of holding, or the fair value is no longer be measured reliably, or the held period exceeded two entire accounting periods after the held-to-maturity is reclassified as available-for-sale financial assets. The cost or amortized cost is the fair value or book value of the financial assets on the reclassification date.

If the financial assets have a maturity date, the gains or losses related to the financial assets and originally included in other comprehensive income shall be amortized at the residual period of the financial assets and recognized in current profit or loss; the balance between amortized cost of the financial assets and the amount on maturity date shall be amortized at the remaining period of the financial assets and recognized in current profit or loss. If the financial assets have no maturity date, the gains or losses related to the financial assets and originally included in other comprehensive income should be remained in owner's equity and recognized in current profit or loss when the financial assets was been disposed.

3) Classification and measurement of financial liabilities

On initial recognition, financial liabilities are classified as: financial liabilities at fair value through profit or loss (FVTPL) or other financial liabilities. For financial liabilities not classified as at fair value through profit or loss financial liabilities, the transaction costs are recognized in the initially recognized amount.

Financial liabilities at FVTPL

Financial liabilities at fair value through profit or loss include financial liabilities held for trade and financial liabilities designated as at fair value through profit or loss in the initial recognition. Such financial liabilities are subsequently measured at fair value, all realized and unrealized gains and losses are recognized in profit or loss for the current period.

Other financial liabilities

Derivative financial liabilities which are linked to equity instrument that is not quoted in an active market and its fair value cannot be reliably measured and settled by delivering the equity instrument are subsequently measured at cost. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses arising from derecognition or amortization is recognized in profit or loss for the current period.

Distinction between financial liabilities and equity instruments

If an enterprise cannot avoid performing a contract obligation by cash or other financial assets unconditionally, then the contract obligation meets the definition of financial liabilities.

If a financial instrument must or can be settled by enterprise's own equity instrument, the enterprise's own equity instrument used as settled instrument need to be considered whether as the substitute of cash or other financial assets or for the holder of the instrument enjoys the residual interest of assets after the issuer deducted all liabilities.

4) Derivative financial instrument and embedded derivatives instrument

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Derivatives should be recognized as an asset when fair value is positive and a liability when fair value is negative. The changes in fair value of derivatives are recognized in profit or loss for the period, which are not consistent with the requirements of the hedge accounting.

Where a mixed instrument related to an embedded derivative instrument fails to be designated as a financial asset or financial liability measured at its fair value and of which the variation is included in the current profits and losses, and it can simultaneously meet the following conditions, the embedded derivative instrument shall be separated from the mixed instrument and treated as an independent derivative instrument: where there is no close relationship between it and the principal contract in terms of economic features and risks; and where it shares the same conditions with that of the embedded derivative instrument, and the independent instrument meets the requirements of the definition of derivative instrument. Where it is impossible to make an independent measurement when it is obtained or subsequently on the balance sheet date, the mixed instrument shall be designated entirely as a financial asset or financial liability measured at its fair value and of which the variation is included in the current profits and losses.

5) Fair value of financial instruments

Determination of fair value of financial assets and financial liabilities refers to Note 4.30.

6) Impairment of financial assets

The Company assesses the carrying amount of financial assets at each balance sheet date. Where there is objective evidence that a financial asset is impaired, an impairment provision should be made. Objective evidence of impairment is an event(s) that actually occurs after the initial recognition of the financial asset and the event(s) has an impact on the estimated future cash flows of the financial asset and can be reliably measured by the Company.

Financial asset measured at amortized cost

If there's objective evidence that the financial assets are impaired, then the carrying amount of financial assets shall be reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred), with the reduced amount recognized to profit or loss for the current period. The present value of estimated future cash flows is carried according to the financial asset's original effective interest rate, and considers the value of collateral.

For a financial asset that is individually significant, the Company assesses the asset individually for impairment, if there is objective evidence that it has been impaired; recognize the impairment loss in profit or loss for the current period. For a financial asset that is not individually significant, the Company assesses the asset by including the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. For an individually assessed financial asset (whether the financial asset is individually significant or not individually significant), the Company includes the asset in a group of financial assets with similar credit risk characteristics and collectively assessment for impairment. Asset for which an impairment loss is individually recognized is not included in a collective assessment of impairment.

If, after an impairment loss has been recognized on financial assets measured at amortized cost, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. A reversal of an impairment loss will not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years.

Available-for-sale financial assets

If there's objective evidence that AFS financial assets are impaired, accumulated losses due to decreases in fair value previously recognized directly in other comprehensive income are reversed and charged to profit or loss for the current period. The reversed accumulated losses are the asset's initial acquisition costs after deducting amounts recovered and amortized, current fair value and impairment losses previously recognized in profit or loss.

If, in a subsequent period, the fair value of financial assets increases and the increase can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment losses are reversed and charged to profit or loss for the current period. The impairment losses of AFS equity instruments shall not be reversed through profit or loss.

Financial assets measured at cost

If there's objective evidence that the financial assets are impaired, the difference between the carrying amount and the present value discounted at the market rate of return on future cash flows of the similar financial assets shall be recognized as impairment loss in profit or loss. The impairment loss recognized shall no longer be reversed.

7) Transfer of financial assets

Transfer of financial assets refers to the transference or deliverance of financial assets to the other party (the transferee) other than the issuer of financial assets.

The Company derecognizes a financial asset only if it transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; the Company should not derecognize a financial asset if it retains substantially all the risks and rewards of ownership of the financial asset.

The Company neither transfers nor retains substantially all the risks and rewards of ownership, shows as the following circumstances: if the Company has forgone control over the financial assets, derecognize the financial assets and verify the assets and liabilities; if the Company retains its control of the financial asset, recognize the financial asset to the extent of its continuing involvement in the transferred financial asset and recognize an associated liability.

8) Financial assets and financial liabilities offset

When the Company has the legal right to offset the recognized financial assets and financial liabilities, while the legal right is executable currently, and the Company intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, the financial assets and a financial liabilities are offset and the net amount is presented in the balance sheet. Otherwise, financial assets and financial liabilities should be presented separately in the balance sheet and offset is not allowed.

9) Entrusted loan

The Company calculated the interest receivable in accordance with the entrusted loan principal and the nominal interest rate in the contract at the balance sheet date; and the investment income is calculated based on the amortized cost of the entrust loan and effective interest rate (When the difference in effective interest rates and nominal interest rate was similar, nominal interest rates would be adopted, hereinafter the same), the variance recorded in the entrust loan (Interest adjustment).

The Company performs comprehensive inspection at the balance sheet date whether there were signs of impairment for entrusted loans. If there was objective evidence that the book value of entrusted loan exceeds its recoverable amount, then the variance should be recognized as assets impairment loss and accrued of impairment provision; Calculation of Interest income is base on the amortized cost of entrust loan and the effective interest rate and recognized as investment income, and reduced the impairment provision of entrusted loans. At the same time, the Company registered the interest receivable in accordance with the principal and the nominal interest rate in the contract in off-balance sheet.

10) Receivables

Receivables include accounts receivables and other receivables.

1) Individually significant receivable and provision for bad and doubtful debts individually

Criteria of individually significant receivables: the carrying amount of accounts receivables of over RMB 20million (including 20 million) are recognized as individually significant receivable; and the carrying amount of accounts receivables of over RMB 10million (including 10 million) are recognized as individually significant other receivable.

Measurement of individually recognized bad and doubtful debts provision of individually significant receivables: Receivables that are individually significant are subject to separate impairment assessment, if there is objective evidence that the impairment occurred, recognize the provision for bad and doubtful debts according to the difference between the present value of future cash flows, which is lower, and the carrying amount.

If impairment of financial asset tested individually is not established, recognize the provision of bad and doubtful debts in combination.

2) Individually insignificant receivables but provision for bad and doubtful debts individually

<u>Reasons for provision individually</u>	<u>Litigation funds, deterioration of customer credit receivables</u>
Method of provision	Recognize the provision for bad and doubtful debts according to the difference between the present value of future cash flows, which is lower, and the carrying amount.

3) Receivables with provision for bad and doubtful debts collectively

If receivables which are not impaired in individual test (including individually significant and insignificant receivables) and individually insignificant receivables which are not individually tested, recognize the provision for bad and doubtful debts according to the following credit risk combination.

<u>Type of group</u>	<u>Basis of group</u>	<u>Method of provision for bad and doubtful debts collectively</u>
Group 1	Aging state	Aging analysis method
Group 2	Receivables for joint-venture brands	Individually significant

When the Company transferred accounts receivable without rights of recourse to financial institutions, the difference between the book value that has deducted the written off accounts receivable according to trading funds and the relevant taxes shall be recognized in current profit and loss.

For group of aging, the rate of provision for bad and doubtful debts in ageing analysis method is as follows:

<u>Aging</u>	<u>Percentage of provision for accounts receivable %</u>	<u>Percentage of provision for other receivables %</u>
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BEIJING AUTOMOTIVE GROUP CO., LTD
 NOTE TO THE FINANCIAL STATEMENTS
 FOR THE SIX MONTHS ENDED 30 JUNE 2015
 THE CURRENCY IS IN RMB YUAN, EXCEPT OTHERWISE INDICATED

Within 1 year	0-5	0-5
1-2 years	5-10	5-10
2-3 years	15-30	15-30
3-4 years	25-50	25-50
4-5 years	50-80	50-80
Over 5 years	100	100

The bad debt recognition criterion:

When one of the following conditions occurs, according to the prescribed procedures approved recognized account receivable as bad debts, write off provision for bad debts.

A. debtor in accordance with the law declared bankrupt, revoked, obtains declaration of bankruptcy, proof of license cancellation or government's close down order file and other relevant information, after deducting the settlement of property settled part of the debtor, the remaining amount that cannot be received recognized as bad debts;

B. death of the debtor or in accordance with the law the debtor has been declared missing, death, the property or estate is insufficient to repay and there is no heir of the receivables, after obtain the relevant legal documents, recognized as bad debts;

C. receivables that involved in litigation, entry into force people's court verdict, judge orders, ruled loss, or win the lawsuit but unable to perform and ruled to suspend enforcement, recognized as bad debts;

D. three years past due receivables, collection consultation records in accordance with the law, and be able to confirm that three years does not have any business contact, deduct the balance of various amounts of the debtor and the compensation of the persons responsible, recognized as bad debt;

E. three years past due receivables, the debtor in overseas and Hong Kong, Macao, Taiwan region, according to the law collection has not yet recovered, and within three years does not have any business contact, after receive the termination of receivable submissions issued by outside agency or proof that the debtor flee or bankruptcy from China's embassies (consulate) business institutions, recognized as bad debt;

F. over an extended period of time, the debtor do not pay the due debts, and there is sufficient evidence states that the possibility of the receivable can be recovered is very rare.

11. Inventories

(1) Classification of inventories

Inventories include raw materials, consigned processing materials, work in progress, low value consumables, materials in transit, project construction, packaging materials, finished goods, goods on installment sales, issuing goods etc.

(2) Method for calculating value of inventories

The inventories are counted with a perpetual inventory system. Inventories were recorded at actual cost when acquired. Raw material, work in progress, finished goods and issuing goods etc. are calculated in weighted average method; The low value consumables are amortized using one-off written off method when using. Packing materials recognized in the cost proportionally according to the expected frequency of use.

(3) Provision for decline in value of inventories

If the cost of closing inventory of the Company exceeds its net realizable value at balance sheet date, recognize provision for decline in value of inventories. The Company usually recognize provision for decline in value of inventories by a type inventory item. If the factors caused the value of inventory previously written-down have disappeared, the provision for decline in value of inventories previously made is reversed.

(4) Recognition of the net realizable value of inventory

Net realizable value is based on the estimated selling price deducting the estimated costs to be incurred when completed, the estimated selling expenses and related taxes amount. Recognition of the net realizable value is based on the verified evidences and considers the purpose of holding inventories and the effect of post balance sheet events.

12. Long-term equity investments

Long-term equity investments refer to equity investments where an investor has control of, or significant influence over, an investee, as well as equity investments in joint ventures. Where the Company can exercise significant influence over the investee, the investee is its associate.

(1) Determination of initial investment cost

Long-term equity investment by merger: For a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owners' equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at the date of combination; For a business combination not involving enterprises under common control, the initial investment cost of the long-term equity investment acquired shall be the cost of acquisition. If the business combination is implemented step-by-step through multiple transactions, the cost of the long-term equity investment is the sum of book value of the equity investment of acquiree held before the purchased date and the new investment cost of purchased date.

Long-term equity investment by other method instead of merger: For a long-term equity investment acquired by paying cash, the initial investment cost shall be the actual purchase price paid; For a long-term equity investment acquired by the issue of equity securities, the initial investment cost shall be the fair value of the equity securities issued.

(2) Subsequent measurement and recognition of profit or loss

Where the Company is able to exercise control over an investee, the long-term equity investment shall be accounted for using the cost method; Where the Company has investment in associates and joint ventures, the long-term equity investment is accounted for using the equity method.

For long-term equity investment which is accounted for using the cost method, investment income is recognized in profit or loss for the current period as the cash dividend or profit announced and distributed, except for those cash dividend or profit which have already included in the actual payment or consideration of offer when the investment was made.

For long-term equity investment which is accounted for using the equity method, where the initial investment cost of a long-term equity investment exceeds the Company's interest in the fair values of the investee's identifiable net assets, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Company's interest in the fair values of the investee's identifiable net assets, the difference is charged to profit or loss for the current period, and the carrying amount of the long-term equity investment is adjusted accordingly.

Under the equity method, the Company shall recognize its share of the investee's net profit or losses, as well as its share of the investee's other comprehensive income, as investment income or losses and other comprehensive income, and adjust the carrying amount of the investment accordingly. The carrying amount of the investment shall be reduced by the portion of any profit distributions or cash dividends declared by the investee that is attributable to the Company. The Company's share of the investee's owners' equity changes, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution, shall be recognized in the Company's equity, and the carrying amount of the long-term equity investment shall be adjusted accordingly. The Company recognizes its share of the investee's net profits or losses based on the fair values of the investee's individual separately identifiable assets at the time of acquisition, after making appropriate adjustments thereto in conformity with the accounting policies and accounting periods of the Company.

When the Company becomes capable of exercising joint control or significant influence (but not control) over an investee due to additional investment or other reasons, the Company shall change to the equity method and use the fair value of the previously-held equity investment, together with additional investment cost, as the initial investment cost under the equity method. Where the previously-held equity investment is classified as available-for-sale financial assets, the differences between the fair value and carrying amount and the accumulated changes in fair value included in other comprehensive income shall be transferred to profit or loss for the current period upon commencement of the equity method.

The unrealized profit or loss from internal transactions entered into between the Company and its associate or joint venture is offset according to the shareholding percentage held by the Company and recognizes as investment income or loss according to such basis. However, the unrealized loss from internal transactions entered into between the the Company and its investee is not offset if it belongs to impairment loss from assets transferred.

For the long-term equity investments of associates and joint ventures held before January 1, 2007, if there exists equity investment debit balance related to the investment, investment income or loss is recognized after deducting the equity investment debit balance in the original straight-line amortization basis over the remaining period.

(3) Basis for recognition of joint control or significant influence over an investee

Control is the Company held the rights in investee and enjoys the changeable return through the participation relevant activities in the investee and has the ability to use the investee's rights to influence the return amount. Subsidiary refers to controlled by the Company (including enterprise, separable parts in investee and structuring bodies controlled by the enterprise, etc.).

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. In assessing whether an enterprise has joint control of an arrangement, the Company shall first assess whether all the parties, a group of the parties, control the arrangement collectively. All the parties, or a group of the parties, control the arrangement collectively when they must act together to direct the relevant activities. Then assess whether decisions about the relevant activities require the unanimous consent of those parties that control the arrangement collectively. When more than one combination of the parties can control an arrangement collectively, joint control does not exist. A party that holds only protective rights does not have joint control of the arrangement.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. When determining whether an investor can exercise significant influence over an investee, the effect of potential voting rights (for example, warrants, share options and convertible bonds) held by the investors or other parties that are currently exercisable or convertible shall be considered.

When the Company, directly or indirectly through subsidiaries, owns 20% of the investee (including 20%) or more but less than 50% of the voting shares, it has significant influence on the investee unless there is clear evidence to show that in this case the Company cannot participate in the production and business decisions of the investee, and cannot form a significant influence. When the Company owns less than 20% of the voting shares, generally it isn't considered to have a significant influence on the investee, unless there is clear evidence to show that in this case the Company can participate in the production and business decisions of the investee so as to form a significant influence.

(4) Disposal of long-term equity investments

On disposal of a long-term investment, the difference between the carrying amount of the investment and the actual consideration paid is recognized in current profit or loss. For a long-term equity investments accounted for using the equity method, when dispose of the investment, same basis shall be adopted as if the investee is dispose relevant assets or liabilities, other comprehensive income shall be accounted for on a pro-rata basis according to the proportion of disposed investment.

When the joint control or significant influence over the invested unit are lost due to disposal of partial equity investment etc., the residual equity after disposal shall be recognized in current profit or loss as the variance between the fair value on the date of joint control or significant influence is lost and book value. Other comprehensive income for the original equity investment confirmed by equity method should, when equity method is terminated for accounting, adopt the same accounting treatment as the investee directly dispose relevant assets or liabilities; the change of other owners' equity related to the original equity investment shall be transferred into current profit and loss.

When the control over the investee are lost due to disposal of partial equity investment etc., if the residual equity after disposal could exert common control or important influence over the investee, equity method shall be adopted for the accounting, and adjustment shall be made on this partial equity deemed that equity method has been used for accounting since the acquisition; when the residual equity after disposal could not exert common control or important influence over the investee, accounting treatment shall be made according to relevant regulations in Accounting Standard for Business Enterprises No. 22-The recognition and measurement of financial instruments, and the difference between the fair value and book value on the date when the control right is lost shall be recorded in the current profit and loss.

(5) Method of impairment testing and impairment provision

For investment of subsidiaries, associates and joint ventures, refer to Note 4. 20 for the Company's method of asset impairment.

The long-term equity investment of the investing enterprise that does not do joint control or does not have significant influences on the invested entity, and has no offer in the active market and its fair value cannot be reliably measured, the impairment method is detailed in Note 4.9. (6).

13. Investment property

Investment property is a property held to earn rentals or for capital appreciation or both. The Company's investment property includes leased land use rights, land use right held and provided for to transfer after appreciation and leased building and construction.

The Company's investment property is initially measured at acquisition cost, and is depreciated or amortized using the according policy as that for fixed assets or intangible assets.

Asset impairment method of investment property subsequently measured using the cost model refers to Note 4.20.

When an investment property is sold, transferred, retired or damaged, the amount of proceeds on disposal of the property net of the carrying amount and related taxes and surcharges is recognized in profit or loss for the current period.

14. Fixed assets

(1) Recognition of fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of services, for rental to others, or for administrative purposes and have useful lives more than one accounting year.

Fixed assets are only recognized when its related economic benefits are likely to flow to the Company and its cost can be reliably measured.

Fixed asset are initially measured at cost.

(2) Fixed assets category and depreciation methods

The Company uses the straight line method for depreciation. Fixed assets begin to be depreciated from the state of intended use, and stop being depreciated when derecognized or classified as held for sale non-current assets. Without considering impairment provision, the Company's annual depreciation rates are shown as follows according to the category, expected useful lives and estimated net residual values rates.

<u>Category</u>	<u>Useful lives (years)</u>	<u>Residual percentage%</u>	<u>Annual depreciation rates</u>
Housing and buildings	8-50	3.00-5.00	12.13-1.90
Machineries	10-15	3.00-5.00	9.70-6.33
Transportation equipments	5-10	3.00-5.00	19.40-9.50
Others	5-10	3.00-5.00	19.40-9.50
Mould	Depreciation made based on straight-line method or units-of-production	3.00	-

Include these, impaired fixed assets are deducted the cumulative amount of impairment provision in determination of the depreciation rate.

(3) Impairment testing and the impairment provision of fixed assets refers to Note 4.20

(4) Determination and measurement of fixed assets under financing lease

Fixed assets under lease arrangement are determined as fixed assets under financing lease if they meet one or more of the following criteria:

- ①The ownership of leased assets is transferred to the Company by the end of the lease term.
- ②The Company has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date of the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised.
- ③Even if the ownership of assets isn't transferred, lease term is for the major part of the useful life of the asset.
- ④At the inception of lease, the present value of minimum lease payments amounts to at least substantially all of the fair value of leased asset.
- ⑤Leased assets are of such a specialized nature that only the Company can use them without major modifications.

At inception date of lease, the Company recognizes amount of leased assets at the lower of the fair value of leased asset at inception date and the present value of minimum lease payments. Amount of minimum lease payments is recorded as long term payables, and the difference between them is recorded as unrecognized financing charges. Initial direct costs such as service charges, legal fee, travelling expenses and stamp duty of the lease incurred for the lease are recognized in the amount of leased assets. Unrecognized financing charges are amortized over the lease term by effective interest method.

Fixed assets under financing lease are depreciated using the same policy as that for owned fixed assets. If there are reasonable certainty that the ownership of the leased assets is transferred by the end of the leases, the leased assets are depreciated over their useful life. If there are no reasonable certainty that the ownership of leased assets be transferred by the end of the lease term, the assets are depreciated over the shorter of the lease term and their useful life.

(5) The Company reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least at the end of each financial year.

Useful lives of fixed assets are adjusted if they are different with the initial estimates. Estimated net residual values are adjusted if they are different with the initial estimates.

(6) Overhaul costs

The overhaul costs occurred in regular inspection of fixed assets are recognized in the cost of fixed assets if there is undoubted evidence to confirm that this part meets the recognition criteria of fixed assets, otherwise, the overhaul costs are recognized in profit or loss for the current period. Depreciation continues during the period of regular overhaul.

15. Construction in progress

Construction in progress is recognized based on the actual construction cost, including all expenditures incurred for construction projects, capitalized borrowing costs for the construction in progress before it has reached the working condition for its intended use and other related expenses during the construction period.

Construction in progress is transferred to fixed assets when it has reached the working condition for its intended use.

Provision for impairment of construction in progress refers to note 4. 20

16. Borrowing costs

(1) Recognition of borrowing costs capitalization

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, they shall be capitalized and included in the cost of related assets. Other borrowing costs are recognized as expenses and recorded in profit or loss for the current period when incurred. Capitalization of such borrowing costs commenced only when all of the following conditions are satisfied:

- ① Expenditures for the asset are being incurred, capital expenditure includes the expenditure in the form of cash payment, transfer of non-cash assets or interest bearing liabilities for the purpose of acquiring or constructing assets eligible for capitalization;
- ② Borrowing costs are being incurred; and
- ③ Activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced.

(2) Borrowing costs capitalization period

Capitalization of such borrowing costs ceases when the qualifying assets being acquired, constructed or produced become ready for their intended use or sale. Borrowing cost incurred after the qualifying assets became ready for their intended use or sale is recognized as an expense when incurred and recorded in profit or loss for the current period.

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than 3 months. Borrowing costs continues to be capitalized during the normal suspension period.

17. Intangible assets

The Company's intangible assets include Land use rights, intellectual property rights, patent, software, non-patent techniques and customer relations etc..

The Company initially measures the intangible asset at cost, and analyzes and judges its service life when obtained. An intangible asset with a finite useful life is amortized using the method which can reflect the expected realization of economic benefits related to the asset over its expected useful life from when the asset is available for use; an intangible asset whose expected realization can't be reliably determined is amortized using straight-line amortization. An intangible asset with an indefinite useful life is not amortized.

Amortization methods of an intangible asset with a finite useful life are shown as follows,

<u>Category</u>	<u>Useful life(year)</u>	<u>Method</u>	<u>Note</u>
Land use rights	50	Straight-line method	-
software	5	Straight-line method	-

The Company reviews the finite useful life of an intangible asset and the amortization method at the end of each financial year. A change in the useful life or amortization method used is accounted for as a change in accounting estimate.

If an intangible asset is expected no longer in generating future economic benefits to the Company at the balance sheet date, the carrying amount of the asset is charged to profit or loss for the current period.

Impairment method of intangible assets refers to Note 4.20.

18. Research and development expenditure

Expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase.

Expenditure on the research phase is recorded in profit or loss when incurred.

Expenditure on the development phase is capitalized only when the Company can satisfy all of the following conditions: it is technical feasible that the intangible asset can be used or sold upon completion; there is intention to complete the intangible asset for use or sale; the intangible asset can generate economic benefits, including there is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market; if the intangible asset is for internal use, there is evidence that there is usage for the intangible asset; there is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset; the expenses attributable to the development stage of the intangible asset can be measured reliably. Expenditure on the development phase is recorded in profit or loss for the current period if the above conditions are not met.

Research and development projects of the Company will enter into the development phase when they meet the above conditions, pass the technical feasibility and economic feasibility studies and necessary approval of the project.

Capitalized expenditure on the development phase is presented as “development costs” in the balance sheet and is transferred to intangible assets when the project is completed to its intended use state.

19. Long-term deferred expenses

The long-term deferred expenses of the Company include the improvement expense, lease fees, remodeling fees and land use charges and etc.

Long-term deferred expenses are recorded at the actual cost, and amortized evenly over the expected benefit period. For the long-term deferred expense that cannot benefit in future accounting period, their amortized value is recognized in profit or loss for the current period.

20. Impairment of assets

The impairment of subsidiaries, associates and joint ventures in the long-term equity investments, investment property subsequently measured at cost model, fixed assets, construction in progress, productive biological assets measured at cost, intangible assets, goodwill, proven oil and gas mining rights and wells and related facilities, etc. (Excluding inventories, investment property measured at fair value model, deferred income tax assets and financial assets) are determined as follows:

At each balance sheet date, the Company determines whether there may be indication of impairment of the assets, if there is any, the Company will estimate the recoverable amount of the asset, and perform test for impairment. For goodwill arising from a business combination, intangible assets with indefinite useful life and intangible assets that have not reached the usable condition are tested for impairment annually regardless of whether such indication exists.

The recoverable amount of an asset is determined by the higher of the net amount after deducting the disposal costs from the asset's fair value and the present value of the asset's estimated future cash flow. The recoverable amount is estimated of the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company determines the recoverable amount of the asset group to which the asset belongs. The identification of the asset group is based on whether the cash flow generated from the asset group is independent of the major cash inflows from other assets or asset groups.

When the asset or asset group's recoverable amount is lower than its carrying amount, the Company reduces its carrying amount to its recoverable amount, the reduced amount is recorded in profit or loss for the current period and the provision for impairment of assets is recognized.

For tests of goodwill impairment, the carrying amount of goodwill arising from a business combination is allocated reasonably to the relevant asset group since the acquisition date. If the carrying value of goodwill is unable to be allocated to asset group, the carrying value of goodwill will be allocated to asset portfolio. Asset group or portfolio of asset group is asset group or portfolio of asset group which can be benefit from synergies of a business combination and is not greater than the reportable segment of the Company.

In impairment testing, if indication of impairment exists in asset group or portfolio of asset group containing allocated goodwill, impairment test is first conducted on asset group or portfolio of asset group that does not contain goodwill, and corresponding recoverable amount is estimated and any impairment loss is recognized. Then asset group or portfolio of asset group containing goodwill is conducted impairment test by comparing its carrying amount and its recoverable amount. If the recoverable amount is less than the carrying amount, impairment loss of goodwill is recognized.

An impairment loss once recognized shall not be reversed in subsequent period.

21. Employee benefits

(1) Scope of employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Company in exchange for service rendered by employees or for the termination of employment relationship. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. Benefits provided to the Company's spouse, children, dependants, family members of deceased employees, or other beneficiaries are also employee benefits.

During the accounting periods which employees rendered service, medical insurance, work related injury insurance, maternity insurance and other social security contributions and housing provident fund paid, the Company should be recorded in liability and current income and loss or related assets. If the amount cannot be paid fully within 12 months after the reporting date which the employees provided the services, and the financial impact significant, the liability should be measured on cash discount basis.

(2) Post-employment benefits

Post-employment benefit plan includes defined contribution plans and defined benefit plans. Defined contribution plans are post-employment benefit plans under which a corporate pays fixed contributions into an escrow fund and will have no further obligation. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The Company only involves in defined contributions plan.

Defined contribution plans

Defined contribution plans include basic pension insurance, unemployment insurance and corporate pension plans(if any).

In the accounting periods which employees rendered services, the amount of defined contribution plan is recognized as liability and charged to profit or loss for the current period or cost of relevant assets.

Defined contribution plan

For defined benefit plans, at annual balance sheet date, independent actuaries use actuarial techniques to make a reliable estimate of the amount of benefit that employees have earned in return for their service in the current and prior periods to determine provided welfare costs for anticipated cumulative unit. Employee compensation costs resulted from the Group's defined benefit plan include the following:

① service costs include current service costs, past service costs and settlement gains or losses. Among them, the current service cost is increase amount of the present value of benefit plan obligations caused by current services that workers provide; the service costs in the past refers to the current value increase or reduced due to the defined benefit plans' modification.

② the net amount of interest of defined benefit plan net liabilities or net assets include interest income of plan assets, interest expense of defined benefit plan and the interest impacted by asset limit.

③ Changes in arising from re-measured net liabilities or net assets of defined benefit plans

Unless required or permitted by other accounting standards that employee benefits costs are recorded in the cost of assets, ① and ② shall be recorded in current profit or loss; ③ shall be recorded in other comprehensive income and shall not be reversed to profit or loss in a subsequent accounting period. But the amount recognized in other comprehensive income can be transferred within the scope of equity.

(3) Termination benefits

Termination benefits provided by the Company to employees shall be recognized as an employee benefits liability and charged to profit or loss for the current period at the earlier of the following dates: the Company can no longer withdraw the offer of those benefits; and the Company recognize costs for a restructuring and involves the payment of termination benefits.

When early retirement scheme is implemented, the financial compensation before the official retirement date belongs to termination benefits. During the date when the employees stop providing services until their normal retirement date, the early retirement wages and social insurance proposed to pay shall be recorded into current profit and loss at one lump. The financial compensation (such as endowment pensions) after the official retirement date shall be disposed according to post-employment benefits.

(4) Other long-term employee benefits

Other long-term employee benefits provided by the Company to the employees satisfied the conditions for classifying as a defined contributions plan, those benefits shall be accounted for in accordance with the above requirements relating to defined contribution plan. When the benefits satisfied a defined benefits plan, it shall be accounted for in accordance with the above requirements relating to defined benefits plan, but the movement of net liabilities or assets in re-measurement of defined defined benefit plan shall be recorded in profit or loss for the current period or cost of relevant assets.

22、Share-based compensation

(1) Category of share-based compensation

A share-based payment is classified as either an equity-settled share-based payment or a cash-settled share-based payment.

(2) Determination of the fair value of equity instruments granted

The existence of price quotations in an active market should be used to determine the fair value of an equity instrument granted. If there is no active market for an equity instrument granted, the Company should use the option-pricing model to determine the fair value of the equity instrument. Selection of option-pricing model considers the following factors: A. the exercise price of option; B. the validity of the option; C. the current price of the underlying shares; D. expected stock price volatility; E. expected dividends; F. Risk-free interest rate of options within the validity period.

(3) Basis for determining the best estimate of the number of equity instruments expected to be vested

On each balance sheet date during the vesting period, the best estimate should be made by the Company based on the updated numbers of employees who are eligible to exercise and other subsequent information, and the number of exercisable equity instrument should be adjusted accordingly. At the vesting date, the estimate number should be equal to the number of equity instruments that are eventually exercised.

(4) Accounting treatment of implementation, modification, termination of the share-based payment schemes

The equity-settled share-based payment in return for employee services shall be measured at the fair value of the equity instruments granted to the employees. As to an equity-settled share-based payment in return for services of employees, if the right may be exercised immediately after the grant, the fair value of the equity instruments shall, on the date of the grant, be included in the relevant cost or expense and the capital reserves shall be increased accordingly. As to a equity-settled share-based payment in return for employee services, if the right cannot be exercised until the vesting period comes to an end or until the prescribed performance conditions are met, then on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the number of vested equity instruments, be included in the relevant costs or expenses and the capital reserves at the fair value of the equities instruments on the date of the grant. The Company shall, after the vesting date, make no adjustment to the relevant costs or expenses as well as the total amount of the owner's equities which have been confirmed.

A cash-settled share-based payment shall be measured in accordance with the fair value of liability calculated and confirmed based on the shares or other equity instruments undertaken by the Company. As to a cash-settled share-based payment instruments, if the right may be exercised immediately after the grant, the fair value of the liability undertaken by the enterprise shall, on the date of the grant, be included in the relevant costs or expenses, and the liabilities shall be increased accordingly. As to a cash-settled share-based payment, if the right may not be exercised until the vesting period comes to an end or until the specified performance conditions are met, on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the information about the exercisable right, be included in the relevant costs or expenses and the corresponding liabilities at the fair value of the liability undertaken by the enterprise. The Company shall, on each balance sheet date and on each account date prior to the settlement of the relevant liabilities, re-measure the fair values of the liabilities and include the changes in the current profits and losses.

While the Company modified share-based payment plans, if it increased the fair value of the equity instruments granted, recognized for increase in services received according to the increase in the fair value of the equity instruments. If the modification increases the number of equity instruments granted, the increase in the fair value of the equity instruments are recognized as the increase in services received. The increase in the fair value of the equity instruments means the the difference between the fair value before and after modification of equity instruments at the modification date. If the modification reduces total fair value of the share-based payment or using other methods which go against the employees to modify the terms and conditions of the share-based payment plans, the Company should continue to account for the services received, as if the modification had not occurred, unless the Company had cancelled some or all of the equity instruments granted.

In the vesting period, if the canceled equity instruments granted (except to be cancelled for not meeting the vesting conditions of the non-market conditions [for example: service term condition or non-market performance condition]), the Company should process the canceled equity instrument granted as an acceleration of vesting and recognized the amount to be affirmed in the remaining waiting period immediately in profit or loss and recognized the capital reserve. For the condition that the employees or other parties can choose to meet non-vesting conditions without met in the waiting period, the Company should used the cancellation process for equity instruments granted.

23. Bonds payable

The bonds issued externally shall be initially measured according to the amount that the fair value net of transaction expense, and subsequently measured at amortized cost using the effective interest method during the maturity date.

Interest expenses are directly recorded into current profit or loss, except in certain situation where they meet the requirements of borrowing expense costs capitalization.

24、Contingent liabilities

An obligation related to a contingency is recognized as a provision when all of the following conditions are satisfied:

- (1) the obligation is a present obligation of the Company;
- (2) it is probable that an outflow of economic benefits will be required to settle the obligation; and
- (3) the amount of the obligation can be measured reliably.

The contingent liabilities shall be initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation, considering the risks, uncertainty, time value of money, and other factors pertinent to the contingencies. If the time value of money is of great significance, the best estimate shall be determined after discounting the relevant future outflow of cash. The Company should check the book value of the estimated debts on the balance sheet date. If there is any exact evidence indicating that the book value cannot really reflect the current best estimate, the Company shall adjust the book value in accordance with the current best estimate.

Where all or some of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement does not exceed the carrying amount of the provision.

25. Revenue

(1) Sale of goods

Revenue from the sale of goods is recognized only when all of the following conditions are satisfied: the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, the Company retains neither continuing managerial involvement nor effective control over the goods sold, and related income has been achieved or evidences of receivable have been obtained, and the associated costs can be measured reliably.

(2) Providing of services

When the result of rendering of services can be measured reliably, the Company recognizes related revenue from services in accordance with the percentage of completion as at the balance sheet date.

The completion progress of service transaction is recognized by service cost incurred as a percentage of estimated total cost / the measurement of work completed / the percentage of services performed to the total services to be performed.

The result of rendering of services can be estimated reliably when all of the following conditions are satisfied: ① The amount of revenue can be measured reliably; ② The associated economic benefits are likely to flow into the Company; ③ The completion progress of the transaction can be measured reliably; ④ The costs incurred and to be incurred in the transaction can be measured reliably.

If the result of rendering of service transaction cannot be estimated reliably, revenue from rendering of services is recognized at the service cost incurred and estimated to receive as compensation, and service cost incurred will be charged to profit or loss for the current period. If the service cost incurred is not expected to be compensated, no revenue is recognized.

(3) Transfer of the right to use assets

Revenue is recognized when the economic benefits related to transfer of the right to use assets can flow in and the amount of revenue can be measured reliably.

26. Government grants

Government grant is recognized when prescribed conditions are satisfied and they will be received without uncertainties.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. Where there is undoubted evidence that the Company can comply with the prescribed conditions of the grants and the Company will receive the grants, they are measured at the amount receivable. Otherwise, they shall be measured at amount actually received. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value. If fair value cannot be reliably determined, it is measured at a nominal amount of RMB 1.

A government grant related to an asset is recognized as deferred income, and evenly amortized to profit or loss over the useful life of the related asset. For a government grant related to income, if the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the current period. If the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized. Government grants measured at nominal amounts are directly recognized in profit or loss for the period.

Reversal of recognized government grant will be set off to the carrying value of relevant deferred income. Any excess of the reversal to the carrying amount of deferred income will be recognized in profit or loss for the current period. In case there is no relevant deferred income, reversal will be directly recognized in profit or loss for the current period.

27. Deferred tax assets and deferred tax liabilities

Income tax comprises of current income tax and deferred income tax. Current tax and deferred tax are included in profit or loss for the current period as income tax, other than deferred tax related to transactions or events that are directly recognized in shareholders' equity and arising from business combination should adjust the carrying amount of goodwill.

Temporary differences arising from the difference between the carrying amount of an asset or liability and its tax base are recognized as deferred tax using the balance sheet liability method.

All the taxable temporary differences are recognized as deferred tax liabilities except for those incurred in the following transactions:

- (1) Initial recognition of goodwill or initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) when the transaction occurs;
- (2) The taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, and the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The Company recognizes a deferred tax asset for the carry forward of deductible temporary differences, deductible losses and tax credits to subsequent periods, to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, deductible losses and tax credits can be utilized, except for those incurred in the following transactions:

- (1) The transaction is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) when the transaction occurs;
- (2) The deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, the corresponding deferred tax asset is recognized when both of the following conditions are satisfied: it is probable that the temporary difference will reverse in the foreseeable future and it is probable that taxable profits will be available in the future against which the temporary difference can be utilized.

At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, and their tax effect is reflected.

At the balance sheet date, the Company reviews the carrying amount of a deferred tax asset. If it is probable that sufficient taxable profits will not be available in future periods to allow the benefit of the deferred tax asset to be utilized, the carrying amount of the deferred tax asset is reduced. Any such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

28. Leasing

(1) Category of Leasing

A finance lease is a lease that transfers in substance all the risks and rewards incidental to ownership of an asset (No matter the ownership finally transfer or not). An operating lease is a lease other than a finance lease.

If the leasing meets one or more of the following criteria should be recognized as finance lease:

- ① ownership of the asset is transferred to the lessee at the end of the lease term;

② the lease contains a bargain purchase option to buy the equipment at a price which is less than fair market value, therefore the leasee will be reasonably deemed to exercise this option at the beginning of leasing date.

③ the lease term is for the major part of the economic life of the asset even if the title is not transferred;

④ at the inception of the lease, the lease present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;

⑤ the leased assets are of a specialized nature such that only the lessee can use them without major modifications being made.

(2) Accounting treatment for the operating lease as lessee

Rental paid for operating leases is recognized as related asset cost or profit or loss for the current period using the straight-line method over the lease term.

The initial direct costs incurred are recognized in profit or loss for the current period.

Contingent rent is recognized as profit or loss for the current period upon occurrence.

(2) Accounting treatment for the finance lease as lessee

In finance leases, at the commencement of the lease, the Company will recognize the lower of the fair value of leased asset or the present value of minimum lease payments as the book value of the leased asset. Present value of minimum lease payments is recognized as long-term payables. The difference between fair value of lease asset and the present value of minimum lease payments is recognized as future finance charge.

Initial direct costs incurred by the lessee during the process of negotiating and securing the lease agreement, for example commissions, attorney's fees and traveling expenses, stamp duties directly attributable to the leased item shall be added to the amount recognized for the leased asset.

Future finance charge is amortized over the lease period by effective interest method and finance expenses is recognized in profit or loss for the current period.

The Company adopts the same depreciation policy of with self-owned fixed assets in calculating the depreciation charge. If it is reasonable to be certain that the lessee will obtain the ownership of the leased asset when the lease term expires, the leased asset shall be fully depreciated over its useful life. If it is not reasonable to be certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter one of the lease term or its useful life.

Contingent rent shall be booked into profit or loss when actually incurred.

(4) Accounting treatment for the operating lease as lessor

Rental receipt from operating leases is recognized in profit or loss on a straight-line basis over the lease term. For large amount of initial direct costs incurred, they shall be capitalized and be distributed within the same basic period as the recognized lease income period; for smaller amounts of initial direct costs, they shall be accounted in the current profit or loss when incurring.

Contingent rents are credited to profit or loss in the period in which they actually arise.

Assets leased out under operating leases included in the balance sheet items according to the nature. The depreciation of fixed assets under operating leases is accordance with the depreciation policies on the similar assets of The Company; if another basis is more systematic and rational, that basis may be used.

29、Held for sale and termination of the operation

The non-current assets (not including financial assets and deferred income tax assets) or disposal group that meet the following conditions shall be classified as held for sale: a. the non-current assets or disposal group should be available for sale immediately in current condition in accordance with consuetudinary terms of selling this kind of non-current assets or disposal group merely; b. The Company has made a resolution on disposing of the non-current assets, if this should be approved by the shareholders according to the regulation, the approval should be made by stockholders' meeting or corresponding authority; c. The Company has signed an irrevocable transfer agreement with the recipient; and d. The transfer will be accomplished within one year

The non-current assets held for sale include individual assets and disposal groups, and a disposal group includes goodwill etc

Non-current assets or disposal groups that are classified as held for sale shall not be depreciated or amortized. The Company shall measure a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell and present in "classified as held for sale assets. The liabilities in disposal group of held for sale present in "classified as held for sale liabilities" .

If an asset or disposal group classified as held for sale no longer meets the recognition criteria thereof, the Company shall cease to classify the asset (or disposal group) as held for sale. The Company shall measure a non-current asset that ceases to be classified as held for sale (or ceases to be included in a disposal group classified as held for sale) at the lower of:

- A. Its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset (or disposal group) not been classified as held for sale, and
- B. Its recoverable amount at the date of the subsequent decision not to sell.

Termination of operations refers to the part that has been disposed by the enterprise or reclassified as held for sale by the enterprise which can be distinguished separately during operation or in the preparation of financial statements, and that meets one of the following conditions.

- (1) The part presents an independent primary business or a main operation region.
- (2) The part is a part of the disposal plan of an independent primary business or a main operation region.
- (3) The part is a subsidiary acquired for resold only.

30、 Measurement of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company's related assets or liabilities are measured at fair value. A fair value measurement assumes that the orderly transaction to sell the asset or transfer the liability occurs in the principal market for the related asset or liability or, in the absence of a principal market, the most advantageous market for the related asset or liability. The principal market (or the most advantageous market) is the trading market that the Company can enter at the measurement date. The fair value of the Company's asset or liability shall be determined based on the assumptions that market participants would use in pricing the asset or liability to maximize the economic benefits.

Fair value is the amount at which the asset could be bought or sold in a current transaction between willing parties, or transferred to an equivalent party, other than in a liquidation sale. When there is no active market for a financial instrument its fair value should be determined by the Company using valuation techniques.

The fair value measurement of non-financial assets considers the highest and best use of the asset by market participants or the assets are sold to other market participants who have the ability to generate economic benefits.

The Company adopts the valuation technique that is suitable for the current situation and there is enough data and other information to support. The priority is the observable inputs. If there are no observable inputs, the Company uses unobservable inputs.

Assets and liabilities measured or disclosures at financial statements are determined the fair value level based on the lowest level input that is significant to the measurement in its entirety. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

The Company should re-evaluate the asset and liabilities measured at fair value continuously on the balance sheet date to determine whether the level is changed.

5. CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERROR CORRECTION

None

6. TAXATION

(1) Taxes and tax rates

<u>Taxes</u>	<u>Tax Basis</u>	<u>Tax Rates %</u>
VAT	Taxable income	3,6,13,17
Business tax	Taxable income	3,5
Consumption tax	Taxable income	3,5,9,12
Urban maintenance and construction tax	Subject to turnover tax	1,5,7
Education surcharge (including local education surcharge)	Subject to turnover tax	5
Enterprise income tax	Subject to turnover tax	25

(2) Tax preference and approval document

Beijing Automotive Research Institute Co., Ltd. was approved as a High-tech Enterprise by Beijing Municipal Science & Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation, and Beijing Local Taxation Bureau and obtained High-tech Enterprise Certification numbered GF201211000784. The certification was effective on July 9, 2012 with validity of 3 years. The Company's enterprise income tax rate for the period was 15%.

BAIC Motor Corporation., Ltd. obtained High-tech Enterprise Certification numbered GR201211000834 on December 13, 2012 with validity of 3 years issued by the four departments of Beijing Municipal Science & Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation, and Beijing Local Taxation Bureau. In accordance with relevant regulations in Enterprise Income Tax Law of the People's Republic of China No.28, the Company's enterprise income tax rate for 2014 was 15%.

Beijing Beinei Engine Parts Co., Ltd. (hereinafter "Beinei Parts"), a subsidiary of BAIC Motor Corporation., Ltd. obtained High-tech Enterprise Certification numbered GF201211000608 on July 9, 2012 with validity of 3 years issued by the four departments of Beijing Municipal Science & Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation, and Beijing Local Taxation Bureau. In accordance with relevant regulations in Enterprise Income Tax Law of the People's Republic of China No.28, the Company's enterprise income tax rate for 2014 was 15%.

Beijing Automotive Powertrain Co., Ltd. (hereinafter "Powertrain"), a subsidiary of BAIC Motor Corporation., Ltd. obtained High-tech Enterprise Certification numbered GR201311000367 on November 11, 2013 with validity of 3 years issued by the four departments of Beijing Municipal Science & Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation, and Beijing Local Taxation Bureau. In accordance with relevant regulations in Enterprise Income Tax Law of the People's Republic of China No.28, the Company's enterprise income tax rate for 2014 was 15%.

Beijing Foton Motor Co., Ltd. obtained High-tech Enterprise Certification and was recognized as a High-tech Enterprise numbered GR201211000929 on July 9, 2012 with validity of 3 years issued by the four departments of Beijing Municipal Science & Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation, and Beijing Local Taxation Bureau. In accordance with the national relevant preferential tax policy for high-tech enterprises, after been designated as a High-tech Enterprise, the Company's enterprise income tax rate was 15% for three years from 2012.

Shandong Weifang Foton Mould Co., Ltd, a subsidiary of Beijing Foton Motor Co., Ltd. obtained High-tech Enterprise numbered GF201237000228 on November 9, 2012. The Company's enterprise income tax rate was 15% for three years from 2012.

Changsha Foton Vehicle Technology Co., Ltd, a subsidiary of Beijing Foton Motor Co., Ltd. obtained High-tech Enterprise numbered GF201343000124 on November 20, 2013. The Company's enterprise income tax rate was 15% for three years from 2013.

Zhucheng Foton Motors Technology Development Co., Ltd, a subsidiary of Beijing Foton Motor Co., Ltd. obtained High-tech Enterprise numbered GR201437000018 on October 30, 2014. The Company's enterprise income tax rate was 15% for three years from 2014.

In accordance with the relevant regulations in Enterprise Income Tax Law of the People's Republic of China and the Implementation Regulations of the PRC Enterprise Income Tax Law, the research and development expenses of Beijing Foton Motor Co., Ltd, which incurred from developing new technique, new product and new process and was recognized in current profit or loss before forming into intangible assets, shall be deducted additional 50% of the research and development expenses based on the factual deduction; and would be amortized 150% of the cost of intangible assets if intangible assets has been formed.

Beijing Foton Motor Co., Ltd. enjoys the preferential of enterprise income tax reduction and exemption for the eligible technology transfer in accordance with relevant regulations in Enterprise Income Tax Law of the People's Republic of China and Guo Shui Han [2009] No.212 Notice on Issues Concerning Technology Transfer Income Tax Deducting and Exempting Enterprise Income Tax.

Beijing Beinei Equipment Tools Co., Ltd, a subsidiary of Beijing Automotive Assets Operation and Management Co., Ltd. was approved as a High-tech Enterprise number GR201211000379 on May 24, 2012 with validity of 3 years. Beijing Beinei Equipment Tools Co., Ltd. enjoys a preferential policy of High-tech income tax with income tax rate of 15% from January 1, 2012.

Beijing Beinei Diesel Engine Co., Ltd., a subsidiary of Beijing Automotive Assets Operation and Management Co., Ltd. was approved as a High-tech Enterprise numbered JR201211000922 on July 9, 2012 with validity of 3 years. Beijing Beinei Diesel Engine Co., Ltd. enjoys a preferential policy of High-tech income tax with income tax rate of 15% from January 1, 2012.

Beijing Automobile Industry Advanced Technical School is a fully-funded public institution and thereby was exempted from enterprise income tax; Beijing Fengtai District Xinghua Training School enjoys an enterprise income tax rate of 25%, but since the Company was categorized as Small & Low-profit company, the enterprise income tax applied was 20%.

Beijing Automobile Works Co., Ltd. enjoys value-added tax reimbursement for manufacturing and selling military products that meet the regulations of Cai Shui Zi [1994] No.011 and Guo Shui Fa [2003] No.104.

According to Cai Shui Zi [2011] No.110, the Notice of issuing the Pilot Programme for Replacing Business Tax with VAT, and Cai Shui Zi [2012] No.71, the Notice Concerning Replacing Business Tax with VAT for Some Modern Service Industry in Beijing & Another Seven Provinces & Cities by the Ministry of Finance & State Administration of Taxation, the modern services of the Company which was formerly subjected to business tax payable at the rate of 5% was changed to value-added tax payable at the rate of 6% since September 1, 2012.

Beijing Agricultural Machinery Company, a subsidiary of Beijing Xingdongfang Industry & Commerce Co., Ltd. received the Reply on Agricultural Production Exempted from VAT issued by Beijing Fengtai State Administration of Taxation on March 2, 2006. Beijing Agricultural Machinery Company has been exempted from value-added tax from January 1, 2006. Therefore, the sale revenue of agricultural machinery products of the subsidiary which was accounted separately shall be exempted from valued-added tax.

7. BUSINESS COMBINATION AND FINANCIAL STATEMENT CONSOLIDATION

Number	Names	Registered place	Business nature	Paid-in capital	Shareholding percentage %	Voting right %	Investment amount	Acquisition method
1	Beijing Automotive Research Institute Co., Ltd	Beijing	R&D	11,120,000.00	51	51	567,000.00	1
2	Beijing Electric Vehicle Co., Ltd	Beijing	Manufacturing of new energy cars	2,000,000,000.00	60	60	1,164,963,859.42	1
3	Beijing Automotive Technology Center	Beijing	R&D	10,000,000.00	100	100	10,000,000.00	1
4	BAIC Motor Newspaper Co., Ltd	Beijing	Journalism	2,592,700.00	100	100	2,322,400.00	1
5	Beijing Automobile Industry Advanced Technical School	Beijing	Training technology talents etc.	615,978,411.86	100	100	-	4
6	Beijing Hainachuan Automotive Parts Co., Ltd	Beijing	Auto parts	2,468,084,979.15	60	60	1,480,850,980.15	1
7	Beijing Automotive Assets Operation and Management Co., Ltd	Beijing	Assets management	130,000,000.00	100	100	601,369,267.60	1
8	BAIC ROCAR Automobile Trading Co., Ltd	Beijing	Automobile service & trade	767,499,145.12	100	100	757,499,145.12	1
9	Beijing Automobile Industry Imp & Exp Corp	Beijing	Automobile service & trade	50,000,000.00	100	100	50,000,000.00	1
10	Beijing Foton Motor Co., Ltd	Beijing	Auto manufacturing	2,809,671,600.00	27.07	27.07	2,605,996,351.52	4
11	Beijing Xingdongfang Industry & Commerce Co., Ltd	Beijing	Agricultural machinery manufacturing	151,637,625.97	100	100	336,422,937.68	1
12	Beijing Gear Works Co., Ltd	Beijing	Auto parts	130,000,000.00	100	100	130,000,000.00	1
13	BAIC Motor Corporation, Ltd	Beijing	Manufacturing and sales of automobiles	7,508,018,182.00	44.93	44.93	12,161,801,592.29	
14	Beijing Beiqi Hengsheng Real Estate Co., Ltd	Beijing	Real estate development, property management	458,000,000.00	100	100	488,000,000.00	1
15	BAIC International Development Co., Ltd	Beijing	Trading & Industry Import & Export	324,000,000.00	100	100	608,266,500.00	1
16	BAIC ROCAR Automobile Service & Trade Co., Ltd	Beijing	Automobile service & trade	1,000,000,000.00	60	60	503,600,200.00	1
17	BAIC Education Investment Co., Ltd	Beijing	Project investment and investment management etc.	20,000,000.00	100	100	20,000,000.00	1
18	Beiqi Yunnan Ruili Automobile Co., Ltd	Yunnan	Entire vehicle manufacturing	50,500,000.00	70.3	70.3	73,511,700.00	1
19	Jingxi Changhe Automobile Co., Ltd	Jiangxi	Entire vehicle production	2,133,655,668.48	70	70	1,400,558,864.74	3
20	BAIC Group Finance Co., Ltd	Beijing	Operation of local and foreign currency business	1,500,000,000.00	56	56	840,000,000.00	1
21	Beijing General Aviation Co., Ltd	Beijing	Sales of general equipment, special equipment and transportation	90,000,000.00	90	90	510,000,000.00	1

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			equipment					
			Project investment,					
			assets					
			management,					
			investment					
22	BAIC Group Industry Investment Co., Ltd	Beijing	management,	200,000,000.00	100	100	429,916,250.00	1
			investment					
			consultation,					
			business					
			management					
			Manufacturing and					
23	Beijing Transportation Bus Manufacturing Factory	Beijing	sales coach of	2,131,000.00	100	100	651,080.10	1
			Jingtong brand					
			Manufacturing and					
24	Beijing Automobile Works Co., Ltd	Beijing	sales of	217,000,000.00	51	51	80,342,585.93	3
			automobiles					
25	BAIC (Zhenjiang) Automotive Co., Ltd	Beijing	Entire vehicle	60,000,000.00	85	85	425,000,000.00	1
			manufacturing					
26	Beijing Beiqi Off-road Vehicle Co. Ltd	Beijing	Sales of	1,000,000,000.00	100	100	1,000,000,000.00	2
			automobiles					

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8. DETAILED INFORMATION TO THE SIGNIFICANT ITEMS OF THE FINANCIAL STATEMENTS

1. Cash

Items	Closing balance			Beginning balance		
	Foreign currency	Exchange rate	Translated into RMB	Foreign currency	Exchange rate	Translated into RMB
Cash			9,143,575.90			8,106,387.13
Cash in bank			29,567,497,607.46			31,638,999,179.17
Other monetary funds			6,013,177,513.61			3,641,311,004.07
Total			35,589,818,696.97			35,288,416,570.37

2. Financial assets at fair value through profit or loss

Items	Closing fair value	Beginning fair value
1. Trading financial assets		
(1) Trading bond investment	32,900,000.00	780,006,930.97
(2) Trading equity instrument investment	988,944,138.93	101,964,175.12
Total	1,021,844,138.93	881,971,106.09

3. Notes receivable

Items	Closing balance	Beginning balance
Bank acceptance bills	3,824,950,423.45	4,700,010,998.46
Trade acceptance bills	790,438,849.00	362,693,279.00
Total	4,615,389,272.45	5,062,704,277.46

4. Accounts receivable

Categories	Closing amount				Net balance
	Book balance	%	Bad debts provision	%	
Accounts receivable that are individually significant and provision for bad debts was made individually	623,213,260.45	3.76	115,300,937.37	18.50	507,912,323.08
Accounts receivable that provision for bad debts was made based on groups	15,876,787,343.60	95.70	375,426,865.57	2.36	15,501,360,478.03
Inc: Aging combination	11,469,440,179.73	69.13	375,426,865.57	3.27	11,094,013,314.16
Joint-venture brands business	4,407,347,163.87	26.57	-	-	4,407,347,163.87
No provision (Related parties)	-	-	-	-	-
Accounts receivable that are not individually significant but against which bad debts is provided on an individual basis	90,494,239.05	0.55	32,075,098.63	35.44	58,419,140.42
Total	16,590,494,843.10	100.00	522,802,901.57		16,067,691,941.53

Accounts receivable (Continued)

Categories	Beginning amount				Net balance
	Book balance	%	Bad debts provision	%	
Accounts receivable that are individually significant and provision for bad debts was made individually	132,018,670.92	1.37	113,576,912.53	86.03	18,441,758.39
Accounts receivable that provision for bad debts was made based on groups	9,442,474,717.56	97.76	345,489,407.42	3.66	9,096,985,310.14
Inc: Aging combination	7,673,460,160.68	79.44	345,489,407.42	4.50	7,327,970,753.26
Joint-venture brands business	1,769,014,556.88	18.31	-	-	1,769,014,556.88
Accounts receivable that are not individually significant but against which bad debts is provided on an individual basis	84,766,896.97	0.88	37,872,468.03	44.68	46,894,428.94
Total	9,659,260,285.45	100.00	496,938,787.98		9,162,321,497.47

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5. Advance to suppliers

Aging	Closing amount			Beginning amount		
	Book balance	%	Bad debts provision	Book balance	%	Bad debts provision
Within 1 year (Including 1 year)	3,213,996,423.95	93.08	8,902,051.81	2,203,556,376.96	93.69	3,406,235.88
1-2 years	172,882,459.33	5.01	28,564.99	85,484,125.47	3.63	1,169,371.32
2-3 years	23,451,146.59	0.68	60,472.19	26,433,482.53	1.12	776,364.82
Over 3 years	42,661,822.02	1.24	21,632,843.73	36,413,703.30	1.55	23,082,840.75
Total	3,452,991,851.89	100.00	30,623,932.72	2,351,887,688.26	100.00	28,434,812.77

6. Other receivables

Categories	Closing amount				
	Book balance	%	Bad debts provision	%	Net balance
Accounts receivable that are individually significant and provision for bad debts was made individually	1,043,289,891.62	14.01	214,030,266.94	20.51	829,259,624.68
Accounts receivable that provision for bad debts was made based on groups	6,374,527,028.49	85.59	167,294,913.68	2.62	6,207,232,114.81
Inc: Aging combination	6,198,722,713.60	83.23	166,879,168.82	2.69	6,031,843,544.78
Joint-venture brands business	175,804,314.89	2.36	415,744.86	0.24	175,388,570.03
Accounts receivable that are not individually significant but against which bad debts is provided on an individual basis	30,200,947.67	0.41	3,996,426.13	13.23	26,204,521.54
Total	7,448,017,867.78	100.00	385,321,606.75		7,062,696,261.03

Other receivables (Continued)

Categories	Beginning amount				
	Book balance	%	Bad debts provision	%	Net balance
Accounts receivable that are individually significant and provision for bad debts was made individually	539,341,229.98	7.36	141,836,108.80	26.30	397,505,121.18
Accounts receivable that provision for bad debts was made based on groups	6,772,510,502.04	90.93	229,987,519.34	3.40	6,542,522,982.70
Inc: Aging combination	6,503,944,925.52	87.32	229,987,519.34	3.54	6,273,957,406.18
Joint-venture brands business	268,565,576.52	3.61	-	-	268,565,576.52
Accounts receivable that are not individually significant but against which bad debts is provided on an individual basis	15,224,719.67	0.20	3,070,998.72	20.17	12,153,720.95
Total	7,327,076,451.69	100.00	374,894,626.86		6,952,181,824.83

7. Inventories

Items	Closing amount			Beginning amount		
	Book balance	Impairment provisions	balance	Book balance	Impairment provisions	balance
Raw materials	6,384,946,454.86	184,158,739.79	6,200,787,715.07	4,411,654,503.74	97,790,254.84	4,313,864,248.90
Goods in process	1,312,361,976.41	4,622,286.73	1,307,739,689.68	905,382,187.89	10,023,279.08	895,358,908.81
Finished goods	10,841,830,169.59	599,720,825.51	10,242,109,344.08	10,181,532,045.75	507,074,622.42	9,674,457,423.33
Revolving materials	17,834,551.31	603,383.04	17,231,168.27	21,769,756.94	603,383.04	21,166,373.90
Engineering construction	-	-	-	18,152,526.37	-	18,152,526.37
consigned processing materials	9,665,997.10	-	9,665,997.10	28,021,522.44	-	28,021,522.44

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Goods in transit	242,960,961.67	11,297,051.14	231,663,910.53	266,343,356.20	11,297,051.14	255,046,305.06
Others	209,672,968.61	12,460,417.26	197,212,551.35	2,788,975,891.88	12,631,499.02	2,776,344,392.86
Total	19,019,273,079.55	812,862,703.47	18,206,410,376.08	18,621,831,791.21	639,420,089.54	17,982,411,701.67

Provision for decline in value of inventories

Items	Current year decrease				
	Beginning amount	Provision	Reverse	Written-off	Closing amount
Raw materials	97,790,254.84	102,593,743.22	-	16,225,258.27	184,158,739.79
Goods in process	10,023,279.08	-	-	5,400,992.35	4,622,286.73
Finished goods	507,074,622.42	241,822,470.96	-	149,176,267.86	599,720,825.51
Revolving materials	603,383.04	-	-	-	603,383.04
Goods in transit	11,297,051.14	-	-	-	11,297,051.14
Others	12,631,499.02	-	-	171,081.76	12,460,417.26
Total	639,420,089.54	344,416,214.18	-	170,973,600.24	812,862,703.47

8. Other current assets

Items	Closing balance	Beginning balance
Bank financial products	210,511,540.11	47,990,889.77
Prepaid income tax	2,159,482.12	400,844.94
Deductible input Value-added tax	3,317,695,897.54	2,162,324,868.67
Prepaid consumption tax	-	-
Prepaid other taxes	8,091,296.62	458,310,121.97
Prepaid expense	31,418,809.50	1,918,413.34
Others	38,176,546.90	509,607.22
Total	3,608,053,572.79	2,671,454,745.91

9. Available-for-sale financial assets

Items	Closing balance	Beginning balance
Available-for-sale equity instruments	1,352,701,185.53	537,393,024.41
Others	1,400,000,000.00	1,400,000,000.00
Total	2,752,701,185.53	1,937,393,024.41

10. Long-term receivables

Items	Closing balance	Beginning balance
Financial leasing	4,264,220,952.93	2,559,353,341.64
Services provided by installment receivables	990,197,878.09	705,103,500.44
Subtotal	5,254,418,831.02	3,264,456,842.08
Less: Bad debts provision	299,293,226.69	235,926,115.53
Less: Long-term receivables due within one year	1,037,009,226.86	1,349,769,747.70
Total	3,918,116,377.47	1,678,760,978.85

11. Long-term equity investments

(1) Breakdown of long-term equity investment

Items	Beginning balance	Current year increase	Current year decrease	Closing balance
Investments in joint ventures	15,152,959,162.16	547,029,412.24	3,255,711,631.27	12,444,276,943.13
Investments in associated enterprises	3,650,070,553.86	830,747,071.34	364,455,870.91	4,116,361,754.29

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Investments in other enterprises	119,083,186.53	50,001,000.00	-	169,084,186.53
Subtotal	18,922,112,902.55	1,427,777,483.58	3,620,167,502.18	16,729,722,883.95
Less: Provision for long-term investment impairment	240,061,481.94	13,326,972.24	-	253,388,454.18
Total	18,682,051,420.61	1,414,450,511.34	3,620,167,502.18	16,476,334,429.77

(2) Detailed information of long-term equity investment

Investees	Calculation method	Share holding % in investor	Investment cost	Beginning balance	Closing balance	Closing provision for impairment
Joint ventures				15,152,959,162.16	12,444,276,943.13	-
Beijing Hyundai MOBIS Auto Parts Co., Ltd	Equity method	50.00	693,587,850.00	340,424,482.55	222,788,957.60	-
Beijing Foton Cummins Engine Co., Ltd	Equity method	50.00	844,000,000.00	1,060,386,650.36	1,209,252,969.06	-
Beijing Foton Daimler Automotive Co., Ltd	Equity method	50.00	2,800,000,000.00	746,688,372.50	897,860,124.10	-
Beijing Hyundai Motor Company	Equity method	50.00	4,060,238,801.92	12,570,737,447.36	9,331,207,542.04	-
Others	Equity method			434,722,209.39	783,167,350.33	
Associated				3,650,070,553.86	4,116,361,754.29	-
Atieva.Inc			605,036,759.38	605,036,759.38	589,853,010.07	-
Visteon Climate Control (Beijing) Co.,	Equity method	20.00	28,894,363.39	183,692,444.05	183,692,444.05	-
Beijing Johnson Auto Parts Co., Ltd	Equity method	39.00	27,069,288.63	160,660,430.79	160,660,430.79	-
Asimoo Tianwei Fuel Injection Equipment Stock Co., Ltd (Beijing)	Equity method	35.00	120,302,023.27	185,982,506.40	177,977,631.49	-
Beijing Daelim Wanda Auto Parts Co., Ltd	Equity method	40.00	132,778,656.86	120,296,669.49	163,450,147.40	-
Xiezhong International Holdings Ltd	Equity method	33.00	258,579,116.78	263,896,834.85	365,408,528.70	-
Beijing Beiqi Dashi Automotive Systems, Inc.	Equity method	48.00	27,660,345.60	132,499,704.80	105,045,580.28	-
Beijing Hyundai Auto Finance Co., Ltd	Equity method	33.00	200,000,000.00	681,741,016.17	741,877,612.67	-
Others				1,316,264,187.93	1,628,396,368.84	

12. Investment property

Items	Beginning balance	Purchase or provision	Transferred from self-use real estate or inventories	Disposal	Transfer to self-use	Closing balance
Total original cost	1,759,802,008.35	210,179,230.88	6,004,270.03	-	-	1,975,985,509.26
Houses and Buildings	1,427,338,189.32	112,240,510.88	6,004,270.03	-	-	1,545,582,970.23
Land use rights	332,463,819.03	97,938,720.00	-	-	-	430,402,539.03
Total accumulated depreciation and amortization	250,142,211.93	25,914,896.08	551,287.19	-	-	276,608,395.20
Houses and Buildings	210,702,871.21	21,801,718.60	551,287.19	-	-	233,055,877.00
Land use rights	39,439,340.72	4,113,177.48	-	-	-	43,552,518.20
Total net book value	1,509,659,796.42	184,264,334.80	5,452,982.84	-	-	1,699,377,114.06
Houses and Buildings	1,216,635,318.11	90,438,792.28	5,452,982.84	-	-	1,312,527,093.23
Land use rights	293,024,478.31	93,825,542.52	-	-	-	386,850,020.83

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Total impairment provision	-	-	-	-	-	-
Houses and Buildings	-	-	-	-	-	-
Land use rights	-	-	-	-	-	-
Total book value	1,509,659,796.42	184,264,334.80	5,452,982.84	-	-	1,699,377,114.06
Houses and Buildings	1,216,635,318.11	90,438,792.28	5,452,982.84	-	-	1,312,527,093.23
Land use right	293,024,478.31	93,825,542.52	-	-	-	386,850,020.83

13 Fixed assets

	Beginning balance	Current increase	Current decrease	Closing balance
Total original book value	52,050,103,372.86	8,681,678,503.01	321,505,733.33	60,410,276,142.54
Incl: Land assets	28,854,438.50	8,450,000.00	-	37,304,438.50
Houses and Buildings	20,883,779,684.91	3,701,836,447.28	15,446,692.53	24,570,169,439.66
Machineries	23,658,822,267.74	3,729,791,987.79	230,174,608.86	27,158,439,646.67
Vehicles	1,317,693,353.77	196,948,536.23	47,428,979.56	1,467,212,910.44
Office equipments and Others	6,160,953,627.94	1,059,711,497.80	43,515,418.46	7,177,149,707.28
Total accumulated depreciation	11,243,532,365.12	2,659,994,812.25	149,582,272.68	13,753,944,904.69
Incl: Land assets	-	49,276.02	-	49,276.02
Houses and Buildings	2,087,420,959.67	952,430,312.84	28,878,673.17	3,010,972,599.34
Machineries	6,560,771,949.76	993,030,315.71	82,419,743.35	7,471,382,522.12
Vehicles	423,292,978.19	93,932,676.01	20,243,039.65	496,982,614.55
Office equipments and Others	2,172,046,477.50	620,552,231.67	18,040,816.51	2,774,557,892.66
Total net book value	40,806,571,007.74	-	-	46,656,331,237.85
Incl: Land assets	28,854,438.50	-	-	37,255,162.48
Houses and Buildings	18,801,989,690.97	-	-	21,559,196,840.32
Machineries	17,107,479,318.33	-	-	19,687,057,124.54
Vehicles	894,400,375.58	-	-	970,230,295.89
Office equipments and Others	3,973,847,184.36	-	-	4,402,591,814.62
Total impairment provision	1,465,690,448.47	7,992,894.87	17,045,501.80	1,456,637,841.54
Incl: Land assets	-	-	-	-
Houses and Buildings	54,406,701.92	-	4,141.16	54,402,560.76
Machineries	1,314,400,059.83	7,992,894.87	15,055,526.92	1,307,337,427.78
Vehicles	14,453,147.75	-	1,357,911.63	13,095,236.12
Office equipments and Others	82,430,538.97	-	627,922.09	81,802,616.88
Total book value	39,340,880,559.27	-	-	45,199,693,396.31
Incl: Land assets	28,854,438.50	-	-	37,255,162.48
Houses and Buildings	18,741,952,023.32	-	-	21,504,894,993.00
Machineries	15,783,650,258.15	-	-	18,379,618,983.31
Vehicles	879,947,227.83	-	-	957,135,059.77
Office equipments and Others	3,906,476,611.47	-	-	4,320,789,197.74

14. Construction in progress

Items	Beginning balance	Current increase	Transferred into fixed assets	Other decrease	Closing balance	Provision for impairment
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Miyun multi-functiona	918,816,753.19	319,736,648.29	3,632,836.75	-	1,234,920,564.73	-
Weifang multi-functional vehicle plant construction project	372,581,969.71	4,411,854.79	144,263,733.23	-	232,730,091.27	-
Huairou heavy machinery project	29,958,342.81	9,362,763.30	-	-	39,321,106.11	-
Technology upgrading project for off-road vehicle	395,115,104.38	341,217,774.29	132,209,841.45	-	604,123,037.22	-
MRA project --JV	600,562,234.97	73,415,669.48	433,278,138.79	-	240,699,765.66	-
MRA project --JV	4,881,374,131.42	543,332,623.56	1,549,371,164.35	-	3,875,335,590.63	-
NGCC project--JV	2,323,165,032.68	469,393,175.05	2,624,510,941.48	-	168,047,266.25	-
WEIGL	440,072,924.84	12,079,959.85	-	-	452,152,884.69	-
Powertrain R&D facilities	254,308,390.85	154,442,697.37	49,425,324.14	-	359,325,764.08	-
Others	9,149,359,707.86	3,917,587,446.37	3,529,463,313.76	-	9,537,483,840.47	-
Total	19,365,314,592.71	5,844,980,612.35	8,466,155,293.95	-	16,744,139,911.11	-

15. Intangible assets

Items	Beginning balance	Increase	Decrease	Closing balance
1.Cost	15,880,361,931.96	662,561,685.92	34,840,261.49	16,508,083,356.39
Land-use rights	10,024,080,737.25	379,073,767.09	304,985,352.18	10,098,169,152.16
R&D project	1,764,312,162.09	101,678,546.97	16,513,093.47	1,849,477,615.59
Software	898,205,176.39	174,598,937.23	13,314,936.22	1,059,489,177.40
Intellectual property	328,332,342.73	-	624,390.62	327,707,952.11
Non-patented technology	1,562,102,941.26	5,586,099.64	1,700,000.00	1,565,989,040.90
Customer relationship	275,857,200.00	-	-	275,857,200.00
Saab Intellectual Property	973,283,923.11	-	-	973,283,923.11
Others	54,187,449.13	1,624,334.99	-	55,811,784.12
2.Accumulated amortization	2,411,841,653.68	562,101,928.91	13,271,658.95	2,960,671,923.64
Land-use rights	539,476,521.97	102,763,188.78	5,198,766.44	637,040,944.31
R&D project	710,887,324.84	156,787,345.69	432,301.51	867,242,369.02
Software	380,360,786.41	93,729,597.57	6,337,257.57	467,753,126.41
Intellectual property	112,092,665.59	11,299,203.33	-	123,391,868.92
Non-patented technology	499,221,247.76	143,400,005.71	1,303,333.43	641,317,920.04
Customer relationship	47,125,605.00	-	-	47,125,605.00
Saab Intellectual Property	116,429,277.54	46,590,458.82	-	163,019,736.36
Others	6,248,224.57	7,532,129.01	-	13,780,353.58
3.Book value before impairment	13,468,520,278.28	-	-	13,547,411,432.75
Land-use rights	9,484,604,215.28	-	-	9,461,128,207.85
R&D project	1,053,424,837.25	-	-	982,235,246.57
Software	517,844,389.98	-	-	591,736,050.99
Intellectual property	216,239,677.14	-	-	204,316,083.19
Non-patented technology	1,062,881,693.50	-	-	924,671,120.86
Customer relationship	228,731,595.00	-	-	228,731,595.00
Saab Intellectual Property	856,854,645.57	-	-	810,264,186.75

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Others	47,939,224.56	-	-	42,031,430.54
4.Impairment	-	-	-	-
Land-use rights	-	-	-	-
R&D project	-	-	-	-
Software	-	-	-	-
Intellectual property	-	-	-	-
Non-patented technology	-	-	-	-
Customer relationship	-	-	-	-
Saab Intellectual Property	-	-	-	-
Others	-	-	-	-
5.Net book value	13,468,520,278.28	-	-	13,547,411,432.75
Land-use rights	9,484,604,215.28	-	-	9,461,128,207.85
R&D project	1,053,424,837.25	-	-	982,235,246.57
Software	517,844,389.98	-	-	591,736,050.99
Intellectual property	216,239,677.14	-	-	204,316,083.19
Non-patented technology	1,062,881,693.50	-	-	924,671,120.86
Customer relationship	228,731,595.00	-	-	228,731,595.00
Saab Intellectual Property	856,854,645.57	-	-	810,264,186.75
Others	47,939,224.56	-	-	42,031,430.54

16. Development expenditure

Items	Beginning balance	Increase	Decrease Expensed in current period	Recognized as intangible assets	Closing balance
Research expenditure	-	377,693,240.33	375,422,910.95	-	2,270,329.38
Development expenditure	9,492,227,548.19	2,268,771,477.36	33,804,238.60	172,586,098.77	11,554,608,688.18
Total	9,492,227,548.19	2,646,464,717.69	409,227,149.55	172,586,098.77	11,556,879,017.56

17. Goodwill

Items	Beginning balance	Increase	Decrease	Closing balance	Provision for impairment
Beijing Automotive Assets Heyuan Co., Ltd	18,503,866.26	-	-	18,503,866.26	-
Beijing Shunyuan Yongkang Assets Management Co., Ltd	5,573,758.33	-	-	5,573,758.33	-
Beijing Century Beiguang Advertising Co., Ltd	32,602,120.51	-	-	32,602,120.51	-
Beijing Penglong Liheng Renewable Resources Co., Ltd	56,232.38	-	-	56,232.38	-
Inalfa Roof Systems Co., Ltd	748,038,596.92	-	64,764,197.84	683,274,399.08	-
Beijing Penghao Jiye Technology Development Co., Ltd	1,814,174.54	-	-	1,814,174.54	-
Beijing Benz Automotive Co., Ltd	807,504,934.62	-	-	807,504,934.62	-
Beijing Foton Motor Co., Ltd	192,946,654.37	-	-	192,946,654.37	-
Jiangxi Changhe Automobile Co., Ltd	61,005,669.64	-	-	61,005,669.64	-
Others	-	13,025,156.00	-	13,025,156.00	-
Total	1,868,046,007.57	13,025,156.00	64,764,197.84	1,816,306,965.73	-

18. Long-term prepaid expense

Items	Beginning balance	Increase	Decrease	Other decrease	Closing balance
Improvement of leased fixed assets(decoration)	190,198,380.83	37,493,760.00	28,535,848.88	14,848.57	199,141,443.38
Rental expense(land using fee)	15,798,280.51	3,757,051.30	7,479,873.35	-	12,075,458.46
Others	574,265,128.21	71,548,806.42	17,768,198.51	109,880,311.31	518,165,424.81
Total	780,261,789.55	112,799,617.72	53,783,920.74	109,895,159.88	729,382,326.65

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19. Deferred income tax assets and liabilities

Items	Current period movement	Prior period movement
Deferred income tax assets		
Provision for impairment of assets	277,072,917.75	273,683,828.57
Accrued expenses	3,016,208,495.30	2,640,264,452.62
Contingent liabilities	8,264,126.60	-
Unutilized tax losses	176,651,640.11	182,607,378.60
Unrealized internal profit	326,490,461.58	297,789,561.18
Deductable tax adjustment of advance from customers	214,999,854.50	84,842,250.00
Undeclared disposal of assets	31,128,271.70	31,128,271.70
Others	188,711,857.47	177,788,538.93
Total	4,239,527,625.02	3,688,104,281.60
Deferred income tax liabilities		
Fair value adjustment on fixed assets	814,522,548.72	832,610,568.42
Interests in associates under equity method	121,497,902.07	21,871,170.73
Change in fair value of available for sales investment	1,759,030.58	35,396,109.38
Capitalized development expenditure(deductable when it occurs)	45,268,762.97	45,268,762.97
Unrealized internal profit	24,939,690.39	-
Others	45,099,018.90	133,293,115.89
Total	1,053,086,953.63	1,068,439,727.39

20. Other non-current assets

Items	Beginning balance	Increase	Decrease	Closing balance
Prepayment of large equipment	131,933,340.39	-	104,226,322.63	27,707,017.76
Prepayment of project	221,852,196.97	351,008,839.24	160,193,548.56	412,667,487.65
Prepayment of purchased house	202,978,600.00	-	-	202,978,600.00
Prepaid Decoration	-	-	-	-
Prepayment of land-use right	97,244,411.32	-	40,000,000.00	57,244,411.32
Total	654,008,548.68	351,008,839.24	304,419,871.19	700,597,516.73

21. Short-term borrowing

Items	Closing balance	Beginning balance
Pledged loan	961,542,528.02	1,412,045,272.65
Mortgaged loan	384,000,000.00	437,605,642.06
Guaranteed loan	2,971,379,085.01	1,942,141,642.45
Credit loan	9,747,981,650.85	12,196,619,422.53
Total	14,064,903,263.88	15,988,411,979.69

22. Notes payable

Items	Closing balance	Beginning balance
Commercial acceptance bills	2,746,298,331.14	248,522,583.30
Bank acceptance bills	7,561,399,162.85	6,489,377,575.27
Total	10,307,697,493.99	6,737,900,158.57

23. Accounts payable

Aging	Closing balance		Beginning balance	
	Closing balance	%	Beginning balance	%
Within 1 year	28,663,134,779.66	94.56	24,622,281,942.03	97.24
1-2 years	1,415,280,055.59	4.67	300,387,435.81	1.19

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2-3 years	123,407,182.44	0.41	261,274,925.84	1.03
Over 3 years	111,226,152.65	0.37	136,793,465.60	0.54
Total	30,313,048,170.34	100.00	25,320,737,769.28	100.00

24. Advance from customers

Aging	Closing balance		Beginning balance	
	Closing balance	%	Beginning balance	%
Within 1 year	6,987,611,595.34	96.31	6,741,377,437.17	95.80
1-2 years	158,945,469.83	2.19	191,482,388.23	2.72
2-3 years	42,618,998.47	0.59	58,860,295.79	0.84
Over 3 years	66,476,659.53	0.92	45,302,913.39	0.64
Total	7,255,652,723.17	100.00	7,037,023,034.58	100.00

25. Employee benefits payable

Items	Closing balance	Beginning balance
Wages, bonuses, allowances and subsidies	614,609,212.02	1,074,501,272.70
Welfare	23,479,900.32	2,690,545.47
Including: Non-monetary benefits	4,020.00	298,720.00
Social insurance	107,922,184.17	125,830,727.79
Incl: Basic medical insurance premium	17,196,027.88	22,457,818.89
Supplementary medical insurance	8,069,947.51	8,248,253.07
Basic endowment insurance	35,377,083.76	36,606,362.54
Annuity payment (Supplementary endowment insurance)	42,093,251.27	52,557,075.73
Unemployment insurance	1,548,451.49	2,433,909.02
Work injury insurance	2,125,953.61	2,070,950.21
Maternity insurance	1,511,468.65	1,456,358.33
Housing accumulation fund	8,140,105.92	14,216,541.44
Labor union expenditure and employee education expenses	146,043,655.28	125,851,795.42
The dismissal and early retirement compensation	11,523,484.85	19,012,622.67
Incl: Compensations for the cancellation of the labor relationship	10,863,106.89	18,298,709.11
Expected early retirement expenditure	660,377.96	713,913.56
Others	97,400,650.32	2,029,460.23
Include: Dividend paid by cash	-	-
Total	1,009,119,192.88	1,364,132,965.72

26. Tax payable

Items	Closing balance	Beginning balance
Value-added tax	5,995,635.39	22,939,659.31
Consumption tax	279,971,205.24	39,964,326.37
Business tax	7,166,740.11	129,337,891.89
Enterprise income tax	740,840,675.56	177,196,632.32
Urban maintenance and construction tax	47,711,974.92	28,932,038.92
Property tax	24,612,587.43	22,664,338.55
Land use tax	11,835,548.57	7,642,436.81
Individual income tax	31,450,808.05	73,509,240.76
Education surcharge	41,476,706.32	21,441,173.14
Other taxes	23,119,376.20	27,850,431.55
Total	1,214,181,257.79	551,478,169.62

27. Interest payable

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Items	Closing balance	Beginning balance
Bank loan	127,676,887.50	71,393,356.70
Corporate bond	542,308,086.81	391,814,472.14
Loan between enterprises	26,759,508.56	5,606,180.65
Savings absorption	-31,509,077.53	13,961,513.22
Total	665,235,405.34	482,775,522.71

28. Other payables

Aging	Closing balance		Beginning balance	
	Closing balance	%	Beginning balance	%
Within 1 year	17,373,325,744.71	68.44	16,109,626,420.12	65.22
1-2 years	5,319,050,245.15	20.95	4,871,319,653.69	19.72
2-3 years	1,430,505,602.23	5.64	1,814,431,590.67	7.35
Over 3 years	1,263,133,511.74	4.98	1,904,164,620.83	7.71
Total	25,386,015,103.83	100.00	24,699,542,285.31	100.00

29. Non-current liabilities - due within one year

Items	Closing balance	Beginning balance
Long-term borrowing due within one year	1,516,098,153.43	3,615,807,514.15
Bonds payable due within one year	7,883,387,499.41	2,496,004,664.88
Long-term payables due within one year	147,482,050.25	220,930,903.50
Other long-term liabilities due within one year	616,920,076.57	908,842,925.17
Total	10,163,887,779.66	7,241,586,007.70

30. Long-term borrowing

Items	Closing balance	Beginning balance
Credit loan	6,594,080,262.61	13,338,244,780.64
Guaranteed loan	5,416,206,200.00	4,071,615,000.00
Mortgage loan	1,411,365,666.72	926,499,289.04
Pledged loan	678,457,908.62	740,553,117.11
Subtotal	14,100,110,037.95	19,076,912,186.79
Less: Long-term loans due within one year	386,356,353.43	3,615,807,514.15
Total	13,713,753,684.52	15,461,104,672.64

31. Long-term payables

Items	Closing balance	Beginning balance
Finance lease payables	684,373,643.43	933,153,492.66
Localization fund	31,800,000.00	31,800,000.00
Others	251,320,489.88	140,727,264.81
Subtotal	967,494,133.31	1,105,680,757.47
Less: long-term payables due within one year	147,482,050.25	220,930,903.50
Total	820,012,083.06	884,749,853.97

32. Bonds payable

Items	Issue Date	Duration	Par Value	Beginning balance	Closing balance
2011-first medium-term notes of Beijing Automotive Group Co., Ltd	2011/1/26	5 years	400,000,000.00	397,633,692.80	
2011-second medium-term notes of Beijing Automotive Group Co., Ltd	2011/4/27	5 years	400,000,000.00	397,611,426.12	
2012-first medium-term notes of Beijing Automotive Group Co., Ltd	2012/10/18	7 years	1,500,000,000.00	1,486,478,441.12	1,486,478,441.12
2012-second medium-term notes of Beijing Automotive Group Co., Ltd	2012/11/15	7 years	1,000,000,000.00	989,669,759.96	986,332,583.20
2012 corporation bonds of Beijing Automotive Group Co., Ltd	2012/7/25	7 years	1,600,000,000.00	1,591,465,911.33	1,591,465,911.33

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2012-first non-public debt of Beijing Automotive Group Co., Ltd	2012/12/17	3 years	1,000,000,000.00	998,988,818.40	
2012-second non-public debt of Beijing Automotive Group Co., Ltd	2013/4/12	3 years	1,000,000,000.00	996,119,304.86	
2013-first non-public debt of Beijing Automotive Group Co., Ltd	2013/12/8	3 years	10,000,000.00	9,945,242.55	9,945,242.55
2014-first medium-term notes of Beijing Automotive Group Co., Ltd	2014/9/11	7 years	800,000,000.00	791,907,942.14	800,000,000.00
McQueen Investment Co., Ltd guaranteed notes	2014/6/6	3 years	1,500,000,000.00	1,493,463,962.17	1,494,757,360.74
2010 corporation bonds of Beijing Automotive Investment Co., Ltd	2010/1/29	7 years	1,500,000,000.00	1,496,977,535.19	1,433,162,941.08
2013-first non-public debt of Beijing Automobile Co.,Ltd	2013/4/12	3 years	1,500,000,000.00	1,498,524,070.35	
2014-first bonds of Beijing Automobile Co.,Ltd	2014/8/12	3 years	1,000,000,000.00	999,000,000.00	999,000,000.00
2014-first medium-term notes of Beijing Automobile Co.,Ltd	2014/9/10	7 years	400,000,000.00	399,400,000.00	399,400,000.00
2014-second medium-term notes of Beijing Automobile Co.,Ltd	2014/9/22	7 years	300,000,000.00	299,550,000.00	299,550,000.00
2014-third medium-term notes of Beijing Automobile Co.,Ltd	2014/9/22	7 years	300,000,000.00	299,550,000.00	299,550,000.00
2014-first non-public debt of Beijing Benz Automobile Co.,Ltd	2014/12/11	3 years	600,000,000.00	600,000,000.00	600,000,000.00
2015-first medium-term notes of the Beijing Automobile Co.,Ltd	2015/2/12	5 years	500,000,000.00	-	499,500,000.00
2014 corporation bonds of Beiqi Foton Motor Co., Ltd.	2015/4/3	5 years	1,000,000,000.00	-	996,413,962.27
Total			16,310,000,000.00	14,746,286,106.99	11,895,556,442.29

33. Specific payable

Items	Closing balance	Beginning balance
Custodian fee of redundant personnel in Beinei Group Corporation	260,426,771.74	265,400,855.13
Removal compensation	9,560,850.55	-
Others	2,231,200.02	15,505,744.43
Total	272,218,822.31	280,906,599.56

34. Contingent liabilities

Items	Closing balance	Beginning balance
Product warranty	1,221,089,933.57	924,562,083.28
Estimated liabilities resulting from excessive loss	-	105,000,000.00
Others	127,982,551.52	47,822,506.92
Total	1,349,072,485.09	1,077,384,590.20

35. Deferred income

Items	Closing balance	Beginning balance
Government grants related to assets	2,706,749,327.87	2,461,539,211.34
Government grants related to income	254,121,700.11	22,854,001.55
Mold subsidy	73,208,832.94	228,837,131.50
Trade mark using income	-	-
Others	18,683,240.14	20,724,977.04
Total	3,052,763,101.06	2,733,955,321.43

36. Other non-current liabilities

Items	Closing balance	Beginning balance
Payable of acquisition of land-use right	55,010,000.00	78,260,827.22
Payable of projects	98,290,967.23	15,842,859.87
Others	19,470,267.34	
Total	172,771,234.57	94,103,687.09

37. Paid-in capital

Items	Beginning balance	Add	Less	Closing balance
Beijing State-owned Capital Operation and Management	11,732,008,335.00	1,000,000,000.00		12,732,008,335.00

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38. Other equity instruments

Items	Beginning balance	Add	Less	Closing balance
Perpetual bonds	2,000,000,000.00			2,000,000,000.00

39. Capital reserve

Items	Beginning balance	Add	Less	Closing balance
Capital premium	1,433,815,805.97	1,149,693,728.13	-	2,583,509,534.10
Other reserves	1,451,893,978.70	77,839,681.80	1,005,104.46	1,528,728,556.04
Capital reserves transferred into under former system	1,026,490,453.06	-	2,574,828.87	1,023,915,624.19
Total	3,912,200,237.73	1,227,533,409.93	3,579,933.33	5,136,153,714.33

40. Surplus reserve

Items	Beginning balance	Add	Less	Closing balance
Statutory reserve	550,740,387.12	-	-	550,740,387.12

41. Retained earnings

Items	Current period movement	Prior period movement
Beginning balance	7,497,893,019.78	6,322,103,889.33
Increase in the period	818,297,722.27	576,388,736.65
Including: net profit	818,297,722.27	576,388,736.65
Others	-	-
Decrease in the period	-	-
Including: Appropriation of statutory reserve	-	-
Provision for general reserve	-	-
Distribution of cash dividend	-	-
Transferred to paid-in capital	-	-
Other decrease	-	-
Closing balance	8,316,190,742.05	6,898,492,625.98

42. Operating Income and Operating Cost

Items	Current period movement		Prior period movement	
	Income	Cost	Income	Cost
1. Main operations				
Sales of automobile and parts	62,611,433,349.80	51,809,174,888.81	52,944,131,929.24	44,543,122,170.93
Steel sales revenue	1,354,627,793.33	1,289,332,750.73	1,169,541,795.95	1,105,610,604.59
Rendering of service	1,396,765,058.80	1,174,045,866.14	240,731,012.68	217,591,586.95
Facility agriculture	333,733,452.27	271,989,794.42	286,171,627.96	223,212,504.83
Interest income	229,487,600.30	76,356,147.41	213,758,260.73	87,771,850.65
Others	300,352,770.95	246,568,595.39	949,043,266.26	792,127,822.96
Subtotal	66,226,400,025.45	54,867,468,042.90	55,803,377,892.82	46,969,436,540.91
2. Other operations	1,269,552,552.97	699,446,712.25	806,529,342.62	529,422,442.69
Total	67,495,952,578.42	55,566,914,755.15	56,609,907,235.44	47,498,858,983.60

43. Impairment loss on assets

Items	Current period movement	Prior period movement
Allowance for bad debts	104,568,019.09	56,550,033.59
Impairment of inventory	438,604,853.15	251,851,065.76
Impairment of long term equity investment	13,326,972.24	13,326,972.24

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Impairment of investment real estates	-	-
Impairment of fixed assets	7,992,894.87	-
Other impairment	-6,227,774.82	7,443,067.36
Total	558,264,964.53	329,171,138.95

44. Gain or loss from investment

Items	Current period movement	Prior period movement
Gain from long term equity investment under cost method	75,874,702.74	2,510,915.28
Gain or loss from long term equity investment under equity method	2,456,105,037.08	3,251,458,889.42
Gain or loss from disposal of long term investment	-17,005,610.60	-1,714,514.28
Gain or loss from held-for-trade investment	-	119,426.82
Gain or loss from available-for-sales investment	-	-
Gain or loss from held-to-maturity investment	41,993,794.54	-
Gain or loss from disposal of held-for-trade investment	773,128.15	-353,984.92
Gain or loss from disposal of held-to-maturity investment	-	-
Gain or loss from disposal of available-for-sales investment	-	-
Others	2,801,092.29	38,217.93
Total	2,560,542,144.20	3,252,058,950.25

45. Non-operating income

Items	Current period movement	Prior period movement
Gain from disposal of non-current assets	76,502,634.57	95,389,554.81
Including: gain from disposal of fixed assets	58,204,333.50	27,131,874.97
Including: gain from disposal of intangible assets	18,298,301.07	68,257,679.84
Gain from debt restructuring	27,825,228.57	-
Government grants	851,890,873.06	306,707,860.39
Gain from surplus in stocktaking	13,785.19	32,199.98
Compensation due to default	3,523,832.08	3,360,260.02
Tax refund	62,494.51	-
Payables unable to be paid	1,060,739.11	450,000.00
Property removal compensation	553,502,933.89	3,335,000.69
Others	70,650,704.63	58,925,101.02
Total	1,585,033,225.61	468,199,976.91

46. Non-operating expense

Items	Current period movement	Prior period movement
Loss on disposal of non-current assets	7,721,575.58	10,432,580.74
Including: loss on disposal of fixed assets	7,699,430.83	10,432,534.24
Including: loss on disposal of intangible assets	22,144.75	46.50
Loss on debt restructuring	-	-
Loss on non-monetary exchange	-	-
Donation	20,958,338.70	17,493,004.74
Penalty	5,747,666.76	3,206,367.65
Expenditure of property removal	147.73	3,000.00
Abnormal losses	200,000.00	328,594.46
Loss on deficit in stocktaking	1,000.00	2,333,302.08
Others	23,503,225.27	5,325,118.97
Total	58,131,954.04	39,121,968.64

47. Income tax expense

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Items	Current period movement	Prior period movement
Current income tax expense subjects to tax regulation	1,514,738,428.20	268,081,296.24
Deferred income tax	-568,467,438.62	192,527,406.40
Others	-	-
Total	946,270,989.58	460,608,702.64

48、Other comprehensive income

Items	Opening balance	Increase of current year	Decrease of current year	Closing balance
Adjustment of other comprehensive income				
Shares of other consolidated revenue reclassified into profit or loss under the equity	9,172,097.13	-	-	9,172,097.13
Gains and losses from changes in fair value of available-for-sale financial assets	2,888,258.33	323,950.99	-	3,212,209.32
Foreign currency financial statements translation differences	-194,971,082.84	-3,032,258.22	-	-198,003,341.06
Others	-	-	-	-
Total	-182,910,727.38	-2,708,307.23	-	-185,619,034.61

49、Consolidated Cash flow statement

1) Cash flow statement (Supplementary Information)

Items	Current period movement	Prior period movement
1. Reconciliation of net profit to cash flows from operating activities		
Net profit	3,294,350,084.19	2,042,782,248.97
Add: Provision for asset impairment	558,264,964.53	329,171,138.95
Depreciation of fixed assets	2,685,909,708.33	1,500,028,040.36
Amortization of intangible assets	562,101,928.91	479,898,727.13
Amortization of long-term prepaid expenses	106,111,006.54	123,929,039.15
Losses on disposal of fixed assets, intangible assets and other long-term assets ('-' for gains)	-68,781,058.99	-84,956,974.07
Fixed assets disposal loss ('-' for gains)	-230,183,881.22	-1,371,991.00
Fair value change loss ('-' for gains)	-230,183,881.22	-1,371,991.00
Financial expenses ('-' for gains)	352,530,870.65	651,411,237.79
Losses arising from investments ('-' for gains)	-2,560,542,144.20	-3,252,058,950.25
Deferred tax income assets decrease ('-' for increase)	-551,423,343.42	-8,142,631.79
Deferred tax income liabilities increase ('-' for decrease)	-15,352,773.76	-125,225,445.86
Decrease in inventories ('-' for increase)	-397,441,288.34	-1,757,335,845.17
Decrease in operating receivables ('-' for increase)	-7,705,965,132.35	-950,760,257.20
Increase in operating payables ('-' for decrease)	5,274,264,179.87	4,901,826,634.25
Others		
Net cash flows from operating activities	1,303,843,120.74	3,849,194,971.26
2. Investing and financing activities that do not involve cash receipts and payments		
Conversion of debt into capital		
Reclassification of convertible bonds expiring within one year as current liability		
Fixed assets acquired under finance leases		
3. Net increase in cash and cash equivalents		
Cash at end of year	28,767,272,062.54	31,149,592,942.49
Less: cash at beginning of year	30,385,581,337.44	23,973,191,820.91
Plus: cash equivalents at end of year		
Less: cash equivalents at beginning of year		
Net increase in cash and cash equivalents	-1,618,309,274.90	7,176,401,121.58

2) Cash and cash equivalents

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Items	Closing balance	Beginning balance
1. Cash	28,767,272,062.54	30,385,581,337.44
Inc: Cash on hand	9,143,575.91	8,098,782.16
Bank deposit readily available for payment	28,758,128,486.63	30,324,524,852.44
Other monetary fund readily available for payment	-	52,957,702.84
2. Cash equivalents	-	-
Bonds investment due within three months	-	-
3. Closing balance of cash and cash equivalents	28,767,272,062.54	30,385,581,337.44

50. Assets ownership subject to restriction

Items	Closing balance	Beginning balance
一、Assets provided as guarantee		
Cash (finance guarantee, deposit for acceptance bills)	6,822,546,634.44	4,293,574,073.03
Notes receivable	1,478,104,540.00	187,188,000.00
Accounts receivable	596,664,255.38	452,240,345.01
Inventories	2,352,823,969.98	1,148,419,718.95
Long-term receivables	806,938,175.10	427,791,038.00
Long-term equity investments	-	-
Fixed assets	855,166,178.69	1,317,435,316.55
Intangible assets (Land-use right)	323,768,442.47	282,252,545.66
Others	156,381,716.40	15,017,947.66
Total	13,392,393,912.46	8,123,918,984.86

9. CONTINGENT EVENTS

1. Contingent liability arising from providing guarantee to other companies and financial impact:

As at 30 June, 2015, external security amount of the Company and subsidiaries was RMB 11,267,870,000 Yuan, Euro 22 million, USD 3.5 million.

Name of guarantees	Guarantees	Amount (in ten thousand)	Period
Within the scope of consolidation of Beijing Automotive Group Co., Ltd			
Beijing Yatai Automobile Chassis System Co., Ltd	Loan guarantee	2,550.00	2015
Beijing Beiqi Mould & Plastic Technology Co., Ltd.	Loan guarantee	9,180.00	2015
Beijing Automotive Group Co., Ltd	Loan guarantee	20,000.00	2015
Beijing Foton International Trade Co., Ltd.	Credit guarantee	200,000.00	2015
BAIC Motor Corporation., Ltd	Loan guarantee	90,000.00	2018
Beijing Automotive Powertrain Co., Ltd	Loan guarantee	20,800.00	2020
Beijing Beinei Engine Parts Co., Ltd	Loan guarantee	6,512.00	2017
BAIC Motor (Guangzhou) Automotive Co., Ltd.	Loan guarantee	147,890.00	2023
Beijing Beinei Diesel Engine Co., Ltd.	Other guarantee	2,500.00	2015
Beijing Automobile Industry Advanced Technical School	Loan guarantee	9,000.00	2020
Beijing Automobile Industry Advanced Technical School	Loan guarantee	2,500.00	2017
Hainachuan Hong Kong Investment Co., Ltd.	Loan guarantee	265,350.00	2016
Beijing Beiqi Hengsheng Real Estate Co., Ltd	Loan guarantee	4,000.00	2017
Beijing Beiqi Hengsheng Real Estate Co., Ltd	Loan guarantee	4,000.00	2017
Beijing Capital Tire Co., Ltd.	Loan guarantee	5,000.00	2015
Beijing Capital Tire Co., Ltd.	Loan guarantee	10,000.00	2015
Beijing Capital Tire Co., Ltd.	Loan guarantee	4,000.00	2015
Beijing Capital Tire Co., Ltd.	Loan guarantee	15,000.00	2015
Jiangxi Changhe Automobile Co., Ltd.	Loan guarantee	150,000.00	2015
Jiangxi Changhe Automobile Co., Ltd.	Loan guarantee	60,000.00	2020

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Jiangxi Changhe Automobile Co., Ltd.	Loan guarantee	40,000.00	2016
Beijing Kingpeng International Hi-Tech Corporation	Credit guarantee	2,500.00	2016
Beijing Kingpeng Runhe Agricultural Science and Technology Co., Ltd.	Credit guarantee	1,000.00	2015
Beijing Kingpeng Global Husbandry Technology Co., Ltd.	Credit guarantee	5,000.00	2015
Beijing Yanshenglong Automobile Trade Co., Ltd.	Credit guarantee	4,000.00	2015
Beijing Yanshenglong Automobile Trade Co., Ltd.	Credit guarantee	5,000.00	2016
Beiqi Pengyuan Car Sales Services Ltd.	Credit guarantee	4,000.00	2016
Beiqi Pengyuan Car Sales Services Ltd.	Credit guarantee	4,000.00	2016
Beijing Penglong Xinghui Auto Sales Services Co., Ltd.	Credit guarantee	10,000.00	2015
Beijing Penglong Xinghui Auto Sales Services Co., Ltd.	Credit guarantee	5,000.00	2016
Beijing Penglong Xinghui Auto Sales Services Co., Ltd.	Credit guarantee	2,000.00	2015
Gansu Penglong Jincheng Auto Sales Services Co., Ltd.	Credit guarantee	2,200.00	2015
Yantai Penglong Weidong Auto Sales & Service Co., Ltd.	Credit guarantee	1,530.00	2015
Zhejiang Penglong of Ben Auto Sales Co., Ltd.	Credit guarantee	2,000.00	2015
Yixing Penglong Auto Sales & Service Co., Ltd.	Credit guarantee	5,000.00	2015
Hainachuan Hong Kong Investment Co., Ltd.	Loan guarantee	USD 3,500.00	2016
Beiqi Hong Kong Investment Co., Ltd.	Loan guarantee	EURO 10,000.00	2016
Beiqi Hong Kong Investment Co., Ltd.	Loan guarantee	EURO 12,000.00	2016
Subtotal (RMB in ten thousands)		1,121,512.00	
(EURO in ten thousands)		22,000.00	
(USD in ten thousands)		3,500.00	
Outside the scope of consolidation of Beijing Automotive Group:			
Beijing Daelim Wanda Auto Parts Co., Ltd.	Loan guarantee	7,025.00	2015
Zhuzhou Shoupeng Huilong Steel Processing and Distribution Co., Ltd.	Loan guarantee	1,000.00	2015
Hunan Guanghua Rongchang Auto Parts Co., Ltd.	Loan guarantee	250.00	2016
Hunan Guanghua Rongchang Auto Parts Co., Ltd.	Loan guarantee	500.00	2016
Subtotal (RMB in ten thousands)		8,775.00	
Subtotal (RMB in ten thousands)		1,130,287.00	
(EURO in ten thousands)		22,000.00	
(USD in ten thousands)		3,500.00	

2、Easy Business Loans

In accordance with the Financial Service Cooperation Agreement signed between Company's subsidiary Beijing Foton Motor Co., Ltd with cooperative banks, cooperative banks granted the Beijing Foton Motor Co., Ltd a certain credit line specifically for bank acceptance bills issued to the Beijing Foton Motor Co., Ltd's dealers who could use the bank acceptance bills to purchase various types of automobiles from the Beijing Foton Motor Co., Ltd. In accordance with the Agreement, after the maturity of the bank acceptance bills, when a dealer was unable to pay for a bill in full, Beijing Foton Motor Co., Ltd would be responsible for buying back the unsold automobiles in stock and transferring the purchase amount to a designated account in a timely manner. As of June 30, 2015, the balance of undue bank acceptance bills issued to the dealers under the Agreement totaled RMB 2,086,790,000 Yuan, including RMB 1,051,220,000 Yuan of Everbright Bank, RMB 289,010,000 Yuan of China Guangfa Bank, RMB 181,280,000 Yuan of Huaxia Bank, RMB 164,370,000 Yuan of Fujian Industrial Bank Co., Ltd., RMB 354,140,000 Yuan of Bank of Communication, RMB 2,880,000 Yuan of Bank of China and RMB 43,890,000 Yuan of China Citic Bank. Until 30 June, 2015, no buyback transaction has occurred over the current period.

3、Bank Mortgage Business

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In accordance with the Cooperation Agreement on Financial Services and relevant subsidiary agreements signed between the Company's subsidiary Beijing Foton Motor Co., Ltd. and the bank, the bank executed mortgage contracts with the Beijing Foton Motor Co., Ltd.'s dealers and customers for purchasing various types of automobiles from the Beijing Foton Motor Co., Ltd. When any of the dealers or customers was unable to repay the loan principal and interest on schedule, and in full, for three consecutive months during the term of the loan, or was still unable to repay the loan principal and interest in full upon maturity, or was unable to complete the mortgage materials and procedures and submit the materials to the bank within 90 days after disbursement of the loan fund, the Beijing Foton Motor Co., Ltd. would be obliged for buyback. As of June 30, 2015, the loan balance under the Agreement amounted to RMB199,420,000 Yuan, including RMB 126,240,000 Yuan of Bank of Communication, RMB 24,830,000 Yuan of Postal Savings Bank of China, RMB 24,540,000 Yuan of Everbright Bank, RMB 3,790,000 Yuan of China Zheshang Bank, RMB 19,990,000 Yuan of China Bohai Bank and RMB10,000 Yuan of China Guangfa Bank. With respect to this service, total overdue principal owed to some banks was RMB2,719,600 Yuan.

4、Financial Lease Service

In accordance with the cooperation agreement and relevant Financial Lease and Leaseback Contracts signed between the Company's subsidiary Beijing Foton Motor Co., Ltd. and any leasing company (as the lessor), the leasing company rendered relevant financial services to the Beijing Foton Motor Co., Ltd.'s dealers or customers (as automobile buyers and lessees, respectively). The dealers or customers resold the automobiles they purchased from the Beijing Foton Motor Co., Ltd. to the leasing company and then leased them back under finance lease arrangements. Based on the contracts, the Beijing Foton Motor Co., Ltd. agreed to pay the guarantee deposit to the lessor as security for the rent unpaid by any lessee in default. The Beijing Foton Motor Co., Ltd. would be obliged to advance the rent unpaid by the lessees in default, along with liquidated damages, the consideration for the transfer of ownership of the leasehold, and other expenses payable by the lessees under the Agreement, and would be entitled to recovering them from the lessees. As of June 30, 2015, the financing balance under the Agreement amounted to RMB 1,514,884,900 Yuan, which were the funds of the CDB Leasing Co., Ltd. With respect to this service, total overdue principal unpaid by some customers was RMB 945,734,600 Yuan.

5、Zhongche Xinrong Business

In accordance with the Financial Lease Contract signed between the Company's subsidiary, Beijing Zhongche Xinrong Automobile Leasing Co., Ltd. (as the lessor) and lessees, the lessees is granted to resell the automobiles that they purchased from the Beijing Foton Motor Co., Ltd. or its dealers to Beijing Zhongche Xinrong Automobile Leasing Co., Ltd. and then leased the automobiles back under finance lease arrangements. As of June 30, 2015, the financing balance provided by Beijing Zhongche Xinrong Automobile Leasing Co., Ltd. to the lessees amounted to RMB 1,984,240,300 Yuan. With respect to this service, total overdue principal unpaid by some customers was RMB 232,416,500 Yuan.

6、Installment Easy Business

In accordance with the Entrust Guarantee Agreement signed between the Company's grandson company Beijing INDUTEE Guarantee Co., Ltd. (as the guarantor) and customers, Beijing INDUTEE Guarantee Co., Ltd. rendered guarantee service for the purchase of automobiles by installments to customers who purchased automobiles of Beijing Foton Daimler Automotive Co., Ltd. through dealers. As of June 30, 2015, the undue balance of the installment easy business amounted to RMB 39,989,700 Yuan. With respect to this service, total overdue principal unpaid by some customers was RMB 11,256,900 Yuan.

7、Commitment

① As at 30 June, 2015, the Company's subsidiary Hainachuan Co., Ltd. commitment of construction in process is as follows:

Items	Contract amount	Amount paid	Amount owed
Contracted but not provided for in the financial information in respect of construction of projects			
Molding plant II	96,607,324.58	96,224,038.58	383,286.00
Lear plant II Phase	66,300,000.00	63,434,555.32	2,865,444.68
Molding plant project	25,500,000.00	24,883,142.18	616,857.82
Mercedes-Benz parts	200,000,000.00	157,492,709.63	42,507,290.37
Zhuzhou I Phase	60,795,160.32	60,778,760.32	16,400.00
Zhuzhou II Phase	189,924,720.46	180,952,038.83	8,972,681.63
Total	639,127,205.36	583,765,244.86	55,361,960.50

② As at 30 June, 2015, other capital-related commitments were as follows:

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A. In accordance with the Base Construction Project of Strategic Cooperation Framework Agreement of Beijing Foton Weifang New Energy Automobile Parts and New Energy Automobiles signed between Weifang People's Government and the Beiqi Foton Motor Co., Ltd, the Beiqi Foton Motor Co., Ltd should return the government subsidy funding under the preferential policies and pay liquidated damages if the total investment of the base construction does not achieved within the specified period; If the Beiqi Foton Motor Co., Ltd cannot achieve the project planned targets (including local tax indicator), the government would adjust the amount of subsidy funding; if the Beiqi Foton Motor Co., Ltd exceeds the planned targets, the exceeding portion would be converted as additional subsidy funding. The project is still under progress.

B. The board of directors resolved Shareholders Return Plan of Beiqi Foton Motor Co., Ltd for coming three years (2015-2017) in November 2014. The plan stated that the cumulative distribution of profit in cash in recent three years should not be less than 30% of the average of annual distributable profits in recent three years. Except for special circumstances, when annual profit and accumulated undistributed profits are positive, the Beiqi Foton Motor Co., Ltd should declare cash dividend for distribution and the amount of distribution should not be less than 15% of the audited annual net profit.

C. the Beiqi Foton Motor Co., Ltd signed relocation and compensation agreement with Foshan Nanhai People's Government in current period. The agreement stated that the Beiqi Foton Motor Co., Ltd should finish the relocation of Foton Nanhai Automobile Factory before 31 Dec 2015 because of the government planning on construction of financial high-tech zone. Foshan Nanhai People's Government should pay RMB 141,386,159.92 Yuan for equipment relocation costs and compensation of workers' wages. The relocation has not been finished yet.

8、As of 30 June, 2015, The capital commitments of Beijing Automotive Co., Ltd, that contracts signed but not included in balance sheet, is RMB10,208,915,000 Yuan.

9、Other contingent events

According to the Strategic Cooperation Framework Agreement between the Company and the People's Government of Daxing District of Beijing, the Company promised to achieve common production output target in three projects and Caiyu Project of Hainachuan Co., Ltd. by the end of 2015. If the production output does not achieve the target, the Company should return a portion of government subsidy in cash to the People's Government of Daxing District before January 31, 2016. The refund amount is calculated by the percentage of shortfall between actual output and target output multiplies the government subsidy in the agreement, and interest is also charged; if the Company fails to refund the amount, the People's Government of Daxing District shall be entitled to claim the assets of the Company or the project companies, except if the People's Government of Daxing District cannot comply with the agreement.

As at 25 June 2015, there were no contingent events in the Group that should be disclosed.

10. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

1. On 24 September 2015, a subsidiary of the Company, BAIC Motor Corporation Ltd., passed a resolution in its 2014 annual shareholders meeting to issue corporate bonds in China with amount not exceeding RMB 3 billion Yuan and a term of 5 years.

2. On 25 September 2015, a subsidiary of the Company, BAIC Inalfa HK Investment Corporation Ltd., passed a resolution in its board meeting to issue Euro denominated guaranted notes with amount not exceeding 5 billion.

As at 25 September, 2015, there were no subsequent events after balance sheet date that should be disclosed except for the aforementioned events.

11. RELATED PARTIES AND TRANSACTION

1. Parent company

Name of parent	Registration place	Business nature	Registered capital	Shareholding % of the Company	voting right % of the Company
Beijing State-owned Capital Management Center	Beijing	Investment	30,000,000,000.00	100%	100%

The ultimate controlling party of the Company is State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipal.

During report period, changes in registered capital of parent company are as follows:

Name of parent company	Beginning balance	Current increase	Current decrease	Closing balance
Beijing State-owned Capital Management Center	30,000,000,000.00	-	-	30,000,000,000.00

2. Subsidiary company

Please refer to Note 7 for detailed information for the subsidiaries of the Company.

12. Notes to financial statements of parent company

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1、Accounts receivable

Categories	Closing amount			
	Book balance	%	Bad debts provision	%
Accounts receivable that are individually significant and provision for bad debts was made individually	-	-	-	-
Accounts receivable that provision for bad debts was made based on groups	101,204,620.14	0.61	-	-
Inc: Aging combination	-	-	-	-
Joint-venture brands business	-	-	-	-
No provision (Related parties)	101,204,620.14	0.61	-	-
Accounts receivable that are not individually significant but against which bad debts is provided on an individual basis	-	-	-	-
Total	101,204,620.14	0.61	-	-

Accounts receivable (Continued)

Categories	Beginning amount			
	Book balance	%	Bad debts provision	%
Accounts receivable that are individually significant and provision for bad debts was made individually	-	-	-	-
Accounts receivable that provision for bad debts was made based on groups	174,026,446.03	100.00	-	-
Inc: Aging combination	-	-	-	-
Joint-venture brands business	-	-	-	-
No provision (Related parties)	174,026,446.03	100.00	-	-
Accounts receivable that are not individually significant but against which bad debts is provided on an individual basis	-	-	-	-
Total	174,026,446.03	100.00	-	-

2、Other receivables

Categories	Closing amount			
	Book balance	%	Bad debts provision	%
Accounts receivable that are individually significant and provision for bad debts was made individually	-	-	-	-
Accounts receivable that provision for bad debts was made based on groups	6,617,526,929.79	100.00	50,167,477.70	0.76
Inc: Aging combination	513,756,939.37	7.76	50,167,477.70	9.76
Joint-venture brands business	-	-	-	-
No provision (Related parties)	6,103,769,990.42	92.24	-	-
Accounts receivable that are not individually significant but against which bad debts is provided on an individual basis	-	-	-	-
Total	6,617,526,929.79	100.00	50,167,477.70	0.76

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Other receivables (Continued)

Categories	Book balance	Beginning amount			Net balance
		%	Bad debts provision	%	
Accounts receivable that are individually significant and provision for bad debts was made individually	-	-	-	-	-
Accounts receivable that provision for bad debts was made based on groups	7,116,392,512.29	100.00	46,805,486.04	0.66	7,069,587,026.25
Inc: Aging combination	72,951,776.50	1.03	46,805,486.04	64.16	26,146,290.46
Joint-venture brands business	-	-	-	-	-
No provision (Related parties)	7,043,440,735.79	98.97	-	-	7,043,440,735.79
Accounts receivable that are not individually significant but against which bad debts is provided on an individual basis	-	-	-	-	-
Total	7,116,392,512.29	100.00	46,805,486.04		7,069,587,026.25

3、Long-term equity investments

(1) Breakdown of long-term equity investment

Items	Beginning balance	Current year increase	Current year decrease	Closing balance
1. Investments in joint ventures	-	-	-	-
2. Investments in associated enterprises	12,254,541.36	8,717,029.37	-	20,971,570.73
3. Investments in other enterprises	24,867,523,565.89	1,490,837,100.00	-	26,358,360,665.89
Subtotal	24,879,778,107.25	1,499,554,129.37	-	26,379,332,236.62
Less: Provision for long-term investment impairment	96,429,372.61	-	-	96,429,372.61
Total	24,783,348,734.64	1,499,554,129.37	-	26,282,902,864.01

(2) Detailed information of long-term equity investment

Investees	Calculation method	Share holding % in investor	Investment cost	Beginning balance	Closing balance	Closing provision for impairment
1. Joint ventures				-	-	-
Beijing Pride Power System Technology Limited	Equity method	24.00	24,000,000.00	12,254,541.36	20,971,570.73	-
Beiqi Yinxiang Automobile Co., Ltd	Equity method	26.00	78,000,000.00	-	-	-
Subtotal			102,000,000.00	12,254,541.36	20,971,570.73	
3. Other enterprises						
Beijing Automotive Research Institute Co., Ltd	Cost method	51.00	5,670,000.00	5,670,000.00	5,670,000.00	-
Beijing Automotive Technology Center	Cost method	100.00	10,000,000.00	10,000,000.00	10,000,000.00	-
BAIC Motor Newspaper Co., Ltd	Cost method	100.00	2,322,400.00	2,322,400.00	2,322,400.00	-
Beijing Hainachuan Automotive Parts Co., Ltd	Cost method	60.00	1,480,850,980.15	1,480,850,980.15	1,480,850,980.15	-
Beijing Automotive Assets Operation and Management Co., Ltd	Cost method	100.00	601,369,267.60	601,369,267.60	601,369,267.60	-
BAIC ROCAR Automobile Trading Co., Ltd	Cost method	100.00	757,499,145.12	757,499,145.12	757,499,145.12	-
Beijing Gear Factory	Cost method	100.00	74,340,000.00	74,340,000.00	74,340,000.00	74,340,000.00
Beijing Automobile Industry Imp & Exp Corp	Cost method	100.00	50,000,000.00	50,000,000.00	50,000,000.00	-

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Beijing Foton Motor Co., Ltd	Cost method	27.74	2,605,996,351.52	2,605,996,351.52	2,605,996,351.52	-
Beijing Xingdongfang Industry & Commerce Co., Ltd	Cost method	100.00	336,422,937.68	336,422,937.68	336,422,937.68	-
Beijing Gear Works Co., Ltd	Cost method	100.00	130,000,000.00	130,000,000.00	130,000,000.00	-
Beijing BeiNei Engine Co., Ltd	Cost method	100.00	2,082,200.00	2,082,200.00	2,082,200.00	-
BAIC Motor Corporation., Ltd	Cost method	44.93	12,161,801,592.29	12,161,801,592.29	12,161,801,592.29	-
Beijing Beiqi Hengsheng Real Estate Co., Ltd	Cost method	100.00	491,901,078.49	491,901,078.49	521,901,078.49	-
BAIC ROCAR Automobile Service & Trade Co., Ltd	Cost method	60.00	503,600,200.00	503,600,200.00	503,600,200.00	-
BAIC Education Investment Co., Ltd	Cost method	100.00	20,000,000.00	20,000,000.00	20,000,000.00	-
Beijing automobile Economic Research Association	Cost method	100.00	500,000.00	500,000.00	500,000.00	-
BAIC Group Finance Co., Ltd	Cost method	100.00	840,000,000.00	840,000,000.00	840,000,000.00	-
Beijing General Aviation Co., Ltd	Cost method	90.00	90,000,000.00	90,000,000.00	510,000,000.00	-
BAIC Group Industry Investment Co., Ltd	Cost method	100.00	240,131,953.52	240,131,953.52	470,048,203.52	-
Beijing Transportation Bus Manufacturing Factory	Cost method	100.00	651,080.10	651,080.10	651,080.10	-
Beijing Automobile Works Co., Ltd	Cost method	51.00	80,342,585.93	80,342,585.93	80,342,585.93	-
BAIC International Development Co., Ltd	Cost method	100.00	370,357,350.00	370,357,350.00	608,266,500.00	-
Beijing New Energy Motor Co., Ltd	Cost method	60.00	1,164,963,859.42	1,164,963,859.42	1,164,963,859.42	-
Jingxi Changhe Automobile Co., Ltd	Cost method	70.00	1,050,558,864.74	1,050,558,864.74	1,400,558,864.74	-
Beijing JingGong Real Estate Co., Ltd	Cost method	61.54	2,200,000.00	2,200,000.00	2,200,000.00	2,200,000.00
Beijing Yatai Zhaolong Trade Co., Ltd	Cost method	55.00	11,256,156.70	11,256,156.70	11,256,156.70	11,256,156.70
BAIC (Zhenjiang) Automotive Co., Ltd	Cost method	85.00	255,000,000.00	255,000,000.00	425,000,000.00	-
BAIC Xingdongfang Mould(Beijing) Co., Ltd	Cost method	33.33	80,000,000.00	80,000,000.00	80,000,000.00	-
Beijing Automobile Steering Wheel Factory	Cost method	70.00	8,633,215.91	8,633,215.91	8,633,215.91	8,633,215.91
Beiqi Yunnan Ruili Automobile Co., Ltd	Cost method	70.30	20,500,000.00	20,500,000.00	73,511,700.00	-
Beijing Beiqi Off-road Vehicle Co. Ltd	Cost method	100.00	1,418,572,346.72	1,418,572,346.72	1,418,572,346.72	-
Subtotal			24,867,523,565.89	24,867,523,565.89	26,358,360,665.89	96,429,372.61
Total			24,969,523,565.89	24,879,778,107.25	26,379,332,236.62	96,429,372.61

4、Investment income

Items	Current period movement		Prior period movement	
Long-term equity investment under cost method	1,142,601,588.82		373,756,953.51	
Long-term equity investment under equity method	8,717,029.37		1,039,341.68	
Investment income from disposal of long-term equity investment	-29,953,737.96		-	
Investment income from holding of financial assets held for trading	-		-	
Total	1,121,364,880.23		374,796,295.19	

5、Operating Income and Operating Cost

Items	Current period movement		Prior period movement	
	Income	Cost	Income	Cost

1. Main operations

BEIJING AUTOMOTIVE GROUP CO., LTD
 NOTE TO THE FINANCIAL STATEMENTS
 FOR THE SIX MONTHS ENDED 30 JUNE 2015
 THE CURRENCY IS IN RMB YUAN, EXCEPT OTHERWISE INDICATED

Sales of automobile and parts	145,854,699.06	152,815,941.86	-	-
2、Other operations	-	-	-	-
Other operation income	147,020,512.78	3,171,301.33	108,841,716.09	-
Total	292,875,211.84	155,987,243.19	108,841,716.09	-

6、Cash flow statement

(1) Supplementary Information

Items	Current period movement	Prior period movement
1. Reconciliation of net profit to cash flows from operating activities		
Net profit	1,202,000,853.69	62,980,070.17
Add: Provision for asset impairment	3,361,991.66	25,880,775.43
Depreciation of fixed assets	22,889,570.22	9,665,143.86
Amortization of intangible assets	2,198,861.55	884,537.66
Amortization of long-term prepaid expenses	31,530.63	83,142.90
Losses on disposal of fixed assets, intangible assets and other long-term assets ('-' for gains)	-	-
Fixed assets disposal loss ('-' for gains)	-	-
Fair value change loss ('-' for gains)	-	-
Finance expenses ('-' for gains)	330,108,991.10	243,126,312.93
Losses arising from investments ('-' for gains)	-1,121,364,880.23	-374,796,295.19
Decrease in deferred tax assets ('-' for increase)	-	-
Increase in deferred tax liabilities ('-' for decrease)	-	-
Decrease in inventories ('-' for increase)	18,277,896.93	-4,534,914.56
Decrease in operating receivables ('-' for increase)	465,333,800.78	1,369,085,263.56
Increase in operating payables ('-' for decrease)	-983,091,673.27	-3,137,563,249.71
Others	-	-
Net cash flows from operating activities	-60,253,056.94	-1,805,189,212.95
2. Investing and financing activities that do not involve cash receipts and payments	-	-
Conversion of debt into capital	-	-
Reclassification of convertible bonds expiring within one year as current liability	-	-
Fixed assets acquired under finance leases	-	-
3. Net increase in cash and cash equivalents	-	-
Cash at end of year	4,304,522,548.67	3,278,892,512.33
Less: cash at beginning of year	4,267,959,165.77	3,963,107,482.38
Plus: cash equivalents at end of year	-	-
Less: cash equivalents at beginning of year	-	-
Net increase in cash and cash equivalents	36,563,382.90	-684,214,970.05

13. APPROVAL OF FINANCIAL STATEMENTS

The financial statements and notes to the financial statements were approved by the board of the Company on September 25, 2015.

Beijing Automotive Group Co., Ltd.
 25 September 2015

Auditor's Report

致同会计师事务所（特殊普通合伙）
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[English Translation for Reference Only]

GTCSZ (2015) No.110ZA3662

To the Board of Beijing Automotive Group Company Limited.

We have audited the accompanying balance sheet of Beijing Automotive Group Company Limited (“the Company”) as at 31 December 2014, its income statement, cash flow statement, and statement of changes in owners’ equity, statement of assets impairment provision, and consolidated financial statements and notes to the financial statements for the year then ended.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with Accounting Standards for Business Enterprises. This responsibility includes: (1) preparing and fairly presenting financial statements in accordance with Accounting Standards for Business Enterprises; (2) designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company and the consolidation as of 31 December 2014, and the results of its operations and cash flows of the Company and the consolidation for the year then ended in accordance with Accounting Standards for Business Enterprises.



24 April, 2015

Chinese Certified Public Accountant

Chinese Certified Public Accountant



CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2014

[English Translation for Reference Only]

Prepared by: BEIJING AUTOMOTIVE GROUP CO., LTD.

In RMB Yuan

ASSETS	NOTES	2014.12.31	2013.12.31
CURRENT ASSETS			
Cash	8.1	35,288,416,570.37	28,286,058,216.87
Financial assets at fair value through profit or loss	8.2	881,971,106.09	288,340.00
Derivative financial assets			
Notes receivable	8.3	5,062,704,277.46	3,831,566,592.58
Accounts receivable	8.4	9,162,321,497.47	9,252,173,486.80
Advances to suppliers	8.5	2,323,452,875.49	1,636,937,569.79
Interest receivable	8.6	16,382,991.35	24,007,560.55
Dividends receivable	8.7	61,962,764.31	99,662,764.31
Other receivables	8.8	6,952,181,824.83	2,699,294,085.26
Inventories	8.9	17,982,411,701.67	13,672,655,179.25
Inc:Raw materials		4,313,864,248.90	2,823,206,695.85
Goods on hand (finished goods)		9,674,457,423.33	7,550,718,732.76
Non-current assets maturing within one year		1,543,965,220.30	1,244,975,376.76
Other current assets	8.10	2,671,454,745.91	1,907,777,969.09
Total current assets		81,947,225,575.25	62,655,397,141.26
NON-CURRENT ASSETS			
Available-for-sale financial assets	8.11	1,937,393,024.41	387,858,166.87
Held-to-maturity investments			
Long-term receivables	8.12	1,678,760,978.85	1,213,378,633.90
Long-term equity investment	8.13	18,682,051,420.61	16,341,383,230.79
Investment properties	8.14	1,509,659,796.42	1,463,114,039.49
Fixed assets – cost	8.15	52,050,103,372.86	39,273,115,073.70
Less: accumulated depreciation		11,243,532,365.12	8,584,287,682.33
Fixed assets – net amount		40,806,571,007.74	30,688,827,391.37
Less: Fixed assets impairment provision		1,465,690,448.47	1,367,824,096.91
Fixed assets – net book value		39,340,880,559.27	29,321,003,294.46
Construction in progress	8.16	19,365,314,592.71	13,902,832,780.60
Construction supplies		1,955.00	
Fixed assets disposal			3,965,726.10
Productive biological assets			
Petroleum and natural gas			
Intangible assets	8.17	13,468,520,278.28	12,253,165,275.02
Development expenses		9,492,227,548.19	6,091,270,014.59
Goodwill	8.18	1,868,046,007.57	1,954,163,807.30
Long-term prepaid expenses(deferred assets)	8.19	780,261,789.55	507,640,333.47
Deferred income tax assets	8.20	3,688,104,281.60	3,597,741,425.38
Other non-current assets(other long-term assets)	8.21	654,008,548.68	1,289,099,359.17
Including: Reserve specifically authorized			
Total non-current assets		112,465,230,781.14	88,326,616,087.14
TOTAL ASSETS		194,412,456,356.39	150,982,013,228.40

CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT 31 DECEMBER 2014

[English Translation for Reference Only]

Prepared by: BEIJING AUTOMOTIVE GROUP CO., LTD.

In RMB Yuan

LIABILITIES	NOTES	2014.12.31	2013.12.31
CURRENT LIABILITIES			
Short-term loans	8.23	15,988,411,979.69	8,438,481,834.06
Deposits and inter-bank placements		1,519,281,242.03	631,923,998.28
Financial liabilities at fair value through profit or loss	8.24	23,071,334.64	11,493,022.31
Derivative financial liabilities			
Notes payable	8.25	6,737,900,158.57	4,749,712,772.65
Accounts payable	8.26	25,320,737,769.28	21,355,902,872.86
Advances from customers	8.27	7,037,023,034.58	4,816,384,495.05
Employee compensation payable	8.28	1,364,132,965.72	1,356,201,059.68
Incl: Accrued payroll		1,074,501,272.70	1,145,642,978.33
Welfare benefits payable		2,690,545.47	7,801,008.34
Incl: employee incentive and welfare			
Tax expenses payable	8.29	551,478,169.62	1,226,392,978.21
Including: Taxes payable		530,036,996.48	1,056,895,446.92
Interest payable	8.30	482,775,522.71	417,644,042.53
Dividends payable	8.31	532,433,082.95	1,784,671,103.77
Other payables	8.32	24,699,542,285.31	20,825,294,253.52
Non-current liabilities maturing within one year	8.33	7,241,586,007.70	3,098,757,943.18
Other current liabilities	8.34	180,227,445.91	51,044,953.81
Total current liabilities		91,678,600,998.71	68,763,905,329.91
NON-CURRENT LIABILITIES			
Long-term loans	8.35	15,461,104,672.64	14,856,117,637.92
Debentures payable	8.36	14,746,286,106.99	12,339,894,585.43
Long-term payables	8.37	884,749,853.97	606,557,681.84
Long-term employee compensation payable	8.38	29,069,760.91	
Specific payable	8.39	280,906,599.56	288,048,276.98
Foreseeable liabilities	8.40	1,077,384,590.20	847,283,667.03
Deferred income	8.41	2,733,955,321.43	2,757,991,353.62
Deferred income tax liabilities		1,068,439,727.39	1,135,613,517.67
Other non-current liabilities	8.42	94,103,687.09	78,260,827.22
Incl: Special reserve fund			
Total non-current liabilities		36,376,000,320.18	32,909,767,547.71
TOTAL LIABILITIES		128,054,601,318.89	101,673,672,877.62
OWNERS' EQUITY			
Paid-in capital	8.43	11,732,008,335.00	10,076,908,335.00
National capital		11,732,008,335.00	10,076,908,335.00
Collective capital			
Legal person capital			
Incl: National legal person capital		11,732,008,335.00	10,076,908,335.00
collective legal person capital			
Personal capital			
Foreign capital			
Less: Investments returned			
Paid-in capital-net value		11,732,008,335.00	10,076,908,335.00
Other equity instrument	8.44	2,000,000,000.00	
Incl: Preferred stock			
Sustainable stock		2,000,000,000.00	
Capital reserve	8.45	3,912,200,237.73	2,721,273,144.82
Less: Treasury stock			
Other comprehensive income		(182,910,727.38)	(66,398,894.40)
Incl: Translation currency financial statements		(194,971,082.84)	(91,764,860.93)
translation			
Special reserve			
Surplus reserve	8.46	550,740,387.12	405,923,223.83
Incl: Statutory reserve fund		550,740,387.12	405,923,223.83
Voluntary reserve fund			
Reserve funds			
Enterprise expansion funds			
Profits capitalized on return of investment			
Undistributed profits	8.47	7,497,893,019.78	6,322,103,889.33
Incl: cash dividends			
Total owners' equity attributable to parent company		25,509,931,252.25	19,459,809,698.58
Minority interests		40,847,923,785.25	29,848,530,652.20
Total owners' equity		66,357,855,037.50	49,308,340,350.78
TOTAL LIABILITIES AND OWNERS' EQUITY		194,412,456,356.39	150,982,013,228.40

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014
[English Translation for Reference Only]

Prepared by: BEIJING AUTOMOTIVE GROUP CO., LTD.

		In RMB Yuan	
	NOTES	2014	2013
Total revenue from operations		122,798,979,108.99	63,924,832,832.14
Incl: Revenue from operations	8.48	122,448,469,464.90	63,670,575,586.89
Interest income		350,509,644.09	254,257,245.25
Total cost of operations		126,093,244,650.17	68,954,199,729.35
Incl: Cost of operations	8.48	104,079,992,882.49	56,830,174,778.34
Interest expense		35,567,810.44	4,595,364.52
Business tax and surcharge		4,560,783,244.84	1,201,726,555.55
Selling expenses		7,612,825,456.77	3,987,841,258.29
General and administrative expenses		8,045,976,732.03	5,220,264,584.75
Incl:Entertainment expenses			
R&D expenses		920,653,881.58	887,316,011.07
Financial expenses		910,327,653.21	1,083,882,377.72
Incl:Interest expense		2,453,088,858.82	1,782,190,219.35
Interest income		439,725,078.05	480,356,581.72
Exchange net losses ("-" for gains)		49,525,906.85	60,708,255.29
Assets impairment losses	8.49	847,770,870.39	625,714,810.18
Others			
Add: Gains from change of fair value ("-" for loss)	8.50	32,906,840.05	(3,175,548.37)
Investment gains("-" for loss)	8.51	6,764,591,416.81	9,362,125,764.14
Incl: Gains from investments in associates and joint ventures		6,543,823,452.34	6,668,455,937.01
Operating profit("-" for loss)		3,503,232,715.68	4,329,583,318.56
Add: Non-operating income	8.52	3,077,201,898.58	1,005,692,187.55
Incl:Gains from disposal of non-current assets		696,743,148.30	93,273,573.54
Gains from exchange of non-monetary assets(none-monetary transaction income)			
Governmental Subsidies (subsidy income)		1,955,818,144.55	714,882,484.54
Gains from debt restructuring			
Less: Non-operating expenses	8.53	274,439,172.28	378,678,174.96
Incl:Loss on disposal of non-current assets		31,031,797.14	59,528,132.87
Loss on exchange of non-monetary assets(none-monetary transaction loss)			
Loss on debts restructuring		1,777,545.60	
Total profit("-" for loss)		6,305,995,441.98	4,956,597,331.15
Less:Income tax expenses	8.54	977,822,435.93	703,273,522.96
Net profit("-" for loss)		5,328,173,006.05	4,253,323,808.19
Net profits attributable to parent company		1,726,292,993.74	2,280,296,020.66
* Minority profit and loss		3,601,880,012.31	1,973,027,787.53
Other consolidated revenue - net of tax		(116,511,832.98)	41,911,280.21
Other consolidated revenue not reclassified into profit or loss in the future			
Incl: a.redefine and re-measure net liabilities or net assets of the benefit plans			
b. Shares of other consolidated revenue not reclassified into profit or loss under the equity			
Other consolidated revenue not reclassified into profit or loss in the future	8.55	(116,511,832.98)	41,911,280.21
Incl: a. Shares of other consolidated revenue not reclassified into profit or loss under the equity		(479,460.80)	9,651,557.93
b. Gains and losses from changes in fair value of available-for-sale financial assets		(12,826,150.27)	15,714,408.60
c. Gains and losses from held-to maturity investments classified as available-for-sale financial assets			
d. The effective portion of cash flow hedges and losses			
e.Foreign currency financial statements translation differences		(103,206,221.91)	16,545,313.68
Total consolidated income		5,211,661,173.07	4,295,235,088.40
Total consolidated income attributable to parent company		1,609,781,160.76	2,322,207,300.87
* Minority profit and loss		3,601,880,012.31	1,973,027,787.53
Earnings per share (EPS)			
Basic EPS			
Diluted EPS			

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

[English translation for reference only]

Prepared by: BEIJING AUTOMOTIVE GROUP CO., LTD.

In RMB Yuan

	NOTES	2014	2013
1. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		115,522,980,150.92	48,964,697,817.88
Tax refund received		1,175,616,525.78	683,627,157.95
Other cash received relating to operating activities		390,301,491.15	7,178,364,453.71
Sub-total of cash inflows		117,088,898,167.85	56,826,689,429.54
Cash paid for goods and services		82,260,776,270.74	36,916,483,593.10
Cash paid to and on behalf of employees		9,939,484,598.80	7,028,098,415.15
Payments of all types of taxes		9,146,774,950.34	3,555,276,491.66
Other cash paid relating to operating activities		15,007,531,949.16	11,240,495,798.17
Sub-total of cash outflows		116,354,567,769.04	58,740,354,298.08
Net cash flows from operating activities		734,330,398.81	(1,913,664,868.54)
2. Cash flows from investing activities			
Cash received from disposal of investments		457,309,712.32	566,172,694.06
Cash received from returns on investments		5,672,214,100.88	3,840,153,638.25
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,741,318,173.75	2,222,018,927.96
Cash received from disposal of subsidiaries and other business units		90,620,720.00	3,771,162.31
Other cash received relating to investing activities		886,002,239.14	9,406,921,541.47
Sub-total of cash inflows		8,847,464,946.09	16,039,037,964.05
Cash paid to acquire fixed assets, intangible assets and other long-term assets		20,886,023,050.36	13,683,664,428.74
Cash paid to acquire investments		4,908,738,962.45	2,260,424,721.85
Cash paid to acquire subsidiaries and other business units		3,717,644.20	24,531,221.95
Other cash paid relating to investing activities		328,798,727.41	217,171,834.84
Sub-total of cash outflows		26,127,278,384.42	16,185,792,207.38
Net cash flows from investing activities		(17,279,813,438.33)	(146,754,243.33)
3. Cash flows from financing activities			
Cash received from capital contribution		12,823,407,660.08	8,007,636,993.59
Incl: Cash received from capital contribution to subsidiaries by minority		11,168,307,660.08	5,878,276,993.59
Cash received from borrowings		32,393,376,249.57	15,545,297,782.43
Cash received from bonds issued		2,294,000,000.00	2,508,650,000.00
Cash received relating to other financing activities		842,448,601.15	646,650,261.16
Sub-total of cash inflows		48,353,232,510.80	26,708,235,037.18
Cash repayments of amounts borrowed		20,577,095,328.77	14,902,281,862.85
Cash payments for interest expenses and distribution of dividends or profits		3,815,593,570.04	2,576,934,265.07
Incl: Cash payment for distribution of dividends or profits to minority		470,947,858.38	379,495,732.30
Other cash payments relating to financing activities		953,145,149.09	740,729,081.32
Sub-total of cash outflows		25,345,834,047.90	18,219,945,209.24
Net cash flows from financing activities		23,007,398,462.90	8,488,289,827.94
4. Effect of foreign exchange rate changes on cash		(49,525,906.85)	(60,708,255.29)
5. Net increase in cash and cash equivalents		6,412,389,516.53	6,367,162,460.78
Add: Opening balance of cash and cash equivalent		23,973,191,820.91	17,606,029,360.13
6. Closing balance of cash and cash equivalent		30,385,581,337.44	23,973,191,820.91

Legal representative:

Person in charge of financial function:

Prepared by:

**CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014**
[English translation for reference only]

Prepared by: BEIJING AUTOMOTIVE GROUP CO., LTD.

		2014											
	Note	Owners' equity attributable to parent company											
		Paid-in capital	Other equity instruments	Capital surplus	Less: treasury stock	Other consolidated income	Special reserve	Surplus reserve	Undistributed profit	Others	Subtotal	Minority interests	Total owners' equity
		10,076,908,335.00		2,721,273,144.82		(66,398,894.40)		405,923,223.83	6,322,103,889.33		19,459,809,698.58	29,848,530,652.20	49,308,340,350.78

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014
[English translation for reference only]

Prepared by: BEIJING AUTOMOTIVE GROUP CO., LTD.

In RMB Yuan

	Note	2013											
		Owners' equity attributable to parent company											
		Paid-in capital	Other equity instruments	Capital surplus	Less: treasury stock	Other consolidated income	Special reserve	Surplus reserve	Undistributed profit	Others	Subtotal	Minority interests	Total owners' equity
I. Closing balance of previous year		7,947,548,335.00		3,615,070,141.32		(108,310,174.61)		186,379,136.33	4,587,132,471.23		16,227,819,909.27	19,509,795,085.90	35,737,614,995.17
Add:Change in accounting policy													
Correction of previous errors													
Others													
II. Opening balance of current year		7,947,548,335.00		3,615,070,141.32		(108,310,174.61)		186,379,136.33	4,587,132,471.23		16,227,819,909.27	19,509,795,085.90	35,737,614,995.17
III. Increase/decrease of current year ("-" for decrease)		2,129,360,000.00		(893,796,996.50)		41,911,280.21		219,544,087.50	1,734,971,418.10		3,231,989,789.31	10,338,735,566.30	13,570,725,355.61
1. Total consolidated income						41,911,280.21			2,280,296,020.66		2,322,207,300.87	1,973,027,787.53	4,295,235,088.40
2. Contribution and withdrawal of capital by shareholders		2,129,360,000.00		(893,796,996.50)				64,432,577.52			1,299,995,581.02	9,684,761,620.97	10,964,757,201.99
a. Common stock by shareholders		2,129,360,000.00		189,982,841.03							2,319,342,841.03	7,255,132,793.16	9,574,475,634.19
b. Capital invested by holders of other equity instruments													
c. Share-based payment recognized in owners' equity													
d. Others				(1,083,779,837.53)				64,432,577.52			(1,019,347,260.01)	2,409,628,827.81	1,390,281,567.80
3.Special reserve extraction and use of													
a. extraction special reserves													
b. use special reserves													
4. Profit distribution								155,111,509.98	(545,324,602.56)		(390,213,092.58)	(1,299,053,842.20)	(1,689,266,934.78)
a. Provision for surplus reserve								155,111,509.98	(155,111,509.98)				
Inci: Statutory surplus reserve								155,111,509.98	(155,111,509.98)				
Voluntary surplus reserve													
Reserve fund													
Enterprise expansion fund													
Investment by retired profit													
b. Provision for general risks													
c. Distribution to owners (or shareholders)									(388,043,900.00)		(388,043,900.00)	(1,299,053,842.20)	(1,687,097,742.20)
d. Others									(2,169,192.58)		(2,169,192.58)		(2,169,192.58)
6. Inter-account movements in owners' equity													
a. Capitalization of capital surplus													
b. Capitalization of surplus reserve													
c. Surplus reserve offsetting losses													
d. the changes from the carried-over of redefined and re-measured net liabilities or net assets of the benefit													
e. Others													
IV. Closing balance of current year		10,076,908,335.00		2,721,273,144.82		(66,398,894.40)		405,923,223.83	6,322,103,889.33		19,459,809,698.58	29,848,530,652.20	49,308,340,350.78

Notes to Financial Statements

1. General corporate information

Beijing Automotive Group Co., Ltd. (hereinafter referred to as "the Company"), formerly Beijing Automotive Industry Holding Co. Ltd., changed its name on 28 September, 2010 after the approval of the State-owned Assets Supervision & Administration Commission of the People's Government of Beijing Municipality in Jing Guo Zi [2010] No.207. The Company, originally known as Beijing Automotive Industrial Company, was established in 1973 as a state-owned enterprise with the approval of the Beijing Administration for Industry & Commerce. On 15 May, 1995, approved by the Beijing Municipal Bureau of Finance and the State-owned Assets Supervision & Administration Commission of the People's Government of Beijing Municipality in Jing Guo Zi Gong (1995) No. 208, the Company officially established Beijing Automotive Industrial Group and Beijing Automotive Industry Corporation, thereby becoming an Authorized Operation of State-owned Assets. In 2000, the Company was approved to set up Beijing Automotive Industry Holding Co., Ltd by the People's Government of Beijing Municipality. In 2011, the Company changed its registered capital to RMB 4,549,332,035 Yuan, which was verified by Beijing Zhengruihua CPAs Firm Co., Ltd. with the issuance of capital verification report *Zheng Rui Hua Yan Zi [2011] No. 2013* and registered in the change of state-owned property rights. On November 20, 2013, the Company was reissued a business license with registration No.110000005034385, changed its domicile of incorporation to No. 99, Shuanghe Street, Shunyi District, Beijing; Legal Representative: Xu Heyi; Type of Enterprise: Limited Liability Company (Wholly/Solely State-owned).

For details of subsidiaries of the Company please see Note 7.

The Company's business scope mainly encompasses the management of authorized State-owned property; investment and investment management; automobile manufacturing and distribution; manufacturing and distribution of agricultural machinery, agricultural vehicles, motorcycles, internal combustion engines and auto parts; the import and export trade of automobiles and auto parts; technological development, services, and consultation; information consultancy service (intermediary service not included); device installation; and real estate development and distribution. The major business operations of the Company include automobile manufacturing and distribution, auto parts manufacturing and distribution, and automobile service trade.

On March 31, 2009, in accordance with Jing Guo Zi [2009] No. 70 issued by the State-owned Assets Supervision & Administration Commission of the People's Government of Beijing Municipality, the Commission classified the Company under the supervision of Beijing State-owned Capital Operation & Management Center.

The Company approved the financial statements and notes to the statements on April 24, 2015.

2. The basis for the preparation of financial statements

The financial statements are prepared in accordance with the *Accounting Standards for Business Enterprises* issued by the Ministry of Finance and their application guidelines, interpretations and other relevant requirements issued subsequently (collectively referred to as *Accounting Standards for Business Enterprises*).

The financial statements of the Company have been prepared on going concern basis.

The Company uses the accrual method as its basis of accounting. The Company adopts historical cost as its measurement principle except certain financial tools. Non-current assets held for sale should be counted at the lower of fair value less expected costs incurred and the original book value when meeting the conditions for sale. If the assets are impaired, provision for impairment should be made in accordance with the relevant provisions.

3. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements present fairly and fully the financial position of the Company as of 31 December, 2014, and its results of operations and cash flows of the consolidation for the year then ended are in accordance with *Accounting Standards for Business Enterprises*.

4. Principal accounting policies and accounting estimates

(1). Accounting period

The Company's accounting year starts on 1 January and ends on 31 December.

(2). Reporting currency

The Group's functional and reporting currency is the Renminbi ("RMB").

(3). Basis of accounting and measurement basis

The Company uses the accrual method as its basis of accounting. The Company adopts historical cost as its measurement principle except some financial tools.

(4). Business Combination

1) Business combinations under the same control

Business combinations involving enterprises under common control, except for items that are adjusted because the accounting policies applied by the absorbing party are inconsistent with those adopted by the party being absorbed, assets and liabilities that are obtained by the absorbing party in a business combination are measured at their carrying amounts at the combination date as recorded by the party being absorbed. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate par value of shares issued as consideration) should be adjusted against the capital surplus. If the capital surplus is insufficient for the offset, the retained earnings should be adjusted.

Costs incurred by the absorbing party that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred.

2) Business combination not under the same control

A business combination not under the same control is a business combination in which the combining enterprises are not ultimately controlled by the same party or the same parties both before and after the business combination. The combination costs are the fair value of assets, liabilities and equity securities that the Company paid for obtaining the control on the acquired at the acquisition date. The assets, liabilities and contingent liabilities acquired by the Company should be recognized at fair value at the acquisition date.

For intermediary costs of audit, legal services, and evaluation consulting etc. and other administrative expenses that occurs in combination, recorded into the profits and losses when occurs. For the transaction costs of equity securities or debt securities issued as consideration of the combination, recorded into the initially recognized amount of equity securities or debt securities.

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The acquirer shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree as business reputation.

The acquirer shall, pursuant to the following provisions, treat the balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree. If, after the reexamination, the combination costs are still less than the fair value of the identifiable net assets it obtains from the acquiree, it shall record the balance into the profits and losses of the current period.

If the business combination is implemented step-by-step through multiple transactions, the combination costs should be the sum of the consideration paid on the date of purchase and the fair value of the equity held before the date of purchase in the consolidated financial statements. For the shares of the acquiree held prior to the date of purchase, the Company should re-measure the fair value at the purchase date. The difference between the fair value and book value should be added in investment gains in the current period. If the shares of the acquiree held prior to the date of purchase were related to other comprehensive income, other comprehensive income should be converted to current investment income at the date of purchase except the other comprehensive income that generated as a result of the invested party remeasured net assets or liabilities changes in defined benefit plan.

The method of defining purchasing date and selling date: the Company defined the purchasing date and selling date on the basis of acquiring or losing the control rights of the acquiree.

The method of defining fair value of relevant transactions: the Company defined the fair value of relevant transactions on the basis of main gist. The specific recognition method refers to Note 4.30.

(5). Consolidated Financial Statements

The scope of consolidation for consolidated financial statements includes the Company and all its subsidiaries.

The merge scope of the consolidated financial statements was determined on the basis of control.

Consolidated financial statements shall be prepared by a parent company on the basis of the financial statements of the parent company and its subsidiaries and in accordance with other relevant data after the long-term equity investments of the subsidiaries are adjusted in accordance with the equity method. A parent company shall unify the accounting policies used by its subsidiaries to make them consistent with the accounting policy used by it. The influence of other internal transactions between a parent company and subsidiaries and between subsidiaries on consolidated balance sheets shall offset.

Where a parent company prepares a consolidated cash flow statement due to increase in subsidiaries caused by the merger of the enterprises under same control within the reporting period, it shall incorporate the cash flows of the subsidiary incurred from the beginning of the period of merger to the end of the accounting period into the consolidated cash flow statement. Where a parent company prepares a consolidated cash flow statement due to increase in subsidiaries caused by the merger of the enterprises not under same control, it shall incorporate the cash flows of the subsidiary incurred from the date of purchase to the end of the reporting period into the consolidated income statement.

Equity shares in subsidiaries' equity which don't belong to the Company should be presented solely as "minority interests" in the consolidated balance sheet. The proportion of current net profit or loss of subsidiaries attributed to minority interests should be presented as "minority profit or loss" in consolidated income statement. If the loss surpasses the proportion of the minority shareholders' holding at the beginning of the period, the balance should still offset against the "minority interests".

For transactions which involve the purchase of minority shares of subsidiaries or the disposal of some equity investments while maintaining the control power of the subsidiary, the Company treats these as equity

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transactions, adjusting the book value attributed to owner's equity of parent company and minority interests, in order to reflect the change of equity rights in the subsidiary. The difference between the adjusted amount of minority interests and the paid or received transactional fair value shall be recorded into capital surplus, and continue to be recorded in reserve surplus.

When the Company loses its control over the subsidiary due to the disposal of some equity investment or other reasons, the remaining shares should be recalculated according to the fair value at the occurring date; the result of the sum of the transactional income of equity disposal and the fair value of the remaining shares, deducting the proportion of original shares in subsidiaries' net assets calculated consistently from the date of merger, should be recognized as the profit or loss for investment gains. Other comprehensive income related with the equity investment in the subsidiary should be carried forward into current profit or loss at the time of losing control.

Other comprehensive income and other changes in owners' equity related to original subsidiaries' equity investment should be transferred into current profit or loss when losing control, other comprehensive income incurred because the investor re-measured and defined the net liabilities or net assets changes in benefit plan was excluded.

For the package deal which dispose the equity investment of the subsidiary until losing the right of control, according to the disposal price deducting the difference between proportion in the net assets corresponding to the disposed investment, shall be recognized as Other Comprehensive Income in the consolidated statements and transfer into the current profit and loss when losing control.

(6). Classification of joint venture arrangements and accounting treatment of joint operations

The joint venture arrangement refers to an arrangement between two or more parties control jointly. The joint venture of the Company was divided in co-operation and joint venture.

1) Joint operation

Joint operation refers to the joint venture arrangement in which the Company enjoys the assets related to the arrangement and assumes the liabilities related to the arrangement.

The Company recognizes the following items related to the interests of the joint operation, and the accounting treatment is in accordance with the related ASBE:

- A. Confirmed the assets held individually and the common assets held in accordance with the shares;
- B. Confirmed the liabilities assumed separately and liabilities shared commonly in accordance with the shares;
- C. Confirmed income from the sale of joint operation shares;
- D. Confirmed income from the joint operation in accordance with the shares;
- E. Recognized expense occurred separately and confirmed the costs of joint operation in accordance with the shares.

2) Joint venture

Joint venture refers to the joint venture arrangements that the Company only has the rights of arranged net assets.

The accounting treatment of the joint venture investment in the Company was in accordance with long-term equity investment on equity method.

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[For joint venture arrangement achieved by single subject, it is needed to explain the judgment and hypothesis to define a joint venture arrangement is joint operation or joint venture.]

(7). Cash Equivalents

Cash equivalents refer to short-term, highly-liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8). Foreign currency translation

1) Foreign currency transactions

Transactions in foreign currencies are translated into RMB at the spot exchange rates when transactions occur.

At the end of the period, foreign currency monetary items should be translated into RMB using the spot exchange rate at the balance sheet date. Exchange differences arising from the spot exchange rates at the balance sheet date being different from those at which the monetary items were translated on initial recognition during the period or those of previous balance sheet dates should be recognized in current period profit and loss. Non-monetary items that are measured at historical cost in a foreign currency should be translated into RMB using the spot exchange rate at the transaction date. Non-monetary items that are measured at fair value in a foreign currency should be translated into RMB using the spot exchange rates at the date when the fair value was determined, and the exchange differences thus arising should be recognized in the profit or loss for the period.

2) Translation of financial statements presented in foreign currency

At the end of period for translation of the foreign currency financial statements prepared by the overseas subsidiaries assets and liabilities in the balance sheet are translated into RMB using the spot exchange rates at the balance sheet date. Owners' equity items except "undistributed profits" are translated using the spot exchange rates at the dates when the transactions occurred.

Income and expenses in the income statement are translated into RMB the spot exchange rates when transactions occur.

All items in the cash flow statement are translated at an exchange rate that is determined based on a systematic and reasonable method and approximate to the spot exchange rate prevailing on the dates when the cash flows took place. The effect on cash arising from the exchange rate differences is presented separately in the cash flow statement under "Exchange rate on the influence of cash and cash equivalents" as a balancing item.

Difference arising from translation of financial statements is presented as "other comprehensive income" under owners' equity in the balance sheet.

When disposing an overseas business, an enterprise shall shift the balance, which is presented under the items of the owner's equities in the balance sheet and arises from the translation of foreign currency financial statements related to this overseas business, into the disposal profits and losses of the current period. If the overseas business is disposed of partially, the enterprise shall calculate the balance arising from the translation of foreign currency statements of the part of disposal based on the disposal rate and shall shift them into the profits and losses of the current period.

(9). Financial instrument

Financial instruments refer to any contract that gives rise to a financial asset of the Company and a financial

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liability or equity instrument of other entities.

1) Recognition and derecognition of financial instruments

The Company should recognize a financial asset or financial liability on the balance sheet when it becomes a party to the contractual provisions of a financial instrument.

A financial asset is derecognized when one of the following criteria is met,

- A. the contractual rights to the cash flows from the financial asset expire; or
- B. the Company transfers the financial asset and the transfer qualifies under the criteria for the derecognition of financial assets prescribed by transfer of financial assets as stated below.

The Company should derecognize a financial liability or part of a financial liability when the present obligation associated with the financial liability ceases or partly ceases. The Company (debtor) enters into an agreement with a creditor so as to substitute the existing financial liabilities by way of any new financial liability, and if the contractual stipulations regarding the new financial liability is substantially different from that regarding the existing financial liability, it shall terminate the recognition of the existing financial liability, and shall at the same time recognize the new financial liability.

For purchase and sales of financial assets in regular way, the financial assets should be recognized and derecognized on trading dates.

2) Classification and measurement of financial assets

The Company classified its financial assets on initial recognition into the following four categories: financial assets at fair value through profit or loss; held-to-maturity investments; loans and receivables; available-for-sale financial assets. Financial assets are measured at fair value upon initial recognition. In the case of financial assets at fair value through profit or loss, associated transaction costs should be included in profit or loss for the current period when incurred. In the case of other categories of financial assets, associated transaction costs should be included in the amount recognized initially.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include trading financial assets and financial assets designated upon initial recognition as at fair value through profit or loss. Trading financial assets include financial assets that are acquired and held principally for the purpose of selling in the near term and derivative financial instruments. This category of financial assets should be carried at fair value subsequent to initial recognition and all the realized and unrealized gains and losses should be recognized in profit or loss for the current period.

Financial assets or financial liabilities shall be designated as financial assets or financial liabilities at fair value through profit or loss in initial measurement if one of the following conditions is met.

- A. The designation could eliminate or distinctly cut down the inconsistent cases of confirmation or measurement of relevant gains or losses incurred due to the difference of measurement basis of financial assets or financial liabilities.
- B. The official written document of risk management or investment strategy has specified that the financial assets portfolio, the financial liabilities portfolio, or the financial assets and financial liabilities portfolio were managed, evaluated and reported to key managers on the basis of fair value.
- C. The financial assets or financial liabilities include embedded derivative instrument that need to be split separately.

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According to above conditions, the designated financial assets or financial liabilities of the Company mainly include: (describe the designated conditions specifically)

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity whereby the Company has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured subsequently at amortized cost using the effective interest method, and gains or losses arising from the de-recognition, impairment or amortization thereof should be recognized in profit or loss for the current period.

The Company shall re-classify an investment to available-for-sale financial assets and measure at fair value subsequently if the investment is no longer suitable to be classified as held-to-maturity investment due to the change of intention or ability of holding. If the amount of the sale or reclassification of held-to-maturity is large, and it does meet the exceptional circumstance specified in Article 16 of Accounting Standard for Business Enterprises No. 22-The Recognition and Measurement of Financial Instruments, and the residual part is no longer suitable to be classified as held-to-maturity, the Company shall reclassify the residual part as available-for-sale financial assets and measure it at fair value subsequently. The balance between the book value and the fair value of the investment is recognized in owner's equity on reclassification day and recognized in current profit or loss when the available-for-sale financial assets has impairment or transferred out when de-recognition happens.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, including accounts receivable and other receivables (Note 4.10). Receivables should be measured subsequently at amortized cost using effective interest method, the gains or losses on de-recognition, and impairment or amortization should be recognized in profit or loss for the current period.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated upon initial recognition as available-for-sale or financial assets that are not classified as the above categories. Available-for-sale financial assets are subsequently measured at fair value. Premium or discount is amortized using effective interest method and recognized as interest income. Except impairment losses and exchange differences on foreign currency monetary financial assets that are recognized in profit or loss for the current period, variation in fair value of available-for-sale financial assets are recognized separately under Capital Surplus. When the financial assets are derecognized or impairment takes place cumulative gains or losses previously recorded under Capital Surplus are taken into profit or loss for the period. Dividends or interest incomes associated with available-for-sale financial assets are recognized in profit or loss for the period.

Where an equity instrument investment for which there is no quoted price in the active market and whose fair value cannot be reliably measured, or a derivative financial asset which is connected with the equity instrument and which must be settled by delivering the equity instrument measured at cost.

The Company shall measure available-for-sale financial assets in cost method or amortized cost when the financial assets is no longer suitable to be measured at fair value due to the change of intention or ability of holding, or the fair value is no longer be measured reliably, or the held period exceeded two entire accounting periods after the held-to-maturity is reclassified as available-for-sale financial assets. The cost or amortized cost is the fair value or book value of the financial assets on reclassification day.

If the financial assets have a maturity date, the gains or losses related to the financial assets and originally included in other comprehensive income shall be amortized at the residual period of the financial assets and recognized in current profit or loss; the balance between amortized cost of the financial assets and the amount on maturity date shall be amortized at the residual period of the financial assets and recognized in current profit or

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loss. If the financial assets have no maturity date, the gains or losses related to the financial assets and originally included in other comprehensive income shall be remained in owner's equity and shall be transferred out when the financial assets was been disposed and recognized in current profit or loss.

3) Measurement and classification of financial liabilities

The Company classified its financial liabilities on initial recognition into the following two categories: financial liabilities at fair value through profit or loss; and other financial liabilities. In case of financial liabilities that are not classified as at fair value through profit or loss the associated transaction costs should be included in the amount recognized initially.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include trading financial liabilities and financial liabilities designated upon initial recognition as at fair value through profit or loss. This category of financial liabilities should be subsequently measured at fair value and all the realized and unrealized gains and losses should be recognized in profit or loss for the current period.

Other financial liabilities

For the derivative financial liabilities, which are connected to the equity instrument for which there is no quotation in the active market and whose fair value cannot be reliably measured, and which must be settled by delivering the equity instrument, they shall be measured on the basis of their costs. Other financial liabilities should be measured subsequently at amortized cost using effective interest method. The profits and losses that arise when such financial liabilities are terminated from recognition or amortization shall be recorded into the profits and losses of the current period.

Distinction between financial liabilities and equity instruments

If an enterprise cannot avoid performing a contract obligation by cash or other financial assets unconditionally, then the contract obligation meets the definition of financial liabilities.

If a financial instrument must or can be settled by enterprise's own equity instrument, the enterprise's own equity instrument used as settled instrument need to be considered whether as the substitute of cash or other financial assets or for the holder of the instrument enjoys the residual interest of assets after the issuer deducted all liabilities.

4) Derivative financial instrument and embedded derivatives instrument

Derivatives are initially recognized at fair value on the day when related contracts are signed, and are subsequently measured at fair value. Derivatives should be recognized as an asset when fair value is positive and a liability when fair value is negative. The changes in fair value of derivatives are recognized in profit or loss for the period, unless they are designated and highly effective as hedging instruments, in which case gains or losses arising from changes in fair value are determined based on the nature of hedging relationship and recognized in the period in which profit or loss occurs under the requirements of hedge accounting.

Where a mixed instrument related to an embedded derivative instrument fails to be designated as a financial asset or financial liability measured at its fair value and of which the variation is included in the current profits and losses, and it can simultaneously meet the following conditions, the embedded derivative instrument shall be separated from the mixed instrument and treated as an independent derivative instrument: where there is no close relationship between it and the principal contract in terms of economic features and risks; and where it shares the same conditions with that of the embedded derivative instrument, and the independent instrument meets the requirements of the definition of derivative instrument. Where it is impossible to make an independent measurement when it is obtained or subsequently on the balance sheet date, the mixed instrument shall be

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designated entirely as a financial asset or financial liability measured at its fair value and of which the variation is included in the current profits and losses.

5) Fair value of financial instrument

Please refer to Note 4.30 for the fair value of financial assets and financial liabilities

6) Impairment of financial assets

The Company assesses the carrying amount of financial assets at each balance sheet date except financial assets at fair value through profit or loss. Where there is objective evidence that a financial asset is impaired, an impairment provision should be made. Objective evidence of impairment is an event(s) that actually occurs after the initial recognition of the financial asset and the event(s) has an impact on the estimated future cash flows of the financial asset that can be reliably measured by the Company.

Financial assets measured at amortized cost

Where there is objective evidence that a financial asset is impaired, the carrying amount of the financial asset should be reduced to its present value of the expected future cash flows (excluding future credit losses that have not been incurred); the amount of reduction is recognized as the asset's impairment loss in profit or loss for the period. The expected future cash flows should be discounted at the financial asset's original effective interest rate, taking into account the price of related collateral.

The Company should carry out the impairment test for financial assets that are individually significant. If objective evidence of impairment exists the Company should recognize impairment loss in profit or loss. For financial assets that are not individually significant they should be included in a group of financial assets with similar credit risk characteristics and assessed for impairment collectively. If impairment has not been incurred for an individually assessed financial asset, including financial assets that are and are not individually significant, the Company should include the financial asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Financial assets that are individually assessed for impairment, for which an impairment loss is recognized should not be included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment.

If, subsequently, there is objective evidence for the recoverability of recognized impairment loss and the recoverability can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss should be reversed and recognized in profit or loss for the current period. However the carrying amount of the financial asset after the reversal should not exceed what the amortized cost would have been at the date of reversal had the impairment not been recognized.

Available-for-sale financial assets

Where there is objective evidence that a financial asset is impaired, the cumulative loss that had been recognized directly in other comprehensive income as a result of decline in fair value of the asset should be removed and recognized in profit or loss for the period. The amount of the cumulative loss that is removed should be the difference between its (a) initial acquisition costs, net of any principle repayment and amortized amount, and (b) current fair value, less any impairment loss on that financial asset that has been previously recognized in profit or loss.

For available-for-sale liability instruments for which impairment loss was recognized, if in a subsequent accounting period its fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the previously recognized impairment loss should be reversed with the amount of the reversal recognized in profit or loss for the current period. Impairment losses recognized in profit or loss for investment in available-for-sale equity instruments should not be reversed through profit or loss.

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Financial assets measured at cost

Where an equity instrument investment for which there is no quoted price in the active market and whose fair value cannot be reliably measured, or a derivative financial asset which is connected with the equity instrument and which must be settled by delivering the equity instrument, suffers from any impairment, the gap between the carrying amount of the equity instrument investment or the derivative financial asset and the current value of the future cash flow of similar financial assets capitalized according to the returns ratio of the market at the same time shall be recognized as impairment-related losses and be recorded into the profits and losses of the current period. The recognized impairment losses should not be reversed.

7) Transfer of financial assets

Transfer of financial assets refers to when the Company (the transferor) transfers or delivers a financial asset to a party (the transferee) other than the issuer of the financial asset.

When the Company transfers substantially all the risks and rewards of ownership of a financial asset to the transferee, the financial asset should be derecognized. When the Company retains substantially all the risks and rewards of ownership of a financial asset, the Company should continue to recognize the financial asset.

When, in the transfer, the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Company should determine whether it has retained control of the financial asset as follows. If the Company has not retained control, it should derecognize the financial asset, and recognize the associated asset and liability. If the Company retains control, it should continue to recognize the financial asset to the extent of its continuing involvement in the financial asset and recognize the associated liabilities.

8) Financial assets and financial liabilities offset

When the Company has a legal right to offset the recognized financial assets and financial liabilities, and is currently the legal right enforceable, the Company plans to netting or to realize the asset and settle the financial liability, the amount after financial assets and financial liabilities are offset is listed in the balance sheet. Except that, financial assets and financial liabilities are presented separately in the balance sheet will not be offset.

9) Entrusted loan

The Company calculated and determined the interest receivable in accordance with the entrusted loan principal and the nominal interest rate in the contract at the balance sheet date; and determined the investment income at the amortized cost of the entrust loan and real interest rate (When the difference in real interest rates and nominal interest rate was rare, nominal interest rates would be adopted, hereinafter the same), the balance amount included in the entrust loan. (Interest adjustment)

The Company conducted a comprehensive inspection at the balance sheet date if there were signs of impairment for entrusted loan. If there was evidence that the book value of entrusted loan exceeds its recoverable amount, then recognized impairment loss of assets in accordance with the balance and withdrew provision for impairment; and determined the interest income as investment income at the amortized cost of the entrust loan and real interest rate and reduced the provision for loan impairment. At the same time, the Company registered the interest receivable in accordance with the principal and the nominal interest rate in the contract in off-balance sheet.

(10). Receivables

Receivables include accounts receivable and other receivables.

- 1) Accounts receivable that are individually significant and provision for bad debts was made individually:

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Criteria of individually significant receivables: the carrying amount of accounts receivables of over RMB 20 million (including 20 million) and the carrying amount of other receivables of over RMB 10 million (including 10 million) are recognized as individually significant receivable.

Accounts receivable that is individually significant and provision for bad debts was made individually: Receivables that are individually significant together with individually-assessed receivables for which impairment has been incurred should be made bad debts provision using the difference between present value of future cash flow and book value.

If impairment of financial asset tested individually is not established, recognize the provision of bad and doubtful debts in combination.

2) Accounts receivable that are not individually significant and provision for bad debts was made individually:

<u>Reasons for provision individually</u>	<u>Litigation funds, deterioration of customer credit receivables</u>
Method of provision	Recognize the provision for bad and doubtful debts according to the difference between the present value of future cash flows, which is lower, and the carrying amount.

3) Receivables with provision for bad and doubtful debts collectively

If receivables which are not impaired in individual test (including individually significant and insignificant receivables) and individually insignificant receivables which are not individually tested, recognize the provision for bad and doubtful debts according to the following credit risk combination.

<u>Type of group</u>	<u>Basis of group</u>	<u>Method of provision for bad and doubtful debts collectively</u>
Group 1	Aging state	Aging analysis method
Group 2	Receivables for joint-venture brands	Individually significant

When the Company transferred accounts receivable without rights of recourse to financial institutions, the difference between the book value that has deducted the written off accounts receivable according to trading funds and the relevant taxes shall be recognized in current profit and loss.

For group of aging, the rate of provision for bad and doubtful debts in ageing analysis method is as follows:

<u>Aging</u>	<u>Percentage of provision for accounts receivable %</u>	<u>Percentage of provision for other receivables %</u>
Within 1 year	0-5.	0-5-
1-2 years	5-10.	5-10
2-3 years	15-30	15-30
3-4 years	25-50	25-50
4-5 years	50-80	50-80
Over 5 years	100	100

When one of the following conditions occurs, according to the prescribed procedures approved recognized account receivable as bad debts, write off provision for bad debts.

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A. debtor in accordance with the law declared bankrupt, revoked, obtains declaration of bankruptcy, proof of license cancellation or government's close down order file and other relevant information, after deducting the settlement of property settled part of the debtor, the remaining amount that cannot be received recognized as bad debts;

B. death of the debtor or in accordance with the law the debtor has been declared missing, death, the property or estate is insufficient to repay and there is no heir of the receivables, after obtain the relevant legal documents, charge the receivables to bad debts;

C. receivables that involved in litigation, entry into force people's court verdict, judge orders, ruled loss, or win the lawsuit but unable to perform and ruled to suspend enforcement, recognized as bad debts;

D. three years past due receivables, collection consultation records in accordance with the law, and be able to confirm that three years does not have any business contact, deduct the balance of various amounts of the debtor and the compensation of the persons responsible, recognized as bad debt;

E. three years past due receivables, the debtor in overseas and Hong Kong, Macao, Taiwan region, according to the law collection has not yet recovered, and in three years does not have any business contact, after receive the termination of receivable submissions issued by outside agency or proof that the debtor flee or bankruptcy from China's embassies (consulate) business institutions, recognized as bad debt;

F. over an extended period of time, the debtor do not pay the due debts, and there is sufficient evidence states that the receivable cannot be recovered or possibility to recover the receivable is rare.

(11). Inventories

1). Classification of inventory

Inventories comprise mainly raw material, consigned processing materials, work-in progress, and low-value consumables, revolving materials, engineering construction, packing materials, finished goods, goods on installment sales and delivered goods etc.

2) Measurement of inventories issued from storage

The inventories are counted with a perpetual inventory system. Inventories were recorded at actual cost when acquired. Raw material, finished goods and etc. goods shipped in transit use the weighted average pricing method when issued. The low value consumables are amortized using one-off written off method when using. And packing materials for revolving included in the cost timely according to the expected frequency of use.

3) Provision for decline in value of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. The Company usually recognizes inventory falling price reserves individually, at the balance sheet date, if the circumstances that previously caused inventories to be written down no longer exist which results in the net realizable value being higher than the carrying amount, the amount of the write-down is reversed in income statement. The reversal is limited to the amount originally provided for the decline in value of inventories.

4) Measurement of net realizable value

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to completion, estimated costs necessary to make the sale and the related tax. The confirmation of the net realizable value should be based on the solid evidence acquired, meanwhile considering the purpose of holding inventory and influence of the events after the balance sheet.

(12). Long-term equity investments

Long-term equity investment of the Company includes equity investment that implemented control or significant influence over the investee, as well as investment in joint ventures. The investee in which the Company can exert crucial influence was the Company's joint venture.

1) Initial measurement of long-term equity investments

For a long-term equity investment acquired through a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment is the absorbing party's share of the carrying amount of the owners' equity of the party being absorbed at the date of combination; for a long-term equity investment acquired through a business combination involving enterprises not under common control, the initial investment cost of the long-term equity investment is the merge cost. Business combination not under common control through multiple transactions by step implementation, the cost of the long-term equity investment is the sum of book value of the equity investment of acquiree held before the purchased date and the new investment cost of purchased date.

For a long-term equity investment acquired through other ways rather than a business combination: long-term equity acquired by cash paid, the initial investment cost is the actual payment; long-term equity acquired by the issuing of equity securities, the initial investment cost is the fair value of the equity securities.

2) Subsequent measurement of long-term equity investment

Where the Company can exercise joint control over the investee, a long-term equity investment is accounted for using the cost method and a long-term equity investment is accounted for using the equity method for associated enterprises and joint ventures.

For long-term equity investments accounted for in the cost method, except for payments made actually from the investments or cash dividends or profits contained in the consideration which have been declared but not yet paid, the cash dividends or profits which have been declared distribution by investees are recognized and recorded in the current profit or loss as investment gains.

Under the equity method, if the initial cost of a long-term equity investment is greater than the investor's attributable share of the fair values of the net identifiable assets of the investee enterprise at the acquisition date, no adjustment is made to the initial investment cost. If the initial cost of a long-term equity investment is less than the investor's attributable share of the fair value of the net identifiable assets of the investee enterprise at the acquisition date, the difference is charged to profit or loss for the current period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, investment income and other comprehensive income recognized separately in accordance with shares of realized net profit and other comprehensive income enjoyed or shared in the investee, at the same time, adjusting the book value of the long-term equity investment; reducing the book value of the long-term equity investment correspondingly computing part of enjoyed in accordance with the investee declared to distribute profits or cash dividends; other equity changes in the investee other than net profit or loss, other comprehensive income and distribution of interest, adjusting the book value of long-term equity investment and recognized in owner's equity. When confirming the shares of net profit or loss enjoyed in investee, based on the fair value of the identifiable assets in investee, and confirm after adjusting the net profit in the investee in accordance with the Company's accounting policy and accounting period.

Exerting important impact on investee or implementing common control rather than control due to additional investment and other reasons, the initial investment cost as changed into equity accounting recognized in accordance with the original held shares of the investment fair value plus the additional cost of the investment. The original held equity investment classified as available for sale financial assets, the balance between the fair value and the book value, as well as the accumulated fair value changes originally recognized in other

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comprehensive income should be transferred current profit or loss under the equity method.

The part of profits or losses arising from internal transactions between the Company and an associate or joint venture that is attributable to the Company according to its share proportion in the investee enterprise should be eliminated, and on this basis the investment gains or losses should be recognized. The unrealized internal trading loss happened between the Company and investee not be offset if it belongs to the impairment loss of transferred assets.

For the long-term equity investments held on associates and joint ventures before January 1, 2007, if debit balance of equity investment associated with the investment exists, the investment gains or losses should be recognized after the deduction of equity investment that is amortized according to the remaining term straight-line method.

(If accounting policy option has been used, following disclosure should be added:

Among the Company's long-term equity investment on associated enterprises and joint ventures, the investments that are made through risk investment institution, mutual fund, trust company or investment-linked insurance funds etc, should be measured at fair value through profit or loss.)

3) Basis for recognition of joint control or significant impact on investees

The term "joint control" refers to the Company held the rights in investee and enjoys the changeable return through the participation relevant activities in the investee and has the ability to use the investee's rights to influence the return amount. Subsidiary refers to controlled by the Company (including enterprise, separable parts in investee and structuring bodies controlled by the enterprise, etc.).

The term "joint control" refers to the relevant agreed sharing of control over an arrangement and the arranged relevant activities decided through the consensus agreement of participants who sharing the control. When determining whether there is a common control, firstly, determining whether all participants or participants combined collective control the arrangement, if the arrangement of related activities must be concerted action by all participants or group of participants, it is assumed that all participant or group of participants collectively control of the arrangements. Then, determining the decision of the arrangement of related activities of the decision must pass consensus agreement of the participating parties of the collective control of the arrangement. If there are two or more than two parties can collective control an arrangement, then, it wasn't a common control. When determining the existence of common control, enjoyed protective rights wasn't took into consideration.

Significant impact refers to the power of participating in making decisions for an enterprise's financial and operating policies, but unable to control or jointly with other parties to control formulation of these policies. When ascertaining whether or not it is able to control or have significant influences on an invested entity, an enterprise shall take into consideration the influence of the investor held the vote share in the investee directly or indirectly and others held the shares of current executable voting rights changed into the investee's shares, including the investee issued current convertible warrants, stock options and convertible corporate bonds.

If the Company holds more than 20% (including 20%) but lower than 50% of ownership interest but does not exercise significant influence over an investee, and the equity investments are accounted for using the cost method, the reason why significant influence is not exercised should be specified. If the Company holds less than 20% (not including 20%) of ownership interest but exercise significant influence over an investee, and the equity investments are accounted for using the equity method, the reason why significant influence is exercised should be specified.

4) Disposal of long-term equity investment

When disposing of long-term equity investment, the difference between book value and the actual purchase price

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is recognized as profit or loss. For long-term equity investment accounted for using equity method, the portion of change in its appropriate interest in the investee entity that does not arise from the investee entity's net profit or loss, is recognized directly in the owners' equity. Upon disposal of that investment, the corresponding amount that was previously recognized directly in owners' equity shall be transferred to profit or loss.

Losing the joint control or significant influence of the invested unit due to disposal of the part equity investment etc., the residual equity after disposal shall be recognized in current profit or loss in accordance with the balance between the fair value on the date of losing joint control or significant influence and book value. Other comprehensive income for the original equity investment confirmed by equity method should adopt the same accounting treatment with the investee directly disposal relevant assets or liabilities when termination the accounting by equity method; the change of other owners' equity related to the original equity investment transferred into current profit and loss.

Losing the joint control of the invested unit due to disposal of the part equity investment etc., the residual equity which could exerting common control or important influence after disposal shall be recognized under equity method and adjusting the residual equity into equity method deemed it used to be; the residual equity which couldn't exerting common control or important influence after disposal shall be handled in accordance with the relevant regulations in Accounting Standard for Business Enterprises No. 22-The recognition and measurement of financial instruments, the fair value and book value on the date of loss control recognized in the current profit and loss.

5) Impairment testing method and impairment provision

Please refer to Note 4.20 for the impairment method of investment on subsidiaries, joint venture and associated enterprises.

The long-term equity investment of the investing enterprise that does not do joint control or does not have significant influences on the invested entity, and has no offer in the active market and its fair value cannot be reliably measured, the impairment method is detailed in Note 4.9. (6).

(13). Investment property

Investment property is property held to earn rentals or for capital appreciation or both, comprising a land use right that is leased out, a land use right held for transfer upon capital appreciation and a building that is leased out.

An investment property is initially measured at cost, and for an investment property the Company adopts the depreciation or amortization policy consistent with that applicable to buildings or land use right.

As for the investment property adopting cost mode as subsequent measurement, the impairment method is detailed in Note 4.20.

The difference between disposal consideration from sale, transferred, retirement or disposal of investment property and book value plus relevant tax of the investment property should be included into the profit or loss of the current period.

(14). Fixed assets and accumulated depreciation

1) Recognition of fixed assets

Fixed assets refer to tangible assets that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and have a useful life of more than one year.

An item of fixed asset should be recognized if, and only if:

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- A. it is probable that future economic benefits associated with the asset will flow to the Company, and
 B. the cost of the asset can be measured reliably

Fixed assets are initially measured at actual costs of acquisition.

2) Classification of fixed assets and its policies of amortization

Depreciation of fixed assets is charged based on the straight-line method. The depreciation accounting starts when the fixed assets are ready for expected condition for use; and ends when the recognition is terminated or it is categorized as non-current assets held for sale. Without taking into account impairment provision the annual depreciation rates are determined as follows for each category of fixed assets based on their category, expected useful life and estimated residual value. The company confirms the depreciation rate of fixed assets as follows:

<u>Category</u>	<u>Useful lives (years)</u>	<u>Residual percentage%</u>	<u>Annual depreciation rates</u>
Housing and buildings	8-50	3.00-5.00	12.13-1.90
Machineries	10-15	3.00-5.00	9.70-6.33
Transportation equipments	5-10	3.00-5.00	19.40-9.50
Others	5-10	3.00-5.00	19.40-9.50
Mould	Depreciation made based on straight-line method or units-of-production	3.00	-

When impairment provision has been made for a fixed asset its depreciation rate should be calculated after deducting the accumulated amount of impairment provision.

3) Fixed assets impairment test and impairment provision method are described in Note 4.20.

4) Fixed assets under finance lease

Where a leased fixed asset satisfies one or more of the following criteria, it shall be recognized as a finance lease:

- A. The ownership of the leased asset is transferred to the lessee when the term of lease expires;
 B. The lessee has the option to buy the leased asset at a price which is expected to be far lower than the fair value of the leased asset at the date when the option becomes exercisable. Thus, on the lease beginning date, it can be reasonably determined that the option will be exercised;
 C. Even if the ownership of the asset is not transferred, the lease term covers the major part of the use life of the leased asset;
 D. In the case of the lessee, the present value of the minimum lease payments on the lease beginning date amounts to substantially all of the fair value of the leased asset on the lease beginning date; in the case of the lessor, the present value of the minimum lease receipts on the lease beginning date amounts to substantially all of the fair value of the leased asset on the lease beginning date;
 E. The leased assets are of a specialized nature that only the lessee can use them without making major modifications.

On the lease beginning date, the Company shall record the lower one of the fair value of the leased asset and the

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present value of the minimum lease payments on the lease beginning date as the entering value in an account, recognize the amount of the minimum lease payments as the entering value in an account of long-term account payable, and treat the balance between the recorded amount of the leased asset and the long-term account payable as unrecognized financing charges. The initial direct costs such as commissions, attorney's fees and traveling expenses, stamp duties directly attributable to the leased item incurred during the process of lease negotiating and signing the leasing agreement shall be recorded in the asset value of the current period. The unrealized financing income shall be allocated to each period during the lease term and the lessor shall calculate the financing income at the current period by adopting the effective interest rate method.

The depreciation method of the finance leased fixed assets is the same with the Company's own fixed assets. If it is reasonable to be certain that the Company will obtain the ownership of the leased asset when the lease term expires, the leased asset shall be fully depreciated over its useful life. If it is not, the leased asset shall be fully depreciated over the shorter one of the lease term or its useful life.

5) At each financial year-end the Company reviews the useful lives, estimated net residual value and depreciation methods for fixed assets.

The useful life of a fixed asset should be adjusted if expectations differ from previous estimates. The estimated net residual value should be adjusted if expectations differ from previous estimates.

6) Overhaul expenditure

Overhaul expenditure incurred during regular inspection of fixed assets should be recognized in the carrying amount of the asset when there is clear evidence that it meets the recognition principle requirements of fixed assets. Expenditure that does not meet the recognition principle should be recognized in profit or loss for the current period. Depreciation of fixed assets should also be charged during the interval of regular overhaul.

(15). Construction in Process

The cost of construction in progress should be determined at the actual expenditures incurred for the construction including all construction expenditures necessarily incurred during the construction period, borrowing costs that should be capitalized before the construction reaches its expected usable conditions and other related expenses.

Construction in progress should be transferred to fixed assets when it reaches its expected usable conditions.

Construction in progress impairment provision methods are described in Note 4.20.

(16). Borrowing costs

1) Capitalization of borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset should be capitalized as part of the cost of the asset. Other borrowing costs should be recognized as an expense in the period in which they are incurred. Borrowing costs should be capitalized only if all of the three conditions are satisfied.

A. Expenditures for the asset are being incurred, including expenditures incurred in the form of cash disbursement, transfer of non-monetary assets or assuming interest-bearing liabilities for acquisition, construction or production of a qualifying asset;

B. Borrowing costs are being incurred; and

C. Acquisition, construction and production activities necessary to prepare the asset for its intended use or sale have commenced.

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2) Capitalization periods of borrowing costs

Capitalization of borrowing costs should cease when the qualifying asset being acquired, constructed or produced has reached its expected usable or sellable conditions. Borrowing costs incurred after the qualifying asset reaches its expected usable or sellable conditions should be recognized as an expense in the period in which they are incurred.

Capitalization of borrowing costs should be suspended when the acquisition, construction or production of a qualifying asset is abnormally interrupted for a consecutive period of more than three months. Capitalization of borrowing costs should continue if the interruption is regarded as normal.

(17). Intangible assets

Intangible assets of the Company include land use rights, intellectual property rights, patents, softwares, non-patent techniques and customer relations etc.

Intangible assets are initially measured at cost. The Company should assess whether the useful life of an intangible asset is finite or indefinite upon acquisition of the asset. An intangible asset with a finite useful life should be amortized over its estimated useful life using an amortization method that can reflect the expected consumption pattern of the economic benefits associated with the asset, commencing from the time when the intangible asset is available for use. When the expected consumption pattern cannot be determined reliably the asset should be amortized based on a straight-line method. An intangible asset with an indefinite useful life should not be amortized.

The amortization of intangible assets with limited useful life:

<u>Category</u>	<u>Useful life(year)</u>	<u>Method</u>	<u>Note</u>
Land use rights	50	Straight-line method	-
software	5	Straight-line method	-

At each financial year-end the Company reviews the useful lives of intangible assets with finite useful lives and the amortization methods thereof. The useful lives and amortization methods should be changed accordingly if expectations differ from previous estimates and the change should be accounted for as a change in an accounting estimate.

If at period end an intangible asset is no longer expected to be able to generate any future economic benefits that flow to the Company the carrying amount of the intangible asset should be charged completely to profit or loss for the period.

Impairment methods for intangible assets are stated in Note 4.20.

(18). Research and development expenses

Expenditure on internal research and development projects should be distinguished into expenditure on the research phase and expenditure on the development phase.

Expenditure on the research phase should be recognized as an expense when it is incurred.

Expenditure on the development phase is capitalized only if it meets all of the following criteria.

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A. Technical feasibility - it is technically feasible to complete the intangible asset so that it will be available for use or sale;

B. Intention to complete - the Company has the intention to complete the intangible asset to use or sell it;

C. Market feasibility - how the intangible asset will generate future economic benefits. It can be demonstrated that there is a market for the output of the intangible asset or the intangible asset itself. If the intangible asset is to be used internally the usefulness of the intangible asset can be demonstrated;

D. Financial feasibility – Adequate technical, financial or other resources are available to complete the development of the intangible asset, and the Company has the ability to use or sell the intangible asset; and

E. Expenditure reliably measured – the expenditure attributable to the intangible asset during the development phase can be measured reliably.

Development expenditure that cannot meet the above criteria should be recognized as expenses for the current period.

The project of the Company can only step into the development phase when the above criteria have been satisfied, and the project has been established after the technical and financial feasibility study.

Expenses on development phase that have been capitalized are presented as R&D expense at the balance sheet, and should be transferred into intangible assets when the project has reached its expected state.

(19). Amortization of long-term prepaid expense

The long-term prepaid expenses of the Company include the improvement expense, lease fees, remodeling fees and land use charges and etc.

Long-term prepaid expenses of the Company is recorded at actual cost and amortized evenly over their expected beneficial periods. For long-term prepaid expenses that cannot bring benefit to the Company in the subsequent accounting periods the amortized value of the expenses should be charged completely to profits and losses for current period.

(20). Impairment of assets

Long-term equity investment of subsidiaries, associates and joint-ventures of the Company, investment properties, fixed assets, construction in progress, intangible assets, goodwill, (besides the inventories, deferred tax assets and financial assets), should be determined according to the following.

At each balance sheet date the Company should assess whether there is any indication that an asset may be impaired. If any such indication exists the Company should carry out an impairment test and estimate the recoverable amount of the asset. For goodwill acquired in a business combination or an intangible asset with an indefinite useful life, assessment for impairment should be done annual, even if there is no indication of impairment.

The recoverable amount should be measured as the higher of an asset's net amount of fair value less costs of disposal and present value of the expected future cash flows. The recoverable amount should be estimated for an individual asset. When it is difficult to estimate the recoverable amount for the individual asset, the recoverable amount should be determined for a cash-generating unit to which the asset belongs. The identification of a cash-generating unit is determined by whether principal cash inflows from an asset or group of assets are independent of the cash inflows from other assets or group of assets.

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When the recoverable amount of an asset or a cash-generating unit is less than its carrying amount, the carrying amount of the asset or unit should be reduced to its recoverable amount. The amount of reduction should be recognized in profit or loss for the period and provision for impairment of assets should be made accordingly.

For the purpose of impairment testing for goodwill, the carrying amount of goodwill acquired in a business combination should, from the acquisition date, be allocated on a reasonable basis to each of the related cash-generating units. When it is not possible to do so the carrying amount of goodwill should be allocated to the related groups of units. Related units or groups of units are those that are expected to benefit from the synergies of the combination and should not be larger than a reporting segment determined by the Company.

In respect of testing cash-generating units with goodwill for impairment, when goodwill relates to a cash-generating unit but has not been allocated to that unit, the unit should be tested for impairment, whenever there is an indication that the unit may be impaired, by comparing the unit's carrying amount, excluding any goodwill, with its recoverable amount. A cash-generating unit to which goodwill has been allocated should be tested for impairment by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. If the recoverable amount of the unit is lower than the carrying amount of the unit, the impairment loss should be recognized.

Once impairment loss is recognized for an asset it should not be reversed in subsequent accounting periods.

(21). Employee compensation

1) Range of employee benefits

Employee benefits are an enterprise in exchange for services rendered by employees or labor relations given various forms of remuneration or compensation. Employee benefits include short-term remuneration, service benefits, termination benefits and other long-term employee benefits. It also includes the welfare provide by enterprises to the workers spouse, children, dependents, survivors of deceased employees and other beneficiaries.

In the accounting period of the Group for employee services, the actual wages, bonuses, medical insurance for workers according to the provisions of the benchmarks and the ratio, work injury insurance and maternity insurance and other social insurance and housing fund are recognized as liabilities and recognized in profit or loss or assets associated costs. If the debt is expected to cannot be fully paid after the end of the annual reporting period in which employee provide related services within twelve months, and the financial impact is significant, the liabilities will be measured as amount of discount.

2) Post-employment benefits

Post-employment benefit plans including defined contribution plans and defined benefit plans. Among them, a defined contribution plan is a severance benefits plan after independent fund to deposit a fixed fee which companies no longer assume further obligation to pay; defined benefit plans, are the post-employment benefit plans in addition to defined contribution plans.

Defined contribution plan

Defined contribution plans include basic old-age insurance and unemployment insurance and corporation pension plan (if any) etc.

In the accounting period for employee services, the amount should deposit recognized as a liability in accordance with defined contribution plan, and recognized in profit or loss or assets associated costs.

Defined benefit plans

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For defined benefit plans, actuarial valuation shall be made by independent actuaries at annual balance sheet date to determine provided welfare costs through anticipated cumulative unit credit method. The Group's defined benefit plan costs resulting from employee benefits include the following:

A. service costs include current service costs, past service costs and settlement gains or losses. Among them, the current service cost is increase amount of the present value of benefit plan obligations caused by current services workers provide; the service costs in the past refers to the current value increase or reduced due to the defined benefit plans' modification.

B. the net defined benefit plan liabilities or the interest of net assets, including interest income of plan assets, interest expense of defined benefit plan and the interest impacted by asset limit.

C. Re-measured changes generated the net liabilities or the net assets of defined benefit plans

Unless otherwise required or permitted by accounting standards for employee benefits costs included in the cost of assets, the Group A and B the first item in profit or loss; C first item recognized in other comprehensive income to profit or loss and will not be reversed in a subsequent accounting period, but You can transfer these amounts recognized in other comprehensive income in the equity range.

3) Termination benefits

When the Group provides benefits termination benefits to workers, the employee benefits liabilities generated by termination benefits shall be recognized on the earlier date of the following, and recognized in profit or loss: A The Group cannot unilaterally withdraw from the termination benefits due to termination of employment or layoff proposal provided; B When the Group recognizes costs or expenses related to the payment of termination benefits and restructuring.

The implementation of early retirement schemes are termination benefits before the official retirement date of financial compensation. During the stop providing services to normal retirement date, retired workers' wages and social insurance paid recognized in profit and loss. Financial compensation (such as old-age pensions) after the official retirement date disposes according to post-employment benefits.

4) Other long-term benefits

If other long-term employee benefits provided for employees by the Company conformed to defined contribution plans, they are disposed in accordance with the relevant provisions of the above defined contribution plans. If they conformed to defined benefit plans, they are disposed in accordance with the relevant provisions of the above defined benefit plans, but "Re-measured changes generated the net liabilities or the net assets of defined benefit plans" related payroll costs recognized in profit or loss or assets associated costs.

(22). Share-based payment

1) Classification of share-based payment

A share-based payment is classified as either an equity-settled share-based payment or a cash-settled share-based payment.

2) Determining the fair value of equity instruments granted

The existence of price quotations in an active market should be used to determine the fair value of an equity instrument granted. If there is no active market for an equity instrument granted, the Company should use the

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option pricing model to determine the fair value of the equity instrument. Choice of option pricing model considers the following factors: A. the exercise price of the option; B. the validity of the option; C. the current price of the underlying shares; D. expected stock price volatility; E. expected dividend shares; F. Risk-free interest rate of options within the validity period.

3) Basis for determining the best estimate of the number of equity instruments expected to vest

On each balance sheet date during the vesting period, the best estimate should be made by the Company based on the updated numbers of employees who are eligible to exercise and other subsequent information, and the number of exercisable equity instrument should be adjusted accordingly. At the vesting date, the estimate number should be equal to the number of equity instruments that are eventually exercised.

4) Accounting treatment of implementation, modification, termination of the share-based payment schemes

The equity-settled share-based payment in return for employee services shall be measured at the fair value of the equity instruments granted to the employees. As to an equity-settled share-based payment in return for services of employees, if the right may be exercised immediately after the grant, the fair value of the equity instruments shall, on the date of the grant, be included in the relevant cost or expense and the capital reserves shall be increased accordingly. As to a equity-settled share-based payment in return for employee services, if the right cannot be exercised until the vesting period comes to an end or until the prescribed performance conditions are met, then on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the number of vested equity instruments, be included in the relevant costs or expenses and the capital reserves at the fair value of the equities instruments on the date of the grant. The Company shall, after the vesting date, make no adjustment to the relevant costs or expenses as well as the total amount of the owner's equities which have been confirmed.

A cash-settled share-based payment shall be measured in accordance with the fair value of liability calculated and confirmed based on the shares or other equity instruments undertaken by the Company. As to a cash-settled share-based payment instruments, if the right may be exercised immediately after the grant, the fair value of the liability undertaken by the enterprise shall, on the date of the grant, be included in the relevant costs or expenses, and the liabilities shall be increased accordingly. As to a cash-settled share-based payment, if the right may not be exercised until the vesting period comes to an end or until the specified performance conditions are met, on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the information about the exercisable right, be included in the relevant costs or expenses and the corresponding liabilities at the fair value of the liability undertaken by the enterprise. The Company shall, on each balance sheet date and on each account date prior to the settlement of the relevant liabilities, re-measure the fair values of the liabilities and include the changes in the current profits and losses.

While the Company modified share-based payment plans, if it increased the fair value of the equity instruments granted, recognized for increase in services received according to the increase in the fair value of the equity instruments. If the modification increases the number of equity instruments granted, the increase in the fair value of the equity instruments are recognized as the increase in services received. The increase in the fair value of the equity instruments means the the difference between the fair value before and after modification of equity instruments at the modification date. If the modification reduces total fair value of the share-based payment or using other methods which go against the employees to modify the terms and conditions of the share-based payment plans, the Company should continue to account for the services received, as if the modification had not occurred, unless the Company had cancelled some or all of the equity instruments granted.

In the waiting period, if the canceled equity instruments granted (except to be cancelled for not meeting the vesting conditions of the non-market conditions [for example: service term condition or non-market performance condition]), the Company should process the canceled equity instrument granted as an acceleration of vesting and recognized the amount to be affirmed in the remaining waiting period immediately in profit or loss and recognized the capital reserve. For the condition that the employees or other parties can choose to meet non-vesting conditions without met in the waiting period, the Company should used the cancellation process for

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equity instruments granted.

(23). Bonds payable

The Company conducts initial measurement of the issued bonds based on fair value net of related transaction costs, and subsequently measured at amortized cost using the effective interest method during the maturity date.

Interest expenses are directly recorded into current profit or loss, except in certain situation where they meet the requirements of borrowing expense costs capitalization.

(24). Foreseeable liabilities

An obligation related to a contingency is recognized as a provision when all of the following conditions are satisfied: (1) the obligation is a present obligation of the Company; (2) it is probable that an outflow of economic benefits will be required to settle the obligation; and (3) the amount of the obligation can be measured reliably.

The estimated debts shall be initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation, considering the risks, uncertainty, time value of money, and other factors pertinent to the contingencies. If the time value of money is of great significance, the best estimate shall be determined after discounting the relevant future outflow of cash. The Company should check the book value of the estimated debts on the balance sheet date. If there is any exact evidence indicating that the book value cannot really reflect the current best estimate, the Company shall adjust the book value in accordance with the current best estimate.

Where all or some of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement does not exceed the carrying amount of the provision.

(25). Revenue recognition

1) Sale of goods

Revenue from the sale of goods should be recognized when all the following conditions have been satisfied:

- A. the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- B. the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- C. Related payments are received or supporting documents for cash collection exist; and
- D. The costs incurred or to be incurred in respect of the transaction can be measured reliably.

2) Rendering of services

When the outcome of a transaction involving the rendering of service can be estimated reliably the service revenue should be recognized based on a percentage-of-completion method at the balance sheet date.

The Company ascertains the schedule of completion under the transaction concerning the providing of labor services by calculating the proportion of the costs incurred against the estimated total costs.

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The outcome of a transaction concerning the providing of labor services can be measured in a reliable way, means that the following conditions shall be met simultaneously:

- A. The amount of revenue can be measured in a reliable way;
- B. The relevant economic benefits are likely to flow into the enterprise;
- C. The schedule of completion under the transaction can be confirmed in a reliable way;
- D. The costs incurred or to be incurred in the transaction can be measured in a reliable way.

If the Company can not, on the date of the balance sheet, measure the result of a transaction concerning the providing of labor services in a reliable way, it shall be conducted in accordance with the following circumstances, respectively: A. If the cost of labor services incurred is expected to be compensated, the revenue from the providing of labor services shall be recognized in accordance with the amount of the cost of labor services incurred, and the cost of labor services shall be carried forward at the same amount; B. If the cost of labor services incurred is not expected to compensate, the cost incurred should be included in the current profits and losses, and no revenue from the providing of labor services may be recognized.

3) Transfer of assets ownership

Revenue from use by others of enterprise assets should be recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be measured reliably.

(26). Government grant

A government grant is recognized when the Company complies with the conditions attaching to the grant and when the Company is able to receive the grant.

If a government grant is in the form of a transfer of a monetary asset, the item is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, the item is measured at fair value. If fair value is not reliably determinable, the item is measured at a nominal amount of RMB 1 Yuan.

A government grant related to an asset is recognized as deferred income, and evenly amortized to profit or loss over the useful life of the related asset. For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized; if the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the current period.

If it is necessary to refund any government subsidy which has been recognized, and if there is the deferred income concerned, the book balance of the deferred income shall be offset against, but the excessive part shall be included in the current profits and losses. And if there is no deferred income concerned to the government subsidy, it shall be directly included in the current profits and losses.

(27). Deferred income tax assets and deferred income tax liabilities

Income taxes include current income tax and deferred income tax. Income taxes should be recognized as income tax expenses in profit or loss for current period except for deferred income tax associated with goodwill arising from business combination, or transactions or events that are directly recognized in owners' equity, which should be recorded under owners' equity.

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A deferred income tax asset or liability is recognized based on the temporary differences between the carrying amount of an asset or a liability at the balance sheet date and its tax basis using the balance sheet liability method.

A deferred income tax liability should be recognized for all taxable temporary differences, except to the extent that the deferred income tax liability arises from the following transactions:

- 1) The initial recognition of goodwill; or the initial recognition of an asset or liability in a transaction that has both of the following characteristics: the transaction is not a business combination; and at the time of the transaction, it neither affects the accounting profit nor taxable profit.
- 2) A deferred income tax liability should be recognized for all taxable temporary differences arising from the investments in subsidiaries, joint ventures and associates, except to the extent that both of the following conditions are satisfied:
 - A. the Company is able to control the timing of the reversal of the temporary differences; and
 - B. it is probable that the temporary difference will not reverse in the foreseeable future.

In respect of deductible temporary differences, the carry-forward of deductible losses and tax deductions, the Company should recognize deferred tax assets to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, the deductible losses and tax deductions can be utilized, unless the deductible temporary differences arises from the following transactions.

- A. The transaction is not business combination and at the time of the transaction, it neither affects accounting profit nor taxable profit.
- B. Deferred tax assets should be recognized for all deductible temporary differences associated with investments in subsidiaries, joint ventures and associates if all of the following conditions are satisfied: it is probable that the deductible temporary difference will reverse in the foreseeable future and it is probable that taxable profit in the future will be available against which the deductible temporary difference can be utilized.

At the balance sheet date deferred income tax assets and liabilities should be measured at tax rates expected to be applied to the period when the asset is recovered or the liability is settled and the measurement of deferred income tax assets and liabilities should reflect the tax consequences that would follow from the manner in which the Company expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

At the balance sheet date, the Company shall exam the carrying amount of the deferred tax assets. If it is very likely that the Company will not obtain sufficient taxable income to offset the benefits of the deferred income tax assets in the following periods, the Company shall deduce the book amount of the deferred income tax assets. And the deduction should be reversed when sufficient taxable income is likely to be gained.

(28). Leases

1) Classification of leases

A finance lease is a lease that transfers in substance all the risks and rewards incident to ownership of an asset. An operating lease is a lease other than a finance lease.

A lease meets one or more of the following criteria should be recognized as a finance lease:

- a) ownership of the asset is transferred to the lessee at the end of the lease term;
- b) the lease contains a bargain purchase option to buy the equipment at less than fair market value;
- c) the lease term is for the major part of the economic life of the asset even if little is not transferred;
- d) at the inception of the lease, the lease present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;
- e) the leased assets are of a specialized nature such that only the lessee can use them without major

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modifications being made.

2) The Company as lessee under operating lease

Lease payments under an operating lease are recognized by a lessee on a straight-line basis over the lease term, and either included in the cost of the related asset or charged to profit or loss for the current period.

The initial direct costs of the company charged to profit or loss for the current period.

The contingent rents shall be recorded in the profit or loss of the period in which they actually arise.

3) The Company as lessee under finance lease

For an asset that is held under a finance lease, at the lease commencement, the leased asset is recorded at the lower of its fair value at the lease commencement and the present value of the minimum lease payments, and the minimum lease payment is recorded as the carrying amount of the long-term payables; the difference between the recorded amount of the leased asset and the recorded amount of the payable is accounted for as unrecognized finance charge.

Initial direct costs incurred by the lessee during the process of negotiating and securing the lease agreement, for example commissions, attorney's fees and traveling expenses, stamp duties directly attributable to the leased item shall be added to the amount recognized for the leased asset.

Unrecognized finance charge shall be computed by the effective interest method during the lease term.

In calculating the depreciation of a leased asset, the lessee should adopt a depreciation policy for leased assets consistent with that for depreciable assets which are owned by the lessee. If it is reasonable to be certain that the lessee will obtain the ownership of the leased asset when the lease term expires, the leased asset shall be fully depreciated over its useful life. If it is not reasonable to be certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter one of the lease term or its useful life.

Contingent rent shall be booked into profit or loss when actually incurred.

4) The Company as leaser under operating lease

For operating lease, the rents from operating leases shall be recorded in the profits and losses of the current period by using the straight-line method over each period of the lease term.

For large amount of initial direct costs incurred, they shall be capitalized and be distributed within the same basic period as the recognized lease income period; for smaller amounts of initial direct costs, they shall be accounted in the current profit or loss when incurring.

Contingent rents are credited to profit or loss in the period in which they actually arise.

Assets leased out under operating leases included in the balance sheet items according to the nature. The depreciation of fixed assets under operating leases is accordance with the depreciation policies on the similar assets of The Company; if another basis is more systematic and rational, that basis may be used.

(29). Held for sale and termination of the operation

The non-current assets (not including financial assets and deferred income tax assets) or disposal group that meet the following conditions shall be classified as held for sale: a. the non-current assets or disposal group

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should be available for sale immediately in current condition in accordance with consuetudinary terms of selling this kind of non-current assets or disposal group merely; b. The Company has made a resolution on disposing of the non-current assets, if this should be approved by the shareholders according to the regulation, the approval should be made by stockholders' meeting or corresponding authority; c. The Company has signed an irrevocable transfer agreement with the recipient; and d. The transfer will be accomplished within one year

The non-current assets held for sale include individual assets and disposal groups, and a disposal group includes goodwill etc.

Non-current assets or disposal groups that are classified as held for sale shall not be depreciated or amortized. The Company shall measure a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell and present in "classified as held for sale assets. The liabilities in disposal group of held for sale present in "classified as held for sale liabilities".

If an asset or disposal group classified as held for sale no longer meets the recognition criteria thereof, the Company shall cease to classify the asset (or disposal group) as held for sale. The Company shall measure a non-current asset that ceases to be classified as held for sale (or ceases to be included in a disposal group classified as held for sale) at the lower of:

- A. Its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset (or disposal group) not been classified as held for sale, and
- B. Its recoverable amount at the date of the subsequent decision not to sell.

Termination of operations refers to the part that has been disposed by the enterprise or reclassified as held for sale by the enterprise which can be distinguished separately during operation or in the preparation of financial statements, and that meets one of the following conditions.

- (1) The part presents an independent primary business or a main operation region.
 - (2) The part is a part of the disposal plan of an independent primary business or a main operation region.
 - (3) The part is a subsidiary acquired for resold only.
- (30). Measurement of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company's related assets or liabilities are measured at fair value. A fair value measurement assumes that the orderly transaction to sell the asset or transfer the liability occurs in the principal market for the related asset or liability or, in the absence of a principal market, the most advantageous market for the related asset or liability. The principal market (or the most advantageous market) is the trading market that the Company can enter at the measurement date. The fair value of the Company's asset or liability shall be determined based on the assumptions that market participants would use in pricing the asset or liability to maximize the economic benefits.

Fair value is the amount at which the asset could be bought or sold in a current transaction between willing parties, or transferred to an equivalent party, other than in a liquidation sale. When there is no active market for a financial instrument its fair value should be determined by the Company using valuation techniques.

The fair value measurement of non-financial assets considers the highest and best use of the asset by market participants or the assets are sold to other market participants who have the ability to generate economic benefits.

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The Company adopts the valuation technique that is suitable for the current situation and there is enough data and other information to support. The priority is the observable inputs. If there are no observable inputs, the Company uses unobservable inputs.

Assets and liabilities measured or disclosures at financial statements are determined the fair value level based on the lowest level input that is significant to the measurement in its entirety. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

The Company should re-evaluate the asset and liabilities measured at fair value continuously on the balance sheet date to determine whether the level is changed.

5. CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERROR CORRECTION

(1). Accounting Policies Changes

From Jan-July 2014, the Ministry of Finance promulgated *Enterprise Accounting Standards No.39 – Fair Value Measurement* (hereinafter Accounting Standards No.39), *Accounting Standards No.40 - Joint Venture Arrangements* (hereinafter Accounting Standards No.40), *Accounting Standards No.41 - Disclosure of Interests in Other Entities* (hereinafter Accounting Standards No.41) and revised *Accounting Standards No.2 - Long-term Equity Investment* (hereinafter Accounting Standards No.2), *Accounting Standards No.9 - Employee Benefits* (hereinafter Accounting Standards No.9), *Accounting Standards No.33 - Consolidated Financial Statements* (hereinafter Accounting Standards No.33), and *Accounting Standards No.37 - Financial Instruments* (hereinafter Accounting Standards No.37). In addition to *Accounting Standards No.37* used in the financial reports of 2014 and subsequent periods, the other standards above came into force (Effective date) from 1 July, 2014.

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<u>Content and reason of the changes in accounting policy</u>	<u>Item</u>	<u>Amount</u>
According to Accounting Standards No.2:		
A. Where the Company does not have joint control or significant influence over the investee, the investment is not quoted in an active market and its fair value cannot be reliably measured, the equity investment is accounted based on Accounting Standards No.2.	A. Available-for-sale financial assets	284,457,891.33
	B. Long-term equity investment	-284,457,891.33
B. When the investor sells business to joint ventures, the difference between the consideration acquired and the book value shall be fully recognized in current profit or loss. The Company adjusted the financial transaction of sold operation to joint ventures in 2012 and retrospectively adjusted the financial statements of 2012 and 2013. The Company applies retrospective adjustment for the above accounting policy changes.	A. Long-term equity investment	147,749,154.66
	B. Deferred income tax assets	-22,162,373.20
	C. Minority interests	84,231,054.33
	D. Non-operating income	-40,829,110.72
	E. Closing undistributed profit	54,800,753.29
	F. Minority interests	-27,384,084.56
According to Accounting Standards No.30:		
A. Other comprehensive income, deferred income in financial statements presented individually	A. Deferred income	2,757,991,353.62
	B. Other non-current liabilities	-2,757,991,353.62
B. The income statement of other consolidated revenue that will be reclassified into profit and loss and will not be reclassified into profit and loss in the future accounting periods are presented separately;	A. Capital reserve	-25,365,966.53
	B. Other comprehensive income	-63,934,204.15
In accordance with the Financial Statement Report Standard, financial items were re-classified in deferred income.	C. Foreign currency financial statements translation differences	89,300,170.68

(2). Accounting Estimates changes

None

(3). Error corrections of the prior period

Main reasons for the rectification of major errors in prior period:

- 1) Beijing Tractor Company, a subsidiary of the Company's subsidiary Beijing Xingdongfang Industry & Commerce Co., Ltd, in current year, found that there was less carried down amount of the cost of inventories

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of previous year, and the subsidiary Tibet Tianzhuo Dining Entertainment Co., Ltd. found potential losses on account of previous year. The Company made retroactive adjustment about above accounting errors in current year. The beginning undistributed profit was adjusted to decrease RMB 3,259,284.62 Yuan and beginning minority interests was adjusted to decrease RMB 1,234,583.41 Yuan of 2014.

- 2) The operating business of Wusheng Community Service Station of Hujialou Second Community Health Service Station Centers, Chaoyang District of Beijing, a subsidiary of the Company's subsidiary Beijing Automotive Assets Operation and Management Co., Ltd hasn't been included in consolidated financial statements initially. And the Company included the enterprise into consolidated financial statements on the basis of auditing and assessment. The beginning capital reserve was adjusted to increase RMB 3,258,435.06 Yuan, beginning undistributed profit was adjusted to increase RMB 3,056,677.32 Yuan and beginning minority interests was adjusted to increase RMB 2,144,375.53 Yuan of 2014.
- 3) Shandong Hayward Auto Parts Co., Ltd, a subsidiary of the Company's subsidiary Beijing Hainachuan Automotive Parts Co., Ltd. has withdrawn insufficient selling expenses in previous year and the subsidiary Hainachuan Hong Kong Investment Co., Ltd. corrected foreign currency exchange difference of previous year. The Company made retroactive adjustment about above accounting errors in current year. The beginning other comprehensive income was adjusted to decrease RMB 2,464,690.25 Yuan, beginning undistributed profit was adjusted to increase RMB 1,504,997.68 Yuan and beginning minority interests was adjusted to decrease RMB 4,199,835.25 Yuan of 2014.
- 4) The Company's subsidiary BAIC Motor Corporation., Ltd. found in current year that the interest of general loan was been capitalized appropriately. The Company made retroactive adjustment about above accounting errors in current year. The beginning undistributed profit was adjusted to increase RMB 149,749,838.62 Yuan and beginning minority interests was adjusted to increase RMB 137,375,817.76 Yuan of 2014.

(4). Accumulated impact on opening owners' equity

		<u>2014.01.01</u>			
<u>Items</u>		<u>Capital reserve</u>	<u>Other comprehensive income</u>	<u>Surplus reserve</u>	<u>Undistributed profit</u>
Balance before retrospective adjustment		2,743,380,676.29	-89,300,170.68	405,923,223.83	6,129,695,933.20
Retroactive adjustment of accounting policy	of	-25,365,966.53	25,365,966.53	-	41,355,727.13
Retroactive adjustment of accounting errors	of	3,258,435.06	-2,464,690.25	-	151,052,229.00
Balance after retrospective adjustment		2,721,273,144.82	-66,398,894.40	405,923,223.83	6,322,103,889.33

Continued:

		<u>2013.01.01</u>			
<u>Items</u>		<u>Capital reserve</u>	<u>Other comprehensive income</u>	<u>Surplus reserve</u>	<u>Undistributed profit</u>
Balance before retrospective adjustment		3,615,070,141.32	-104,651,000.62	186,379,136.33	4,419,036,563.54

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Retroactive adjustment of accounting policy	-	-	-	54,800,753.29
Retroactive adjustment of accounting errors	-	-	-	113,295,154.40
Balance after retrospective adjustment	3,615,070,141.32	-108,310,174.61	186,379,136.33	4,587,132,471.23

6. TAXATION

(1). Taxes and tax rates

<u>Taxes</u>	<u>Tax Basis</u>	<u>Tax Rates %</u>
VAT	Taxable income	3,6,13,17
Business tax	Taxable income	3,5
Consumption tax	Taxable income	3,5,9,12
Urban maintenance and construction tax	Subject to turnover tax	1,5,7
Education surcharge (including local education surcharge)	Subject to turnover tax	5
Enterprise income tax	Subject to turnover tax	25

(2). Preferential tax rates and approval documents

Beijing Automotive Research Institute Co., Ltd. was approved as a High-tech Enterprise by Beijing Municipal Science & Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation, and Beijing Local Taxation Bureau and obtained *High-tech Enterprise Certification* numbered GF201211000784. The certification was effective on July 9, 2012 with validity of 3 years. The Company's enterprise income tax rate for the period was 15%.

BAIC Motor Corporation., Ltd. obtained *High-tech Enterprise Certification* numbered GR201211000834 on December 13, 2012 with validity of 3 years issued by the four departments of Beijing Municipal Science & Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation, and Beijing Local Taxation Bureau. In accordance with relevant regulations in *Enterprise Income Tax Law of the People's Republic of China* No.28, the Company's enterprise income tax rate for 2014 was 15%.

Beijing Beinei Engine Parts Co., Ltd. (hereinafter "Beinei Parts"), a subsidiary of BAIC Motor Corporation., Ltd. obtained *High-tech Enterprise Certification* numbered GF201211000608 on July 9, 2012 with validity of 3 years issued by the four departments of Beijing Municipal Science & Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation, and Beijing Local Taxation Bureau. In accordance with relevant regulations in *Enterprise Income Tax Law of the People's Republic of China* No.28, the Company's enterprise income tax rate for 2014 was 15%.

Beijing Automotive Powertrain Co., Ltd. (hereinafter "Powertrain"), a subsidiary of BAIC Motor Corporation., Ltd. obtained *High-tech Enterprise Certification* numbered GR201311000367 on November 11, 2013 with validity of 3 years issued by the four departments of Beijing Municipal Science & Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation, and Beijing Local Taxation

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Bureau. In accordance with relevant regulations in *Enterprise Income Tax Law of the People's Republic of China* No.28, the Company's enterprise income tax rate for 2014 was 15%.

Beijing Foton Motor Co., Ltd. obtained *High-tech Enterprise Certification* and was recognized as a High-tech Enterprise numbered GR201211000929 on July 9, 2012 with validity of 3 years issued by the four departments of Beijing Municipal Science & Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation, and Beijing Local Taxation Bureau. In accordance with the national relevant preferential tax policy for high-tech enterprises, after been designated as a High-tech Enterprise, the Company's enterprise income tax rate was 15% for three years from 2012.

Shandong Weifang Foton Mould Co., Ltd, a subsidiary of Beijing Foton Motor Co., Ltd. obtained *High-tech Enterprise* numbered GF201237000228 on November 9, 2012. The Company's enterprise income tax rate was 15% for three years from 2012.

Changsha Foton Vehicle Technology Co., Ltd, a subsidiary of Beijing Foton Motor Co., Ltd. obtained *High-tech Enterprise* numbered GF201343000124 on November 20, 2013. The Company's enterprise income tax rate was 15% for three years from 2013.

Zhucheng Foton Motors Technology Development Co., Ltd, a subsidiary of Beijing Foton Motor Co., Ltd. obtained *High-tech Enterprise* numbered GR201437000018 on October 30, 2014. The Company's enterprise income tax rate was 15% for three years from 2014.

In accordance with the relevant regulations in *Enterprise Income Tax Law of the People's Republic of China* and the *Implementation Regulations of the PRC Enterprise Income Tax Law*, the research and development expenses of Beijing Foton Motor Co., Ltd, which incurred from developing new technique, new product and new process and was recognized in current profit or loss before forming into intangible assets, shall be deducted additional 50% of the research and development expenses based on the factual deduction; and would be amortized 150% of the cost of intangible assets if intangible assets has been formed.

Beijing Foton Motor Co., Ltd. enjoys the preferential of enterprise income tax reduction and exemption for the eligible technology transfer in accordance with relevant regulations in *Enterprise Income Tax Law of the People's Republic of China* and Guo Shui Han [2009] No.212 *Notice on Issues Concerning Technology Transfer Income Tax Deducting and Exempting Enterprise Income Tax*.

Beijing Beinei Equipment Tools Co., Ltd, a subsidiary of Beijing Automotive Assets Operation and Management Co., Ltd. was approved as a High-tech Enterprise number GR201211000379 on May 24, 2012 with validity of 3 years. Beijing Beinei Equipment Tools Co., Ltd. enjoys a preferential policy of High-tech income tax with income tax rate of 15% from January 1, 2012.

Beijing Beinei Diesel Engine Co., Ltd., a subsidiary of Beijing Automotive Assets Operation and Management Co., Ltd. was approved as a High-tech Enterprise numbered JR201211000922 on July 9, 2012 with validity of 3 years. Beijing Beinei Diesel Engine Co., Ltd. enjoys a preferential policy of High-tech income tax with income tax rate of 15% from January 1, 2012.

Beijing Automobile Industry Advanced Technical School is a fully-funded public institution and thereby was exempted from enterprise income tax; Beijing Fengtai District Xinghua Training School enjoys an enterprise income tax rate of 25%, but since the Company was categorized as Small & Low-profit company, the enterprise income tax applied was 20%.

Beijing Automobile Works Co., Ltd. enjoys value-added tax reimbursement for manufacturing and selling military products that meet the regulations of Cai Shui Zi [1994] No.011 and Guo Shui Fa [2003] No.104.

According to Cai Shui Zi [2011] No.110, the *Notice of issuing the Pilot Programme for Replacing Business Tax with VAT*, and Cai Shui Zi [2012] No.71, the *Notice Concerning Replacing Business Tax with VAT for Some Modern Service Industry in Beijing & Another Seven Provinces & Cities* by the Ministry of Finance & State Administration of Taxation, the modern services of the Company which was formerly subjected to business tax payable at the rate of 5% was changed to value-added tax payable at the rate of 6% since September 1, 2012.

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Beijing Agricultural Machinery Company, a subsidiary of Beijing Xingdongfang Industry & Commerce Co., Ltd. received the *Reply on Agricultural Production Exempted from VAT* issued by Beijing Fengtai State Administration of Taxation on March 2, 2006. Beijing Agricultural Machinery Company has been exempted from value-added tax from January 1, 2006. Therefore, the sale revenue of agricultural machinery products of the subsidiary which was accounted separately shall be exempted from value-added tax.

7. BUSINESS COMBINATION AND FINANCIAL STATEMENT CONSOLIDATION

(1) Subsidiaries included in the consolidation scope in current year

<u>Number</u>	<u>Names</u>	<u>Level</u>	<u>Company type</u>	<u>Registered place</u>	<u>Business nature</u>	<u>Paid-in capital</u>	<u>Investment share %</u>	<u>Voting right %</u>	<u>Investment account</u>	<u>Acquisition method</u>
1	Beijing Automotive Research Institute Co., Ltd	2	1	Beijing	R&D	11,120,000.00	51	51	5,670,000.00	1
2	Beijing Electric Vehicle Co., Ltd	2	1	Beijing	Manufacturing of new energy cars	2,000,000.00	60	60	1,164,963,859.42	1
3	Beijing Automotive Technology Center BAIC	2	1	Beijing	R&D	10,000,000.00	100	100	10,000,000.00	1
4	Motor Newspaper Co., Ltd	2	1	Beijing	Journalism	2,592,700.00	100	100	2,322,400.00	1
5	Beijing Automobile Industry Advanced Technical School	2	4	Beijing	Training technology talents etc.	615,978,411.86	100	100	-	4
6	Beijing Hainachuan Automotive Parts Co., Ltd	2	1	Beijing	Auto parts	2,468,084,979.15	60	60	1,480,850,980.15	1
7	Beijing Automotive Assets Operation and Management Co., Ltd	2	1	Beijing	Assets management	130,000,000.00	100	100	601,369,267.60	1

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<u>Number</u>	<u>Names</u>	<u>Level</u>	<u>Company type</u>	<u>Registered place</u>	<u>Business nature</u>	<u>Paid-in capital</u>	<u>Investment share %</u>	<u>Voting right %</u>	<u>Investment account</u>	<u>Acquisition method</u>
8	BAIC ROCAR Automobile Trading Co., Ltd	2	1	Beijing	Automobile service & trade	767,499,145.12	100	100	757,499,145.12	1
9	Beijing Automobile Industry Imp & Exp Corp	2	1	Beijing	Automobile service & trade	50,000,000.00	100	100	50,000,000.00	1
10	Beijing Foton Motor Co., Ltd	2	1	Beijing	Automanufacturing	2,809,671,600.00	33.584	33.584	2,605,996,351.52	1
11	Beijing Xingdongfang Industry & Commerce Co., Ltd	2	1	Beijing	Agricultural machinery manufacturing	151,637,625.97	100	100	336,422,937.68	4
12	Beijing Gear Works Co., Ltd	2	1	Beijing	Auto parts	130,000,000.00	100	100	130,000,000.00	1
13	BAIC Motor Corporation., Ltd	2	1	Beijing	Manufacturing and sales of automobiles	7,508,018,182.00	45.61	45.61	12,161,801,592.29	1
14	Beijing Beiqi Hengsheng Real Estate Co., Ltd	2	1	Beijing	Real estate development, property management	458,000,000.00	100	100	491,901,078.49	1
15	BAIC International Development Co., Ltd	2	1	Beijing	Trading & Industry Import & Export	324,000,000.00	100	100	324,000,000.00	1

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<u>Number</u>	<u>Names</u>	<u>Level</u>	<u>Company type</u>	<u>Registered place</u>	<u>Business nature</u>	<u>Paid-in capital</u>	<u>Investment share %</u>	<u>Voting right %</u>	<u>Investment account</u>	<u>Acquisition method</u>
16	BAIC ROCAR Automobile Service & Trade Co., Ltd	2	1	Beijing	Automobile service & trade	1,000,000.00	60	60	503,600,200.00	1
17	BAIC Education Investment Co., Ltd	2	1	Beijing	Project investment and investment management etc.	20,000,000.00	100	100	20,000,000.00	1
18	Beiqi Yunnan Ruili Automobile Co., Ltd	2	1	Yunnan	Entire vehicle manufacturing	50,500,000.00	70.3	70.3	40,000,000.00	1
19	Jingxi Changhe Automobile Co., Ltd	2	1	Jiangxi	Entire vehicle production	2,133,655.668.48	74.92	74.92	1,050,558,864.74	3
20	BAIC Group Finance Co., Ltd	2	2	Beijing	Operation of local and foreign currency business sales of general equipment, special equipment and transportation equipment	1,500,000.00	56	56	840,000,000.00	1
21	Beijing General Aviation Co., Ltd	2	1	Beijing	Project investment, assets management, investment	90,000,000.00	90	90	90,000,000.00	1
22	BAIC Group Industry Investment Co., Ltd	2	1	Beijing		200,000,000.00	100	100	240,131,953.52	1

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<u>Number</u>	<u>Names</u>	<u>Level</u>	<u>Company type</u>	<u>Registered place</u>	<u>Business nature</u>	<u>Paid-in capital</u>	<u>Investment share %</u>	<u>Voting right %</u>	<u>Investment account</u>	<u>Acquisition method</u>
23	Beijing Transportation Bus Manufacturing Factory	2	1	Beijing	ent management, investment consultation, business management Manufacturing and sales coach of Jington g brand Manufacturing and sales of automobiles	2,131,000.00	100	100	651,080.10	1
24	Beijing Automobile Works Co., Ltd	2	1	Beijing	Entire vehicle manufacturing	217,000,000.00	51	51	80,342,585.93	3
25	BAIC (Zhenjiang) Automotive Co., Ltd	2	1	Beijing	Sales of automobiles	60,000,000.00	85	85	51,000,000.00	1
26	Beijing Beiqi Off-road Vehicle Co. Ltd	2	1	Beijing		1,000,000.00	100	100	1,418,572,346.72	2

Note:

Business type: 1. Domestic non-financial subsidiary. 2. Domestic financial subsidiary. 3. Overseas subsidiary. 4. Public institutions. 5. Infrastructure Units;

Acquisition method: 1. Investment. 2. Business combination under the common control. 3. Business combination not under the common control. 4. Others.

(2) Reasons for that the parent company has less than half voting rights of the investees but can control the investees

<u>Number</u>	<u>Names</u>	<u>Investment share %</u>	<u>Voting right %</u>	<u>Registered capital</u>	<u>Investment account</u>	<u>Level</u>	<u>Reasons</u>
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1	Beijing Foton Motor Co., Ltd	33.58%	33.58%	2,809,671,600	2,626,294,500	2	The Company is a large shareholder, has actual the entity
2	BAIC Motor Corporation., Ltd	45.61%	45.61%	7,508,018,200	12,161,801,600	2	The Company is a large shareholder, has actual the entity

(3)As for the public institutions under the Company, if they implemented enterprise management and the Company has control right over them, they should also be incorporated in the consolidated financial statements.

Public institutions owned by the Company are as follows:

<u>Name</u>	<u>Business nature</u>	<u>Start-up capital</u>	<u>Direct investment</u>	<u>Indirect investment</u>
Beijing Automobile Industry Advanced Technical School	Public institutions	20,000,000.00	-	-

(4)Nonprofit organizations owned by the Company:

<u>Name</u>	<u>Business nature</u>	<u>Start-up capital</u>	<u>Direct investment</u>	<u>Indirect investment</u>
BAIC Institute of Economic Research	Social organization	500,000.00	500,000.00	

(5)Entities newly included in the scope of consolidation

<u>Name</u>	<u>Closing net assets</u>	<u>Current net profit</u>
Beiqi Yunnan Ruili Automobile Co., Ltd	505,000,000,000	-

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(6) Important non-wholly-owned subsidiaries

Main finance information:

<u>Items</u>	<u>BAIC Motor Corporation., Ltd.</u>		<u>Beijing Foton Motor Co., Ltd.</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current assets	44,318,650,610.93	33,763,103,425.27	11,271,621,885.14	12,457,927,701.47
Non-current assets	65,540,004,771.35	51,632,642,441.25	23,425,848,525.67	19,974,665,259.05
Total assets	109,858,655,382.28	85,395,745,866.52	34,697,470,410.81	32,432,592,960.52
Current liabilities	51,499,867,868.89	36,919,762,697.44	16,844,980,098.50	15,109,848,575.57
Non-current liabilities	16,390,171,190.60	17,422,507,522.69	2,305,381,436.85	2,076,743,653.66
Total liabilities	67,890,039,059.49	54,342,270,220.13	19,150,361,535.35	17,186,592,229.23
Operating income	60,072,185,923.66	13,608,682,491.43	33,691,283,636.83	34,152,543,118.89
Net profit	5,841,311,619.54	2,951,051,119.21	458,633,394.45	712,563,831.16
Cash flow from operating activities	3,481,598,155.17	-1,939,985,166.80	1,102,348,778.34	1,102,511,344.65

(7) Business combination not under the common control in current year

<u>Name</u>	<u>Combining date</u>	<u>Net assets of book value</u>	<u>Fair value of identifiable net assets</u>		<u>Consideration</u>	<u>Goodwill</u>	
			<u>Amount</u>	<u>Method</u>		<u>Amount</u>	<u>Method</u>
Borgward AG	2014/1/1	288,079.27	42,094,500.00	Assessed value	42,094,500.00	-	Overall assessment
Beijing Penglong Liheng Renewable Resources Co., Ltd	2014/7/1	4,906,279.36	5,000,000.00	Assessed value	3,000,000.00	56,232.38	Overall assessment

Note:

1) Foton Company, a subsidiary of the Company acquired 100% equity of BorgwardAG Company and obtained the control rights in 2014. According to an assessment, the fair value of the combination cost was 42,094,500.00 Yuan. Based on the settlement agreement signed by all parties, the combination day was set as January 1, 2014.

2) B

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Beijing Penglong Tianchuang Materials Trading Co., Ltd, a subsidiary of the Company acquired 60% equity of Beijing Penglong Liheng Renewable Resources Co., Ltd. and obtained the control right in 2014. According to an assessment, the fair value of the combination cost was 2,943,767.62 Yuan. Based on the settlement agreement signed by all parties, the combination day was set as July 1, 2014.

(8) The reason why the parent company has over half voting rights on investee but didn't form control

Number	Name	Shareholding ratio	Voting rights enjoyed	Registered capital	Amount	Level	Reasons
1	Beijing Shouchuang Jindian Building Materials Science & Technology Co., Ltd	75.00%	75.00%	5,503,872.73	5,503,872.73	3	Other reasons
2	Beijing Jinglun Property Management Co., Ltd	70.00%	70.00%	350,000.00	350,000.00	3	Other reasons
3	Beijing Jinglun Industrial Company	100.00%	100.00%	14,093,630.17	14,093,630.17	3	Other reasons
4	Beijing Zhenhua Agricultural Tyre Company	60.00%	60.00%	1,000,000.00	1,000,000.00	3	Other reasons
5	Beijing Gear Factory	100.00%	100.00%	74,340,000.00	74,340,000.00	4	In the process of clean-up and rectification
6	BAIC Institute of Economic Research	100.00%	100.00%	500,000.00	500,000.00	4	In the process of clean-up and rectification
7	Beijing Jinggong Real Estate Hongshun branch	61.54%	61.54%	2,200,000.00	2,200,000.00	4	In the process of clean-up and rectification
8	Beijing Yatai Zhaolong Business & Trading Co.,	55.00%	55.00%	11,256,156.70	11,256,156.70	2	Other reasons

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	Ltd						
9	Beijing Auto Steering Factory	70.00%	70.00%	8,633,215.91	8,633,215.91	5	Other reasons
10	BAM Company Ltd	100.00%	100.00%	1,251,840.92	906,311.02		Other reasons

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8. DETAILED INFORMATION TO THE SIGNIFICANT ITEMS OF THE FINANCIAL STATEMENTS

(1) Cash

Items	Closing balance			Beginning balance		
	Foreign currency	Exchange rate	Translated into RMB	Foreign currency	Exchange rate	Translated into RMB
Cash:	-	-	8,106,387.13	-	-	4,502,944.82
Incl: RMB	-	-	7,925,939.92	-	-	4,204,837.42
USD	25,379.38	6.1190	155,296.44	28,828.10	6.0969	175,762.04
EURO	2,829.35	7.4556	21,094.47	8,957.19	8.4189	75,409.71
KRW	-	-	-	337.98	0.00574	1.94
KES	-	-	-	119,130.17	0.0696	8,291.46
Others	-	-	4,056.30	-	-	38,642.25
Cash in bank:	-	-	31,638,999,179.17	-	-	25,773,975,503.22
Incl: RMB	-	-	22,426,649,959.99	-	-	24,838,024,396.81
USD	1,184,493,617.72	6.1190	7,247,916,446.82	41,553,563.15	6.0969	253,347,919.14
EURO	18,671,018.89	7.4556	139,203,648.41	53,490,994.90	8.4189	450,335,336.95
JPY	64,823,924.00	0.0514	3,330,069.80	49,587,305.40	0.057771	2,864,708.22
GBP	-	-	-	66,155.83	10.0556	665,236.61
AUD	-	-	-	6.84	5.4301	37.12
HKD	-	-	-	23,036.98	0.7862	18,111.67
KES	-	-	-	16,129,724.57	0.0696	1,122,628.83
Rupee	304,806,463,832.34	0.000501	152,708,038.38	388,318,286,915.32	0.000496	192,605,870.31
RUB	558,197,303.76	0.1082	60,382,863.36	136,681,497.20	0.1854	25,340,749.58
MXN	-	-	-	20,651,632.74	0.4673	9,650,507.98
Others	-	-	1,608,808,152.41	-	-	-
Other monetary funds	-	-	3,641,311,004.07	-	-	2,507,579,768.83
Incl.: RMB	-	-	3,641,310,880.65	-	-	2,507,579,768.83
USD	20.17	6.1190	123.42	-	-	-
Total	=	=	<u>35,288,416,570.37</u>	=	=	<u>28,286,058,216.87</u>

Note: Assets with restricted ownership was detailed in Note 8.22.

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(2) Financial assets at fair value through profit or loss

<u>Items</u>	<u>Closing fair value</u>	<u>Beginning fair value</u>
Trading financial assets	-	-
(1) Trading bond investment	780,006,930.97	-
(2) Trading equity instrument investment	101,964,175.12	288,340.00
Total	881,971,106.09	288,340.00

Note: Trading equity instrument investment was determined according to the trading price of secondary stock market at the last trading day in 2014.

(3) Notes receivable

<u>Categories</u>	<u>Closing balance</u>	<u>Beginning balance</u>
Bank acceptance bills	4,700,010,998.46	3,812,771,945.78
Trade acceptance bills	362,693,279.00	18,794,646.80
Total	<u>5,062,704,277.46</u>	<u>3,831,566,592.58</u>

1) The amount of undue notes endorsed to other parties by the Company was RMB 17,201,195,600 Yuan. The top five of such notes are as follows:

<u>Drawer</u>	<u>Date of issuing</u>	<u>Date of Maturity</u>	<u>Amount</u>
Beijing Foton International Trade Co., Ltd	2014.07.28-2014.12.25	2015.01.28-2015.06.25	1,232,420,000.00
BAIC Yinxiang Automotive Co., Ltd.	2014.07.07-2014.12.31	2015.01.07-2015.06.29	456,047,855.52
Beijing Foton Motor Co., Ltd	2014.07.16-2014.08.21	2015.01.16-2015.02.21	307,200,000.00
Yunnan Xiaozun Automobile Sales & Services Co., Ltd	2014.07.30-2014.11.28	2015.01.30-2015.05.28	153,340,000.00
Chengdu Shengguo Auto Sales Co., Ltd	2014.07.30-2014.12.12	2015.01.30-2015.06.12	146,120,000.00
Total	=	=	<u>2,295,127,855.52</u>

2) The notes receivable pledged at period-end totalled RMB 1,381,290,893.40 million. The top five of such notes are as follows:

<u>Drawer</u>	<u>Date of issuing</u>	<u>Date of Maturity</u>	<u>Amount</u>
Henan Daguang Automobile Sales & Services Co., Ltd	2014.9.24-2014.12.15	2015.3.24-2015.6.15	66,500,000.00
Liaocheng Huawei Automobile Sales & Service Co., Ltd	2014.8.25-2014.12.9	2015.2.25-2015.6.9	56,000,000.00
Linyi Jiuzhou Shunjia Automobile Sales & Services Co., Ltd	2014.8.29-2014.12.15	2015.2.28-2015.6.15	54,000,000.00
Beijing Beiqi Pengyuan Auto Sales Co., Ltd	2014.12.11	2015.6.11	40,000,000.00
Yunnan Xiaozun Automobile Sales & Services Co., Ltd	2014.9.23-2014.12.16	2015.3.23-2015.6.16	28,860,000.00
Total	=	=	<u>245,360,000.00</u>

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(4) Accounts receivable

Category analysis

<u>Categories</u>	<u>Book balance</u>	<u>Closing amount</u>		
		<u>%</u>	<u>Bad debts provision</u>	<u>%</u>
Accounts receivable that are individually significant and provision for bad debts was made individually	132,018,670.92	1.37	113,576,912.53	86.03
Accounts receivable that provision for bad debts was made based on groups	9,442,474,717.56	97.76	345,489,407.42	3.66
Inc: Aging combination	7,673,460,160.68	79.44	345,489,407.42	4.50
Joint-venture brands business	1,769,014,556.88	18.31	-	-
Accounts receivable that are not individually significant but against which bad debts is provided on an individual	84,766,896.97	0.88	37,872,468.04	44.68
Total	<u>9,659,260,285.45</u>	<u>100.00</u>	<u>496,938,787.99</u>	<u>=</u>

Continued:

<u>Categories</u>	<u>Book balance</u>	<u>Beginning amount</u>		
		<u>%</u>	<u>Bad debts provision</u>	<u>%</u>
Accounts receivable that are individually significant and provision for bad debts was made individually	87,347,224.03	0.89	82,947,224.03	94.96
Accounts receivable that provision for bad debts was made based on groups	9,598,421,675.73	98.26	371,444,981.16	3.87
Inc: Aging combination	6,569,237,970.82	67.25	225,960,998.43	3.44
Joint-venture brands business	3,029,183,704.91	31.01	145,483,982.73	4.80
Accounts receivable that are not individually significant but against which bad debts is provided on an individual	82,978,271.39	0.85	62,181,479.16	74.94
Total	<u>9,768,747,171.15</u>	<u>100.00</u>	<u>516,573,684.35</u>	<u>=</u>

1) Accounts receivable that provision for bad debts was made based on groups

A. Aging analysis

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Aging	<u>Closing amount</u>			<u>Beginning amount</u>		
	<u>Book balance</u>		<u>Provision for</u>	<u>Book balance</u>		<u>Provision for</u>
	<u>Amount</u>	<u>%</u>		<u>Amount</u>	<u>%</u>	
Within 1 year (including 1 year)	6,366,920,840.46	82.97	45,096,305.03	6,058,262,285.44	92.22	50,451,896.13
1-2 years	835,274,408.32	10.89	44,842,598.23	257,297,512.40	3.92	19,187,259.99
2-3 years	145,296,678.30	1.89	22,498,686.66	73,600,856.49	1.12	14,590,967.67
Over 3 year	325,968,233.60	4.25	233,051,817.50	180,077,316.49	2.74	141,730,874.64
Total	<u>7,673,460,160.68</u>	<u>100.00</u>	<u>345,489,407.42</u>	<u>6,569,237,970.82</u>	<u>100.00</u>	<u>225,960,998.43</u>

B. Accounts receivable of the joint-venture brands, accounts receivable of bad debts provision was made by specific identification:

<u>Accounts receivable</u>	<u>Accounts Nature</u>	<u>Book balance</u>	<u>Bad debts provision</u>
DAIMLERAG	Vehicle payment receivable	75,880,429.44	-
Xi'an Lizhixing Auto Co., Ltd	Vehicle payment receivable	50,528,821.80	-
Shanghai Lixing Automobile Repair Co., Ltd	Vehicle payment receivable	42,224,872.29	-
Shanghai Zhongsheng Star Automobile Sales & Service Co., Ltd	Vehicle payment receivable	35,451,922.66	-
Beijing Baoli Xinghui Automobile Sales & Services Co., Ltd	Vehicle payment receivable	33,693,288.33	-
Zhengzhou Star Automobile Sales & Service Co., Ltd	Vehicle payment receivable	31,347,074.21	-
Beijing Baideli Star Auto Sales Co., Ltd	Vehicle payment receivable	30,800,855.68	-
Mercedes - Benz (China) Automobile Sales Co., Ltd	Vehicle payment receivable	29,334,869.36	-
Beijing Penglong Xinghui Auto Sales Services Co., Ltd	Vehicle payment receivable	27,812,758.14	-
Nanjing Zhongsheng Star Automobile Sales & Service Co., Ltd	Vehicle payment receivable	25,784,259.54	-
Ji'nan Star Auto Service Co., Ltd	Vehicle payment receivable	25,264,002.86	-
Fujian Benz Automotive Industry Co., Ltd	Vehicle payment receivable	25,023,618.36	-
Chongqing Heqiao Automobile Sales & Services Co., Ltd	Vehicle payment receivable	23,357,007.05	-
Beijing Boshiruida Auto Sales & Service Co., Ltd	Vehicle payment receivable	22,658,586.49	-
Hunan Huamei Automobile Sales & Services Co., Ltd	Vehicle payment receivable	21,061,023.73	-
Beijing Star Automobile Service Co., Ltd	Vehicle payment receivable	20,155,184.53	-

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Others	-	1,248,635,982.41	-
Total	≡	<u>1,769,014,556.88</u>	≡

Note: The balance of accounts receivable of joint-venture brands was still within the period of accounts receivable and was expected to be recovered, so bad debts provision hasn't been made.

2) Provision for bad debts that was made individually

Accounts receivable that is not individually significant at the end of the year and provision for bad debts was been made individually

<u>Name of debtor</u>	<u>Book balance</u>	<u>Provision for bad debts</u>	<u>Aging</u>	<u>%</u>	<u>Reasons</u>
The Beijing Times Chuangjie Leasing Co., Ltd	55,719,671.52	55,499,171.52	Within 3 years	99.60	Subtracting the estimated recoverable amount in accordance with the book value
Shenzhen Zhaofengrui Investment & Development Co., Ltd	27,448,052.51	27,448,052.51	Over 5 years	100.00	Litigation funds over 5 years without explicit executable property
Russia AMS Company	19,461,814.35	3,351,598.17	Over 3 years	17.22	Subtracting the estimated recoverable amount in accordance with the book value
Hebei Yuanhao Real Estate Development Co., Ltd	3,940,989.00	3,500,000.00	1-2years	88.81	Subtracting the estimated recoverable amount in accordance with the book value
Beijing Chemical Industry Group Import and Export Company	1,977,021.31	1,977,021.31	Over 5 years	100.00	Certification issued by law firm
Taiyuan ShidaTire Sales Co., Ltd	1,930,667.50	1,930,667.50	Over 5 years	100.00	Certification issued by law firm
Beijing Automobile Industry Imp & Exp Corp	1,878,521.23	208,468.02	Within 1 year	11.10	Loss of difference of exchange rate
Sichuan Mt. Emei Automobile Spare Part Union Sales Outlet	1,711,071.00	1,711,071.00	Over 5 years	100.00	Certification issued by law firm
Jilin Automotive Industry & Trade Group of Domestic Auto Parts	1,668,590.54	1,668,590.54	Over 5 years	100.00	Certification issued by law firm
FAW Harbin Light Vehicle Factory	1,667,677.58	1,667,677.58	Over 5 years	100.00	Certification issued by law firm
Beijing Zhongsheng Yongxing Trading Co., Ltd	1,581,901.97	1,581,901.97	Over 5 years	100.00	Amount can not be recovered due to the cancellation of the unit
Shengyang Huanggu	1,299,512.43	1,299,512.43	Over 5	100.00	Certification issued

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Agricultural Machinery Company			years		by law firm
Others	11,733,179.98	11,733,179.98	Over 5 years	100.00	—
Total	<u>132,018,670.92</u>	<u>113,576,912.53</u>	<u>==</u>	<u>==</u>	<u>==</u>

B. Accounts receivable that are individually insignificant at year-end which bad debts been made

<u>Name of debtor</u>	<u>Book balance</u>	<u>Provision for bad debts</u>	<u>Aging</u>	<u>%</u>	<u>Reasons</u>
Shenyang Yongrun Machinery Equipment Co., Ltd	17,377,375.00	-	2-3 years	-	Expected to be recovered
BACHARSKHNIEST	9,186,895.99	9,186,895.99	Over 5 years	100.00	Payment risks due to political unrest
Guilin Mingrui Automobile Transportation Co., Ltd	7,960,092.00	7,960,092.00	Over 5 years	100.00	Litigation funds without explicit executable property
Li Mingjie	5,522,729.88	-	2-3 years	-	Expected to be recovered
Zhang Mingyu	3,512,679.28	1,756,339.64	Over 5 years	50.00	Withdrawing litigation funds in accordance with the recoverable amount
Dalian Dongchuan Automobile Sales Co., Ltd	3,143,289.00	-	2-3 years	-	Expected to be recovered
KKINTERNATIONAL	2,207,935.62	2,207,935.62	Over 5 years	100.00	Funds with aging over 3 years and the contract cannot be traced and recovered
Cao Jinshan	2,180,240.00	-	2-3 years	-	Expected to be recovered
Yanbian International Trading Building Co., Ltd	1,855,000.00	1,855,000.00	Over 3 years	100.00	Related to litigation
FAHEDABDALKAREEMALK ADROEST.	1,835,700.00	1,835,700.00	Over 5 years	100.00	Payment risks due to political unrest
Harbin Liuhe Guiyuan Concrete Co., Ltd	1,741,400.00	-	2-3 years	-	Expected to be recovered
Chang Menghui	1,662,800.00	-	2-3 years	-	Expected to be recovered
Dalian Fusheng Building Materials Co., Ltd	1,618,305.00	-	2-3 years	-	Expected to be recovered
Shanxi Yusen Trading Co., Ltd	1,610,208.00	-	2-3 years	-	Expected to be recovered
Xinjiang Luobu Village Tourism Co., Ltd and other units	1,544,219.15	-	Within 1 year	-	Expected to be recovered
Wang Zhongdai	1,505,000.00	-	2-3 years	-	Expected to be recovered
Beijing Zhongshou Logistics Co., Ltd	1,500,000.00	1,500,000.00	Over 5 years	100.00	Expected cannot be recovered

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Mercedes - Benz (China) Automobile Sales Co., Ltd	1,276,724.49	-	1-2 years	-	Expected to be recovered
Wang Yu	1,215,900.00	-	2-3 years	-	Expected to be recovered
Zhang Zeming (Jiangsu)	1,185,271.04	1,185,271.04	Over 5 years	-	Litigation funds without explicit executable property
Chen Shuxin	1,176,548.80	-	2-3 years	-	Expected to be recovered
Wu Bailong	1,000,000.00	-	2-3 years	-	Expected to be recovered
Others	12,948,583.72	10,385,233.75	-	-	--
Total	<u>84,766,896.97</u>	<u>37,872,468.04</u>	=	=	=

(5). Advance to suppliers

1) By aging

<u>Aging</u>	<u>Closing amount</u>			<u>Beginning amount</u>		
	<u>Book balance</u>			<u>Book balance</u>		
	<u>Amount</u>	<u>%</u>		<u>Amount</u>	<u>%</u>	
Inside 1 year (Including 1 year)	2,203,556,376.96	93.69	3,406,235.88	1,406,533,816.40	83.99	5,988,420.72
1-2 years	85,484,125.47	3.64	1,169,371.32	98,201,377.62	5.87	2,736,814.91
2-3 years	26,433,482.53	1.12	776,364.82	121,084,046.20	7.23	10,414,284.70
Over 3 years	36,413,703.30	1.55	23,082,840.75	48,732,133.37	2.91	18,474,283.47
Total	<u>2,351,887,688.26</u>	<u>100.00</u>	<u>28,434,812.77</u>	<u>1,674,551,373.59</u>	<u>100.00</u>	<u>37,613,803.80</u>

2) Large advance to supplies with aging over 1 year

<u>Creditors</u>	<u>Debtors</u>	<u>Closing balance</u>	<u>Aging</u>	<u>Reasons for unsettlement</u>
Beijing Xidan Hotel	Organization Department of the CPC Central Committee	9,801,903.24	Over 5 years	payment of purchased house
Powertrain	Tianrun Crankshaft Co., Ltd	4,073,053.00	1-2 years	Long settlement period of imported materials
BAIC Motor Corporation., Ltd	Beijing Automobile Industry Imp & Exp Corp America	3,853,516.44	2-3 years	A long exchange settlement period
BAIC International Trading Co., Ltd	-ROWETRUCKEQUIPMENTIN C	3,174,171.00	1-2 years	A long exchange settlement period
Weifang Penglong Golden Sunshine Auto Sales Services Co., Ltd	Nianlibao Street Office Kuiwei District Weifang People's Government	3,150,000.00	1-2 years	—
Beijing Automobile Industry Imp & Exp Corp	Tianjin Port Free Trade Zone Ritian International Trade Co., Ltd	3,052,060.00	1-3 years	Payment in advance

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Beijing Beiqi Hengsheng Real Estate Co., Ltd	Caiyu Town Government	3,041,500.00	2-3 years	—
BAIC International Corporation	Canada -LESINDUSTRIESSPECTRAP REMIUM	2,151,010.92	1-2 years	A long exchange settlement period
Total		<u>32,297,214.60</u>	==	==

(6). Interests receivable

<u>Item</u>	<u>Closing balance</u>	<u>Opening balance</u>
Interests of loans and time certificate of deposit	16,382,991.35	24,007,560.55

(7). Dividend interests

<u>Items</u>	<u>Opening balance</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Closing balance</u>
Dividend Receivable with aging within 1 yr	-	-	-	-
Beijing Hanyi Automotive Trim Co., Ltd	20,000,000.00	31,197,694.62	51,197,694.62	-
Beijing Borg-Warner Automotive Transmission Co., Ltd	16,400,000.00	35,600,000.00	52,000,000.00	-
Visteon Auto Air-conditioning (Beijing) Co., Ltd	-	74,800,000.00	74,800,000.00	-
Beijing BAI Lear Automotive Systems Co., Ltd	-	124,179,908.33	124,179,908.33	-
Tenneco (Beijing) Automobile Shock Absorber Co., Ltd	-	37,090,361.67	37,090,361.67	-
Yanfeng Visteon (Beijing) Automotive Trim Systems Co., Ltd	-	42,985,887.25	42,985,887.25	-
Beijing Daelim Wanda Auto Parts Co., Ltd	-	7,200,000.00	7,200,000.00	-
Sanhe Infac Automotive Components Co., Ltd	-	189,000.00	189,000.00	-
Inergy Automotive Systems Manufacturing (Beijing) Co., Ltd	-	16,000,000.00	16,000,000.00	-
Tenneco (Beijing) Exhaust System Co., Ltd	-	5,560,503.88	5,560,503.88	-
Beijing Hainachuan Henglong Automotive Steering Systems Co., Ltd	-	3,125,000.00	3,125,000.00	-
Beijing Xiyi Haihua Auto Parts	-	1,783,768.54	1,783,768.54	-
Beijing Beiqi Guanghua Automotive Components Co., Ltd	-	1,000,000.00		1,000,000.00
Zhonglian Automobile Electronics Co., Ltd	-	5,800,000.00	5,800,000.00	-
Autoliv (Beijing) Vehicle Safety	-	9,114,012.20	9,114,012.20	-

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Systems Co., Ltd

Dividend Receivable with aging

over 1 yr	-	-	-	-
Asimco Tianwei Fuel Injection Equipment Stock Co., Ltd (Beijing)	6,978,330.45		2,300,000.00	4,678,330.45
Beijing Johnson Auto Parts Co., Ltd	53,484,433.86	-	-	53,484,433.86
Beijing Beiqi Guanghua Automotive Components Co., Ltd	2,800,000.00	-	-	2,800,000.00
Total	<u>99,662,764.31</u>	<u>395,626,136.49</u>	<u>433,326,136.49</u>	<u>61,962,764.31</u>

(8). Other receivables

By category

Category	Book balance	Closing amount		%
		%	Bad debts provision	
Other receivables that are individually significant and provision for bad debts was made individually	539,341,229.98	7.36	141,836,108.80	26.30
Other receivables that provision for bad debts was made based on groups	6,772,510,502.05	92.43	229,987,519.34	3.40
Incl: Aging group	6,503,944,925.53	88.77	229,987,519.34	3.54
Joint-venture brands business	268,565,576.52	3.67	-	-
Other receivables that are not individually significant and provision for bad debts was made individually	15,224,719.67	0.21	3,070,998.72	20.17
Total	<u>7,327,076,451.70</u>	<u>100.00</u>	<u>374,894,626.86</u>	<u>=</u>

Continued:

Category	Book balance	Closing amount		%
		%	Bad debts provision	
Other receivables that are individually significant and provision for bad debts was made individually	409,058,577.59	12.56	171,623,242.29	41.96
Other receivables that provision for bad debts was made based on groups	2,793,322,373.28	85.78	361,161,908.28	12.93
Incl: Aging group	2,694,709,316.69	82.75	351,035,552.74	13.03
Joint-venture brands business	98,613,056.59	3.03	10,126,355.54	10.27

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Other receivables that are not individually significant and provision for bad debts was made individually	54,068,455.02	1.66	24,370,170.06	45.07
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Total	<u>3,256,449,405.89</u>	<u>100.00</u>	<u>557,155,320.63</u>	<u>=</u>
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1) Other receivables that provision for bad debts was made based on groups

A. Aging analysis

<u>Aging</u>	<u>Closing amount</u>			<u>Beginning amount</u>		
	<u>Book balance</u>		<u>Bad debt</u>	<u>Book balance</u>		<u>Bad debt</u>
	<u>Amount</u>	<u>%</u>	<u>provision</u>	<u>Amount</u>	<u>%</u>	<u>provision</u>
Within 1 year (Including 1 year)	5,330,456,817.24	81.96	81,406,659.54	1,751,651,073.44	65.00	6,604,933.00
1-2 years	991,044,937.12	15.24	22,050,316.43	440,437,613.09	16.34	67,789,147.53
2-3 years	40,904,105.79	0.63	3,954,206.07	53,197,417.24	1.97	12,687,718.65
Over 3 years	141,539,065.38	2.17	122,576,337.30	449,423,212.92	16.69	263,953,753.56
Total	<u>6,503,944,925.53</u>	<u>100.00</u>	<u>229,987,519.34</u>	<u>2,694,709,316.69</u>	<u>100.00</u>	<u>351,035,552.74</u>

B. Specific identification was adopted for the withdrawing of bad debts provision for other receivables of joint-venture brands business:

<u>Name</u>	<u>Nature</u>	<u>Book balance</u>	<u>Bad debt provision</u>	<u>Reason for provision</u>
Chrysler International/China	Claim settlement of disposal of CG	139,431,499.97	-	Payment of disposal of assets, agreed accounts term not yet reached
Mercedes - Benz (China) Automobile Sales Co., Ltd	Spare parts distribution / compensation service fee	81,203,877.15	-	agreed accounts term not yet reached, expected to be recovered
Zhongtie Xinghua, Shuncheng Fengda	Prepaid disposal payment of waste	22,288,911.10	-	agreed accounts term not yet reached, expected to be recovered
Municipal Finance Bureau	Special fund for projects	6,532,226.96	-	agreed accounts term not yet reached, expected to be recovered
Beijing Yatai Automobile Chassis System Co., Ltd	Balance from the purchase of CG chassis equipment	4,990,000.00	-	agreed accounts term not yet reached, expected to be recovered
Beijing Tianhua Taifeng Consulting Company	Startup fee for tax reimbursement project	3,000,000.00	-	agreed accounts term not yet reached

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Beijing Boda Xinyuan Real Estate Development Co., Ltd	Rent (2014.08-2015.07)	2,942,732.00	-	reached, expected to be recovered agreed accounts term not yet reached, expected to be recovered agreed accounts term not yet reached, expected to be recovered
Beijing Mercedes-Benz Sales Service Co., Ltd	Advanced personal income tax for foreign experts	1,886,184.32	-	reached, expected to be recovered agreed accounts term not yet reached, expected to be recovered
Beijing Customs	Advance deposit / customs / free for delayed declaration	1,168,735.30	-	reached, expected to be recovered agreed accounts term not yet reached, expected to be recovered
Other companies		- 5,121,409.72	-	reached, expected to be recovered
Total		≡ 268,565,576.52	≡	≡

2) Provision for bad debts was made individually

A. Other receivables that is individually significant at the end of the year and provision for bad debts was made individually

<u>Debtors</u>	<u>Book balance</u>	<u>Bad debt provision</u>	<u>Aging</u>	<u>%</u>	<u>Reason for provision</u>
Hebei Dragon Emperor Capital Tyre Co., Ltd	229,296,057.77	81,835,875.71	4-5years	35.69	Suspense of business
Beijing Uni-Construction Real Estate Development Co., Ltd	39,860,000.00	6,172,000.00	Over 5 years	15.48	The demolition compensation is in progress
North China Grid Co., Ltd Beijing Electric Power Company	35,000,000.00	14,521,244.26	Over 5 years	41.59	The Company's account receivable from North China Grid Co., Ltd. Beijing Electric Power Company was prepaid payment for the construction of transformer substations, bad debts provision of RMB 14,521,244.26 Yuan was made in accordance with the amount that the future value of the receivables lower than the book balance

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Zengcheng Land Real Estate Exchange	22,928,000.00	-	Within 1 year	-	Expected to be recovered
Daxing District Caiyu Town People's Government	17,760,402.50	-	Over 5 years	-	Expected to be recovered
Beijing North Gear Hongyuan Trading Company	17,485,000.00	17,485,000.00	Under 3 years	100.00	Applying for the procedure of bankrupt, insolvency
Export tax refund receivables	12,723,382.40	-	Within 1 year	-	Export tax refund receivables was products export tax refund receivables of Foton Company, the expected loss of bad debts is very unlikely, so no provision for bad debts was made
Beijing Municipal Bureau of Finance	12,411,312.59	-	1-3 years	-	To be recovered
Beijing Jingci Magnetism Tech. Co., Ltd	9,206,855.40	-	Within 1 year	-	Expected to be recovered
Russia AMS Company	8,453,965.62	8,453,965.62	2-3 years	100.00	Expected cannot be recovered
Beinei Group Corporation	3,336,210.00	-	Over 3 years	-	In the procedure of bankrupt, insolvency
Yunnan Electromechanical Equipment Corporation	3,270,794.56	-	Within 1 year	-	With aging less than 1 year
Beijing Auto Steering Factory	2,669,033.00	2,669,033.00	Over 3 years	100.00	In the procedure of bankrupt, insolvency
Zhuozhou Yihezhuang	2,369,738.95	2,369,738.95	Within 1 year	100.00	Expected cannot be recovered
Beijing Jinglun Industrial Company Haidian Transport Team	2,330,357.86	2,330,357.86	4-5 years	100.00	Suspense of business
Industrial Park Management Committee of Mount Tai, Shandong	2,264,721.00	-	1-2 years	-	Expected to be recovered
Beijing Beiqi Feichi Auto Electrical Technology Co. Ltd.	2,262,700.00	-	2-3 years	-	Expected to be recovered
Beijing Huanchi Car Axle Factory	2,167,534.74	2,167,534.74	1-2 years	100.00	Applying for the procedure of bankrupt, insolvency
Other payments	113,545,163.59	3,831,358.66	1-5 years	-	-

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Total	<u>539,341,229.98</u>	<u>141,836,108.80</u>	<u>==</u>	<u>==</u>	<u>==</u>
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B. Other receivables that is not individually significant at the end of the year and provision for bad debts was made individually

<u>Debtors</u>	<u>Book balance</u>	<u>Bad debt provision</u>	<u>Aging</u>	<u>%</u>	<u>Reason for provision</u>
Beijing Hyundai Motor Co., Ltd	5,271,909.91	-	Within 1 year, 1-2 years	-	Expected to be recovered
Beijing Zhongji Xunshi Communication Technology Co., Ltd	2,093,701.70	2,093,701.70	Over 5 years	100.00	Long-term equity investments were judged invalid by the court and transferred into other receivables
Beijing Metallurgy Zhengyuan Technology Co., Ltd	1,314,029.10	-	1-2 years	-	Expected to be recovered
Guiyang Mengguan Automobile Trading Town	1,000,000.00	-	2-3 years	-	Expected to be recovered
Beijing Chiyang Auto Parts Manufacturing Company	399,336.00	-	Over 5 years	-	Margin deposit
Zhejiang Shengxin Investment Management Co., Ltd	371,670.00	-	1-2 years	-	Expected to be recovered
Litai Group Co., Ltd	300,000.00	-	Within 1 year	-	Expected to be recovered
Sales Department of Agricultural Bank of China Changping District Beijing Branch	300,000.00	300,000.00	Over 5 years	100.00	Expected cannot be recovered
Guangzhou Gede Passenger Transport Co., Ltd	250,000.00	-	Within 1 year	-	Expected to be recovered
Zhejiang Yatai Electromechanical Co., Ltd	244,250.00	-	1-2 years	-	No impairment
Other units	3,679,822.96	677,297.02	-	-	-
Total	<u>15,224,719.67</u>	<u>3,070,998.72</u>	<u>==</u>	<u>==</u>	<u>==</u>

(9). Inventories

1) Classification of inventories

<u>Items</u>	<u>Closing amount</u>			<u>Beginning amount</u>		
	<u>Book balance</u>	<u>Impairment provisions</u>	<u>Book value</u>	<u>Book balance</u>	<u>Impairment provisions</u>	<u>Book value</u>
Raw materials	4,411,654,503.74	97,790,254.84	4,313,864,248.90	2,970,239,818.24	147,033,122.39	2,823,206,695.85
Goods in process	905,382,187.89	10,023,279.08	895,358,908.81	982,014,778.30	608,040.90	981,406,737.40

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<u>Items</u>	<u>Closing amount</u>			<u>Beginning amount</u>		
	<u>Book balance</u>	<u>Impairment provisions</u>	<u>Book value</u>	<u>Book balance</u>	<u>Impairment provisions</u>	<u>Book value</u>
Finished goods	10,181,532,045.75	507,074,622.42	9,674,457,423.33	7,970,012,294.59	419,293,561.83	7,550,718,732.76
Revolving materials	21,769,756.94	603,383.04	21,166,373.90	38,674,464.47	603,383.04	38,071,081.43
Engineering construction	18,152,526.37	-	18,152,526.37	17,856,297.49	-	17,856,297.49
consigned processing materials	28,021,522.44	-	28,021,522.44	2,653,901.51	-	2,653,901.51
Goods in transit	266,343,356.20	11,297,051.14	255,046,305.06	883,645.50	-	883,645.50
Materials in transit	2,464,806,432.33	-	2,464,806,432.33	1,681,805,371.71	-	1,681,805,371.71
Others	324,169,459.55	12,631,499.02	311,537,960.53	590,117,404.50	14,064,688.90	576,052,715.60
Total	18,621,831,791.21	639,420,089.54	17,982,411,701.67	14,254,257,976.31	581,602,797.06	13,672,655,179.25

2) Provision for decline in value of inventories

<u>Category</u>	<u>Beginning amount</u>	<u>Current year increase</u>			<u>Current year decrease</u>		<u>Closing amount</u>
		<u>Withdrawn</u>	<u>Others</u>	<u>Reversed</u>	<u>Written-off</u>	<u>Others</u>	
Raw materials	147,033,122.39	-	-	-	8,963,725.44	40,279,142.11	97,790,254.84
Goods in process	608,040.90	10,470,815.42	-	-	1,055,577.24	-	10,023,279.08
Finished goods	419,293,561.83	415,151,627.72	-	-	257,573,317.17	69,797,249.96	507,074,622.42
Revolving materials	603,383.04	-	-	-	-	-	603,383.04
Goods in transit	-	11,297,051.14	-	-	-	-	11,297,051.14
Others	14,064,688.90	-	-	-	1,433,189.88	-	12,631,499.02
Total	581,602,797.06	436,919,494.28	=	=	269,025,809.73	110,076,392.07	639,420,089.54

(10). Other current assets

<u>Items</u>	<u>Closing book value</u>	<u>Beginning book value</u>
Bank financial products	47,990,889.77	33,000,000.00

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Prepaid income tax	400,844.94	32,434,333.18
Deductible input VAT tax	2,162,324,868.67	1,164,974,686.26
Prepaid other taxes	458,310,121.97	16,268,786.34
Prepaid expense	1,918,413.34	657,869,938.09
Others	509,607.22	3,230,225.22
Total	<u>2,671,454,745.91</u>	<u>1,907,777,969.09</u>

(11). Available-for-sale financial assets

1) By items

Items	<u>Closing book value</u>	<u>Beginning book value</u>
Available-for-sale equity instrument	537,393,024.41	387,607,966.87
Incl: Under fair value method	14,316,304.72	103,150,075.54
Under cost method	523,076,719.69	284,457,891.33
Others	1,400,000,000.00	250,200.00
Total	<u>1,937,393,024.41</u>	<u>387,858,166.87</u>

Note: "Others" was a limited partnership established by the Company's subsidiary enterprise McQueen Investment Co., Ltd. with external investment, the Company has no management rights over the partnership and only 6% of investment return was charged every year.

Available-for-sale equity instrument under cost method

<u>Investee</u>	<u>Closing balance</u>	<u>Closing impairment provision</u>	<u>Closing book value</u>	<u>Closing shareholding percentage %</u>
Beijing Xingyixing Zone Electric Passenger Minibus Rental Co., Ltd.	1,000,000.00	210,718.15	789,281.85	5.00%
Taihang Changqing Automotive Safety Equipment Company	78,880,000.00	-	78,880,000.00	17.00%
Zhonglian Automobile Electronics Co., Ltd	9,920,396.86	-	9,920,396.86	1.00%
Sanhe Infac Automotive Components Co., Ltd	1,153,597.78	-	1,153,597.78	1.40%
Beijing Foton Automobile Environmental Power Co., Ltd	1,522,418.30	-	1,522,418.30	0.16%
Beijing Automotive Starter Plant	1,060,000.00	-	1,060,000.00	8.51%
Beijing Beiqi Real Estate Co., Ltd	16,980,000.00	-	16,980,000.00	20.00%
New Century Kindergarten Chaoyang District, Beijing	688,955.23	-	688,955.23	8.00%
Chunyu Kindergarten Chaoyang District, Beijing	214,812.75	-	214,812.75	8.00%

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Hainan Yanhai Industry and Trade Co., Ltd.	2,512,000.00	2,512,000.00	-	45.00%
Shenzhen Beiyin Company	2,000,000.00	2,000,000.00	-	9.09%
Anhui Beiqi Auto Sales Company	1,000,000.00	1,000,000.00	-	20.00%
Beijing Foton Environmental Power Company	3,237,854.00	-	3,237,854.00	29.00%
Hebei Sanhe Infac Automotive Components Co., Ltd.	961,888.25	-	961,888.25	1.05%
Vantone Industrial Co., Ltd.	500,000.00	-	500,000.00	0.00%
Mongolia MCM Company	745,031.82	745,031.82	-	16.00%
Beijing Yanke Technology Corporation	51,548.33	-	51,548.33	0.50%
Beijing Yaxinke Tianwei Oil Pump And Nozzle Co., Ltd.	14,337,069.86	-	14,337,069.86	5.25%
Russia BAW Automobile Co., Ltd.	9,964,529.60	-	9,964,529.60	8.00%
Shenzhen Benyuan Jinghong Equity Investment Fund Enterprise (Limited partnership)	1,000,000.00	-	1,000,000.00	0.03%
Shenzhen Benyuan Jinghong Fund Management Co., Ltd.	110,000.00	-	110,000.00	1.09%
Beijing Capital Investment Co., Ltd.	1,736,128.06	-	1,736,128.06	2.06%
Cinda Property and Casualty Insurance Co., Ltd.	9,298,595.09	-	9,298,595.09	0.33%
Kingpeng International Hi-tech Corporation	28,351,234.72	-	28,351,234.72	11.99%
Shenzhen Anpeng Equity Investment Fund Enterprises (Limited partnerships)	1,000,000.00	-	1,000,000.00	0.07%
Beijing Ketuo Shichuang Science & Technology Development Co., Ltd.	1,000,000.00	-	1,000,000.00	16.67%
Guoqi (Beijing) Automotive Lightweight Technology Research Institute Co., Ltd.	3,000,000.00	-	3,000,000.00	6.90%
Zhongfalian Investment Co., Ltd	4,500,000.00	-	4,500,000.00	2.22%
Beijing Electronic Control Aisikai Technology Co., Ltd.	66,500,000.00	-	66,500,000.00	19.00%
National Stadium Co., Ltd.	150,000,000.00	-	150,000,000.00	6.06%
Zhuzhou Shoupeng Huilong Steel Processing & Distribution Company	10,803,209.01	-	10,803,209.01	20.00%
Beijing Pride New Energy Battery Technology Co., Ltd.	10,000,000.00	-	10,000,000.00	10.00%
Beijing Zhongli Foton Axle Co., Ltd.	9,800,000.00	-	9,800,000.00	5.00%

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Shandong Lufeng Special-Purpose Vehicle Co., Ltd	8,800,000.00	-	8,800,000.00	14.07%
Foton Heavy Machinery Co., Ltd.	7,017,200.00	-	7,017,200.00	1.24%
Guangdong Fudi Automobile Co., Ltd.	450,000.00	-	450,000.00	2.50%
Beijing Foton Power Machinery Co., Ltd.	74,208,272.30	4,760,272.30	69,448,000.00	14.06%
Beijing Beiqi Feichi Auto Electrical Technology Co. Ltd.	1,000,000.00	1,000,000.00	-	12.22%
Weiye Auto Power Machinery Co., Ltd.	40,815,094.64	40,815,094.64	-	0.10%
Total	<u>576,119,836.60</u>	<u>53,043,116.91</u>	<u>523,076,719.69</u>	

(12). Long-term receivables

<u>Items</u>	<u>Closing balance</u>	<u>Beginning balance</u>
Financial leasing	2,559,353,341.64	1,732,851,507.67
Services provided by installment receivables	705,103,500.44	587,780,758.95
Subtotal	3,264,456,842.08	2,320,632,266.62
Less: Bad debts provision	235,926,115.53	82,257,277.05
Less: Long-term receivables due within one year	1,349,769,747.70	1,024,996,355.67
Total	<u>1,678,760,978.85</u>	<u>1,213,378,633.90</u>

(13) Long-term equity investments

1) Breakdown of long-term equity investment

<u>Items</u>	<u>Beginning balance</u>	<u>Current year increase</u>	<u>Current year decrease</u>	<u>Closing balance</u>
Investments in joint ventures	13,853,675,982.01	1,479,314,760.55	180,031,580.40	15,152,959,162.16
Investments in associated enterprises	2,528,826,830.22	1,482,339,971.84	361,096,248.20	3,650,070,553.86
Investments in other enterprises	166,031,705.92	-	46,948,519.39	119,083,186.53
Subtotal	16,548,534,518.15	2,961,654,732.39	588,076,347.99	18,922,112,902.55
Less: Provision for long-term investment impairment	207,151,287.36	79,828,724.48	46,918,529.90	240,061,481.94
Total	<u>16,341,383,230.79</u>	<u>2,881,826,007.91</u>	<u>541,157,818.09</u>	<u>18,682,051,420.61</u>

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2) Detailed information of long-term equity investment

<u>Investees</u>	<u>Calculation method</u>	<u>Investment cost</u>	<u>Beginning balance</u>	<u>Increase/decrease</u>	<u>Closing balance</u>	<u>Shareholding % in investee</u>	<u>Closing provision for impairment</u>	<u>Current provision for impairment</u>	<u>The current cash dividend</u>
1. Joint ventures									
Beijing Hainachuan HSAE Automotive Electronics Co., Ltd	Equity method	18,000,000.00	24,763,586.85	1,099,308.56	25,862,895.41	50.00%	-	-	-
Beijing Hainachuan Henglong Automotive System Co., Ltd.	Equity method	20,500,000.00	31,815,392.33	-1,520,834.04	30,294,558.29	50.00%	-	-	3,125,000.00
Beijing Hainachuan Xiezhong Automotive Air Conditioning Co., Ltd	Equity method	21,007,613.54	31,662,204.62	1,371,279.01	33,033,483.63	50.00%	-	-	-
Beijing BAII Lear Automotive Systems Co., Ltd	Equity method	209,912,900.00	270,395,123.25	-177,952,288.06	92,442,835.19	50.00%	38,305,580.42	15,850,585.00	124,179,908.33
Hunan Guanghua Rongchang Automobile Parts Co., Ltd	Equity method	13,000,000.00	10,732,184.27	1,520,248.19	12,252,432.46	50.00%	-	-	-
Beijing Hainachuan Hella Lighting Co., Ltd	Equity method	128,000,000.00	-	124,885,981.72	124,885,981.72	50.00%	-	-	-
Inalfa Roof Systems (America) Co., Ltd	Equity method	10,267,811.62	10,267,811.62	-558,458.30	9,709,353.32	50.00%	-	-	-
Beijing Beiqi Public Transport Automobile Trading Co., Ltd.	Equity method	36,953,732.93	36,953,732.93	-	36,953,732.93	50.00%	-	-	-

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<u>Investees</u>	<u>Calculation method</u>	<u>Investment cost</u>	<u>Beginning balance</u>	<u>Increase/decrease</u>	<u>Closing balance</u>	<u>Shareholding % in investee</u>	<u>Closing provision for impairment</u>	<u>Current provision for impairment</u>	<u>The current cash dividend</u>
Beijing Zhongdu-Gloviss Logistics Co., Ltd	Equity method	5,000,000.00	30,937,737.76	20,702,443.75	51,640,181.51	50.00%	-	-	-
Beijing Hyundai MOBIS Auto Parts Co., Ltd	Equity method	693,587,850.00	289,909,903.01	50,514,579.54	340,424,482.55	50.00%	-	-	-
Shanxi Shuili Yirun Construction Equipment Co., Ltd	Equity method	1,500,000.00	-	1,500,772.08	1,500,772.08	50.00%	-	-	-
Beijing Foton Cummins Engine Co., Ltd	Equity method	844,000,000.00	716,846,627.96	343,540,022.40	1,060,386,650.36	50.00%	-	-	-
Beijing Foton Daimler Automotive Co., Ltd	Equity method	2,800,000,000.00	623,680,393.55	123,007,978.95	746,688,372.50	50.00%	-	-	-
Beijing Hyundai Motor Company	Equity method	4,060,238,801.92	11,775,711,283.86	795,026,163.50	12,570,737,447.36	50.00%	-	-	-
Beijing Hyundai Information Technology Co., Ltd	Equity method	15,388,750.00	-	16,145,982.85	16,145,982.85	50.00%	-	-	-
Subtotal of joint ventures		8,877,357,460.01	13,853,675,982.01	1,299,283,180.15	15,152,959,162.16		38,305,580.42	15,850,585.00	127,304,908.33
2. Associated enterprises									
Atieva.Inc	Equity method	605,036,759.38	-	605,036,759.38	605,036,759.38	25.02%	-	-	-

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<u>Investees</u>	<u>Calculation method</u>	<u>Investment cost</u>	<u>Beginning balance</u>	<u>Increase/decrease</u>	<u>Closing balance</u>	<u>Shareholding % in investee</u>	<u>Closing provision for impairment</u>	<u>Current provision for impairment</u>	<u>The current cash dividend</u>
Beiqi Dayang Motor Technology Co., Ltd	Equity method	29,400,000.00	26,656,327.34	-5,234,157.81	21,422,169.53	49.00%	-	-	-
Visteon Climate Control (Beijing) Co., Ltd	Equity method	28,894,363.39	195,063,387.36	-11,370,943.31	183,692,444.05	20.00%	-	-	74,800,000.00
Beijing Johnson Auto Parts Co., Ltd	Equity method	27,069,288.63	127,921,123.39	32,739,307.40	160,660,430.79	39.00%	-	-	-
Yanfeng Visteon (Beijing) Automotive Trim Systems Co., Ltd	Equity method	20,795,521.57	48,613,593.08	-6,657,137.30	41,956,455.78	25.00%	-	-	42,985,887.25
Beijing Borg -Warner Automotive Transmission Co., Ltd	Equity method	7,950,506.25	60,551,263.44	3,292,410.51	63,843,673.95	20.00%	-	-	52,000,000.00
Beijing Beiqi Guanghua Automotive Components Co., Ltd	Equity method	4,608,474.77	20,676,973.57	1,998,393.80	22,675,367.37	20.00%	-	-	-
Autoliv (Beijing) Vehicle Safety Systems Co., Ltd	Equity method	12,007,781.34	32,166,448.54	-4,748,266.39	27,418,182.15	49.00%	-	-	9,114,012.20
Asimco Tianwei Fuel Injection Equipment Stock Co., Ltd (Beijing)	Equity method	120,302,023.27	193,956,871.05	-7,974,364.65	185,982,506.40	34.89%	-	-	2,300,000.00
Beijing Beiqi Guanghua Jietong Auto Parts Co., Ltd	Equity method	2,362,325.94	426,665.56	-426,665.56	-	23.00%	-	-	-

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Beijing Xiyi Haihua Automotive Parts Co., Ltd	Equity method	8,000,000.00	11,801,124.49	1,711,069.71	13,512,194.20	40.00%	-	-	1,783,768.54
Tenneco (Beijing) Exhaust System Co., Ltd	Equity method	6,749,894.11	12,276,672.28	4,609,731.50	16,886,403.78	49.00%	-	-	5,560,503.88
Beijing Zhongli Foton Axle Co., Ltd	Equity method	49,976,204.23	51,570,573.50	1,264,437.94	52,835,011.44	26.50%	-	-	-
Beijing Daelim Wanda Auto Parts Co., Ltd	Equity method	132,778,656.86	108,452,925.03	11,843,744.46	120,296,669.49	40.00%	5,072,583.33	2,099,000.00	7,200,000.00
Beijing Hanyi Automotive Trim Co., Ltd	Equity method	175,015,277.47	75,904,889.30	-14,315,360.46	61,589,528.84	33.33%	21,035,535.40	8,704,359.48	51,197,694.62
Inergy Automotive Systems Manufacturing (Beijing) Co., Ltd	Equity method	27,691,680.00	63,790,981.52	19,122,221.09	82,913,202.61	40.00%	-	-	16,000,000.00
Taihang Changqing Automobile Safety Equipment (Suzhou) Co., Ltd	Equity method	78,880,000.00	78,951,847.90	-78,951,847.90	-	17.00%	-	-	-
Tenneco (Beijing) Shock Absorber Co., Ltd	Equity method	51,288,114.74	71,173,956.77	9,165,948.12	80,339,904.89	35.00%	-	-	37,090,361.67
Beiqi ZF (Beijing) Automotive Chassis Systems Co., Ltd	Equity method	3,197,743.75	-	3,197,743.75	3,197,743.75	49.00%	-	-	-

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<u>Investees</u>	<u>Calcula</u> <u>ation</u> <u>metho</u> <u>d</u>	<u>Investment</u> <u>cost</u>	<u>Beginning</u> <u>balance</u>	<u>Increase/</u> <u>decrease</u>	<u>Closing balance</u>	<u>Share</u> <u>holdin</u> <u>g % in</u> <u>investo</u> <u>r</u>	<u>Closing pr</u> <u>ovision for</u> <u>impairmen</u> <u>t</u>	<u>Current</u> <u>provision for</u> <u>impairment</u>	<u>The current</u> <u>cash dividend</u>
Beijing Sanli Auto Lamp Co., Ltd	Equity metho d	15,359,170.00	-	15,359,170.00	15,359,170.00	24.50%	-	-	-
Xiezhong International Holdings Ltd	Equity metho d	258,579,116.78	-	263,896,834.85	263,896,834.85	33.17%	-	-	-
Beijing Heshibi New Material Science and Trading Co., Ltd	Cost metho d	12,962.00	12,962.00	-	12,962.00	15.00%	-	-	-
Beijing Beideng Automotive Lighting Co., Ltd	Equity metho d	9,102,423.98	8,210,746.30	-503,512.87	7,707,233.43	27.23%	-	-	-
Beijing Beiyou Industrial and Trading Co., Ltd	Equity metho d	1,506,853.06	788,439.62	-393,225.56	395,214.06	27.33%	-	-	-
Beijing Automobile Shock Absorber Factory	Equity metho d	990,006.56	648,824.98	-191,512.79	457,312.19	35.21%	-	-	-
Hebei Dragon Emperor Capital Manufacturing Co., Ltd	Cost metho d	39,701,010.00	-	-	-	48.04%	-	-	-
Zhuzhou Shoupeng Huilong Steel Processing and Distribution Co., Ltd	Equity metho d	11,407,895.35	11,407,895.35	-11,407,895.35	-	20.00%	-	-	-
Beijing Ynuosheng Beiguang Advertising Co., Ltd	Equity metho d	6,689,872.00	28,391,201.28	3,944,263.73	32,335,465.01	49.00%	-	-	-

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The First Automobile Leasing Co., Ltd	Equity method	88,338,469.01	103,105,981.82	-103,025,223.70	80,758.12	49.00%	-	-	-
Beijing Benyuan Jinghong Capital Management Center (limited partnership)	Equity method	20,000,000.00	20,000,000.00	-351,084.58	19,648,915.42	40.00%	-	-	-
Beijing Jiayuan Yirun Science & Technology Development Co., Ltd	Equity method	16,264,992.00	16,264,992.00	-87,336.70	16,177,655.30	48.24%	-	-	-
Shanxi Water Science & Technology Co., Ltd	Equity method	1,867,663.99	1,867,663.99	115,503.40	1,983,167.39	25.00%	-	-	-
Beijing Wanda Hot Carving Aluminizing Co., Ltd	Cost method	650,000.00	650,000.00		650,000.00	20.00%	650,000.00	-	-
Guangdong Changhe Automobile Sales & Service Co., Ltd	Equity method	1,750,000.00	4,775,622.69	178,999.10	4,954,621.79	35.00%	-	-	-
Sichuan Changhe Sky Auto Sales & Services Co., Ltd	Equity method	2,800,000.00	4,178,807.75	-93,252.43	4,085,555.32	43.08%	-	-	430,800.00
Jiangxi Changhe Suzuki Automobile Co., Ltd	Cost method	1,066,180,126.31	141,798,110.01	8,454,593.55	150,252,703.56	41.00%	-	-	-
Xinjiang Foton Guanghui Special Vehicle Co., Ltd	Equity method	26,000,000.00	14,529,447.62	229,046.47	14,758,494.09	39.82%	-	-	-

BEIJING AUTOMOTIVE GROUP CO., LTD
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<u>Investees</u>	<u>Calculation method</u>	<u>Investment cost</u>	<u>Beginning balance</u>	<u>Increase/decrease</u>	<u>Closing balance</u>	<u>Shareholding % in investee</u>	<u>Closing provision for impairment</u>	<u>Current provision for impairment</u>	<u>The current cash dividend</u>
Anhui Ankai Futian Shuguang Axle Co., Ltd	Equity method	25,800,000.00	58,430,759.13	6,855,419.62	65,286,178.75	30.00%	-	-	-
Sichuan Tengzhong Foton Special Purpose Vehicle Co., Ltd	Equity method	20,000,000.00	13,465,186.40	-5,844,314.23	7,620,872.17	25.00%	-	-	-
Qinghai Foton Equipment Manufacturing Co., Ltd	Equity method	19,000,000.00	1,121,763.18	-1,121,763.18	-	47.50%	-	-	-
Zhongyou Foton (Beijing) Oil Sales Co., Ltd	Equity method	11,700,000.00	12,100,377.01	-45,432.76	12,054,944.25	39.00%	-	-	-
Beijing Songzhi Foton Automobile Air Conditioning Co., Ltd	Equity method	10,000,000.00	10,234,280.66	216,602.93	10,450,883.59	20.00%	-	-	-
Beijing Guichuan Taxi Co., Ltd	Equity method	1,500,000.00	827,510.24	386,752.24	1,214,262.48	30.00%	-	-	-
Beijing Hongdaxing Regional Electric Minibus Rental Limited Liability Company	Equity method	1,500,000.00	1,654,063.56	-76,609.41	1,577,454.15	30.00%	-	-	-
Beijing Huaixingwang Electric Minibus Rental Limited Liability Company	Equity method	1,500,000.00	230,570.10	13,372,082.17	13,602,652.27	30.00%	-	-	-
Hubei Foton Equipment Leasing Co., Ltd	Equity method	4,000,000.00	-	3,854,182.03	3,854,182.03	34.50%	-	-	-

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<u>Investees</u>	<u>Calculation method</u>	<u>Investment cost</u>	<u>Beginning balance</u>	<u>Increase/decrease</u>	<u>Closing balance</u>	<u>Shareholding % in investee</u>	<u>Closing provision for impairment</u>	<u>Current provision for impairment</u>	<u>The current cash dividend</u>
Beijing Mercedes-Benz Sales Service Co., Ltd	Equity method	50,000,000.00	65,737,539.41	22,685,305.60	88,422,845.01	49.00%	-	-	-
Beijing Lear Daimosi Automotive Systems Co., Ltd	Equity method	10,593,920.00	46,888,968.80	-7,156,926.46	39,732,042.34	20.00%	-	-	-
Shougang Penglong Steel Co., Ltd	Equity method	60,395,661.24	64,848,911.78	1,065,807.15	65,914,718.93	48.00%	-	-	-
Beijing Shougang Cold-rolled Sheet Co. Ltd	Equity method	104,000,000.00	70,673,504.16	-59,588,181.25	11,085,322.91	20.00%	-	-	-
Hyundai Top-Selection U-Car Operating Ltd	Equity method	13,660,600.00	34,292,684.46	5,960,645.68	40,253,330.14	40.00%	-	-	-
Beijing Beiqi Dashi Automotive Systems, Inc.	Equity method	27,660,345.60	102,910,698.52	29,589,006.28	132,499,704.80	48.00%	-	-	-
Beijing Hyundai Auto Finance Co., Ltd	Equity method	200,000,000.00	317,192,349.73	364,548,666.44	681,741,016.17	33.00%	-	-	-
Zhongfalian Technology Investment Co., Ltd	Equity method	9,000,000.00	9,000,000.00	46,608,265.10	55,608,265.10	45.00%	-	-	-
Beijing Pride New Energy Battery Technology Co., Ltd	Equity method	12,443,422.21	10,175,858.01	2,078,683.35	12,254,541.36	24.00%	-	-	-

BEIJING AUTOMOTIVE GROUP CO., LTD
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THE CURRENCY IS IN RMB YUAN, EXCEPT OTHERWISE INDICATED

<u>Investees</u>	<u>Calcula- tion metho- d</u>	<u>Investment cost</u>	<u>Beginning balance</u>	<u>Increase/ decrease</u>	<u>Closing balance</u>	<u>Share holdin- g % in investo- r</u>	<u>Closing pr- ovision for impairmen- t</u>	<u>Current provision for impairment</u>	<u>The current cash dividend</u>
BAIC Yinxiang Automotive Co., Ltd	Equity metho- d	5,108,701.26	40,875,529.21	-40,875,529.21	-	26.00%	-	-	-
Beijing Beiqi Changsheng Auto Accessories Co., Ltd	Equity metho- d	22,458,439.86	2,518,578.26	24,181.64	2,542,759.90	34.00%	-	-	-
Beijing Hainachuan North Gear Auto Axle Co., Ltd	Equity metho- d	49,000,000.00	48,984,241.75	-887.67	48,983,354.08	49.00%	-	-	-
Russia AMS Company	Equity metho- d	53,174,780.00	53,174,780.00	-	53,174,780.00	42.00%	53,174,780.00	53,174,780.00	-
Beiqi Huanghua Axle Co., Ltd	Equity metho- d	17,000,000.00	16,902,356.32	-1,720,623.82	15,181,732.50	34.00%	-	-	-
Beijing Light Automobile Co., Ltd	Equity metho- d	10,000,000.00	10,000,000.00	-	10,000,000.00	20.00%	10,000,000.00	-	-
Subtotal of joint ventures		3,698,701,046.91	2,528,826,830.22	1,121,243,723.64	3,650,070,553.86		89,932,898.73	63,978,139.48	300,463,028.16
3. Other enterprises									
Beijing Xingyixing Zone Electric Passenger Minibus Rental Co., Ltd	Cost metho- d	1,000,000.00	1,000,000.00	-1,000,000.00	-	-	-	-	-
Beijing Tianwei Fuxing Industrial Company	Cost metho- d	1,293,035.98	1,293,035.98	-1,293,035.98	-	-	-	-	-

BEIJING AUTOMOTIVE GROUP CO., LTD
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<u>Investees</u>	<u>Calculation method</u>	<u>Investment cost</u>	<u>Beginning balance</u>	<u>Increase/decrease</u>	<u>Closing balance</u>	<u>Shareholding % in investee</u>	<u>Closing provision for impairment</u>	<u>Current provision for impairment</u>	<u>The current cash dividend</u>
Beijing Xinyulian Assets Management Co., Ltd	Cost method	500,000.00	500,000.00	-500,000.00	-	-	-	-	-
Beijing Shouchuang Jindian Building Materials Science & Technology Co., Ltd	Cost method	5,503,872.73	5,503,872.73	-	5,503,872.73	75.00%	-	-	-
Beijing Jinglun Property Management Co., Ltd	Cost method	350,000.00	350,000.00	-	350,000.00	70.00%	-	-	-
Beijing Jinglun Industrial Company	Cost method	14,093,630.17	14,093,630.17	-	14,093,630.17	100.00%	14,093,630.18	-	-
Beijing Zhenhua Agricultural Tyre Company	Cost method	1,000,000.00	1,000,000.00	-	1,000,000.00	60.00%	1,000,000.00	-	-
Beijing Foton Building Materials Machinery Co., Ltd	Cost method	300,000.00	300,000.00	-	300,000.00	0.17%	300,000.00	-	-
Beiqi Beijing Sanhuan Transport Co., Ltd	Equity method	666,636.71	666,636.71	-666,636.71	-	-	-	-	-
Shanghai Jingqi Industry & Trading Co., Ltd	Cost method	13,034,756.39	12,677,856.91	-12,677,856.91	-	-	-	-	-
Russia BAW Motor Co., Ltd	Cost method	9,964,529.60	9,964,529.60	-9,964,529.60	-	-	-	-	-

BEIJING AUTOMOTIVE GROUP CO., LTD
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THE CURRENCY IS IN RMB YUAN, EXCEPT OTHERWISE INDICATED

<u>Investees</u>	<u>Calcula- tion metho- d</u>	<u>Investment cost</u>	<u>Beginning balance</u>	<u>Increase/ decrease</u>	<u>Closing balance</u>	<u>Share holdin- g % in investo- r</u>	<u>Closing pr- ovision for impairmen- t</u>	<u>Current provision for impairment</u>	<u>The current cash dividend</u>
Beijing Gear Factory	Cost metho- d	74,340,000.00	74,340,000.00	-	74,340,000.00	100.00 %	74,340,000.00	-	-
Tangshan Beinei Tang Gear Machinery Manufacturing Co., Ltd	Cost metho- d	9,740,000.00	9,740,000.00	-9,740,000.00	-	-	-	-	-
BAIC Institute of Economic Research	Cost metho- d	500,000.00	500,000.00	-	500,000.00	100.00 %	-	-	-
Corporation Safety Technology	Cost metho- d	249,562.53	249,562.53	-249,562.53	-	-	-	-	-
Environmental Protection Development Company	Cost metho- d	856,897.66	856,897.66	-856,897.66	-	-	-	-	-
Beijing Rongchang Auto Parts Sales Department	Cost metho- d	2,200,000.00	2,200,000.00	-	2,200,000.00	61.54%	2,200,000.00	-	-
Beijing Jinggong Real Estate Hongshun branch	Cost metho- d	11,256,156.70	11,256,156.70	-	11,256,156.70	55.00%	11,256,156.70	-	-
Beijing Yatai Zhaolong Business & Trading Co., Ltd	Cost metho- d	8,633,215.91	8,633,215.91	-	8,633,215.91	70.00%	8,633,215.91	-	-
Beiqi Luchi (Huanghua) Automobile Sales Co., Ltd	Cost metho- d	10,000,000.00	10,000,000.00	-10,000,000.00	-	-	-	-	-

BEIJING AUTOMOTIVE GROUP CO., LTD
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<u>Investees</u>	<u>Calcula tion metho d</u>	<u>Investment cost</u>	<u>Beginning balance</u>	<u>Increase/ decrease</u>	<u>Closing balance</u>	<u>Share holdin g % in investo r</u>	<u>Closing pr ovision for impairmen t</u>	<u>Current provision for impairment</u>	<u>The current cash dividend</u>
BAM Company Ltd	Equity metho d	15,000,000.00	906,311.02	-	906,311.02	100.00 %	-	-	-
Subtotal of enterprises	other	180,482,294.3 8	166,031,705.92	-46,948,519.3 9	119,083,186.53		111,823,002. 79	-	-
			16,548,534,518. 15	2,373,578,384. 40	18,922,112,902. 55		240,061,481. 94	79,828,724.48	427,767,936.49

BEIJING AUTOMOTIVE GROUP CO., LTD
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2) Investments in joint ventures and associates

<u>Items</u>	<u>1.Beijing Lear Automotive Electronics Co., Ltd</u>		<u>2.Beijing Hainachuan HSAE Automotive Electronics Co., Ltd</u>		<u>3.Beijing Hainachuan Henglong Automotive Steering Systems Co., Ltd</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current assets	292,767,272.76	166,778,010.81	148,481,894.29	110,254,380.94	92,829,857.63	81,478,628.29
Non-current assets	44,763,369.45	45,571,640.78	38,306,752.03	38,618,206.22	44,498,165.39	35,773,243.51
Total assets	337,530,642.21	212,349,651.59	186,788,646.32	148,872,587.16	137,328,023.02	117,251,871.80
Current liabilities	398,184,799.36	274,234,061.05	134,063,297.22	99,375,877.43	74,738,906.44	51,621,087.14
Non-current liabilities	2,000,000.00	2,000,000.00	1,000,000.00	-	2,000,000.00	2,000,000.00
Total liabilities	400,184,799.36	276,234,061.05	135,063,297.22	99,375,877.43	76,738,906.44	53,621,087.14
Net assets	-62,654,157.15	-63,884,409.46	51,725,349.10	49,496,709.73	60,589,116.58	63,630,784.66
Net assets shares calculated by shareholding ratio	-31,352,140.24	-31,967,758.49	25,862,674.55	24,748,354.87	30,294,558.29	31,815,392.33
Adjustment events	-	-	-	-	-	-
Book value of equity investment on joint ventures	-	-	25,862,895.41	24,763,586.85	30,294,558.30	31,815,392.34
Fair value of equity investment with public quotation	-	-	-	-	-	-

Continued:

<u>Items</u>	<u>1.Beijing Lear Automotive Electronics Co., Ltd</u>		<u>2.Beijing Hainachuan HSAE Automotive Electronics Co., Ltd</u>		<u>3.Beijing Hainachuan Henglong Automotive Steering Systems Co., Ltd</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Operating income	511,439,378.65	374,972,485.05	188,101,044.83	140,098,087.96	234,716,535.26	172,982,537.37
Financial expense	4,844,917.94	5,766,426.12	-1,026,715.14	-167,190.15	-366,639.92	-1,020,501.48
Income tax expense	-	-	332,728.52	-	1,084,728.54	1,016,871.02
Net profit	1,230,252.31	-49,739,042.01	2,229,081.08	2,010,732.93	3,208,331.92	2,976,488.37
Other comprehensive	-	-	-	-	-	-
Total comprehensive	1,230,252.31	-49,739,042.01	2,229,081.08	2,010,732.93	3,208,331.92	2,976,488.37

BEIJING AUTOMOTIVE GROUP CO., LTD
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Dividends received from joint ventures in current year	-	-	-	-	3,125,000.00	-
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<u>Items</u>	<u>4.Beijing Xiezhong Automotive Air Conditioning Co., Ltd</u>		<u>5.Beijing Zhongdu-Glovis Logistics Co., Ltd</u>		<u>6.Hunan Rongchang Automobile Parts Co., Ltd</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current assets	191,805,720.37	129,744,033.30	300,719,617.69	211,579,348.45	72,264,633.30	74,476,007.42
Non-current assets	23,944,412.75	24,331,834.33	2,595,528.31	2,659,910.12	51,044,287.51	11,968,263.81
Total assets	215,750,133.12	154,075,867.63	303,315,146.00	214,239,258.57	123,308,920.81	86,444,271.23
Current liabilities	147,798,597.70	88,905,367.52	200,553,537.70	152,363,783.00	98,804,055.91	64,979,902.70
Non-current liabilities	2,000,000.00	2,000,000.00	-	-	-	-
Total liabilities	149,798,597.70	90,905,367.52	200,553,537.70	152,363,783.00	98,804,055.91	64,979,902.70
Net assets	65,951,535.42	63,170,500.11	102,761,608.30	61,875,475.57	24,504,864.90	21,464,368.53
Net assets shares calculated by shareholding ratio	32,975,767.71	31,585,250.06	51,380,804.15	30,937,737.79	12,252,432.45	10,732,184.27
Adjustment events	-	-	-	-	-	-
Book value of equity investment on associated enterprises	33,033,483.60	31,662,204.59	51,640,181.51	30,937,737.76	12,252,432.46	10,732,184.27
Fair value of equity investment with public quotation	-	-	-	-	-	-

Continued:

<u>Items</u>	<u>4.Beijing Xiezhong Automotive Air Conditioning Co., Ltd</u>		<u>5.Beijing Zhongdu-Glovis Logistics Co., Ltd</u>		<u>6.Hunan Rongchang Automobile Parts Co., Ltd</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Operating income	390,562,071.92	311,783,262.10	1,815,298,807.37	1,312,481,811.07	170,821,976.05	89,748,063.45
Financial expense	-39,964.85	-509,616.16	2,382,716.99	593,253.71	-158,623.09	-466,469.29
Income tax expense	805,497.36	586,103.48	23,917,270.27	17,373,482.64	-	-

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Net profit	2,781,035.31	1,758,310.44	71,404,887.49	51,875,475.53	3,040,496.37	-2,554,521.90
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	2,781,035.31	1,758,310.44	71,404,887.49	51,875,475.53	3,040,496.37	-2,554,521.90
Dividends received from joint ventures in current year	-	-	1,815,298,807.37	1,312,481,811.07	-	-

<u>Items</u>	<u>7. Beijing Hainachuan Hailar Lighting Co., Ltd</u>		<u>8. Inalfa Roof Systems (America) Co., Ltd</u>		<u>9. Beijing Foton Cummins Engine Co., Ltd</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current assets	438,053,689.05	-	21,488,375.08	19,270,891.41	1,480,916,060.25	765,012,540.54
Non-current assets	152,738,043.38	-	2,026,133.86	2,881,138.65	3,626,058,559.76	3,414,865,335.35
Total assets	590,791,732.43	-	23,514,508.94	22,152,030.06	5,106,974,620.01	4,179,877,875.89
Current liabilities	341,019,768.99	-	4,095,802.30	1,616,406.83	2,877,476,463.48	2,405,869,432.61
Non-current liabilities	-	-	-	-	15,088,127.72	338,678,459.27
Total liabilities	-	-	4,095,802.30	1,616,406.83	2,892,564,591.20	2,744,547,891.88
Net assets	249,771,963.44	-	19,418,706.64	20,535,623.23	2,214,410,028.81	1,435,329,984.01
Net assets shares calculated by shareholding	124,885,981.72	-	9,709,353.32	10,267,811.62	1,107,205,014.41	717,664,992.01
Adjustment events	-	-	-	-	-46,818,364.05	-818,364.05
Book value of equity investment on joint ventures	124,885,981.72	-	9,709,353.32	10,267,811.62	1,060,386,650.36	716,846,627.96
Fair value of equity investment with public quotation	-	-	-	-	-	-

Continued:

BEIJING AUTOMOTIVE GROUP CO., LTD
 NOTE TO THE FINANCIAL STATEMENTS
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 THE CURRENCY IS IN RMB YUAN, EXCEPT OTHERWISE INDICATED

<u>Items</u>	<u>7. Beijing Hainachuan Hailar Lighting Co., Ltd</u>		<u>8. Inalfa Roof Systems (America) Co., Ltd</u>		<u>9. Beijing Foton Cummins Engine Co., Ltd</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Operating income	47,646,724.9 0	-	21,488,375.0 8	19,270,891.4 1	4,035,485.34 0.74	2,739,505.12 3.51
Financial expense	-156,330.72	-	2,026,133.86	2,881,138.65	42,481,248.8 5	39,943,006.0 7
Income tax expense		-	23,514,508.9 4	22,152,030.0 6	21,959,607.0 2	11,182,538.2 9
Net profit	-6,228,036.5 6	-	4,095,802.30	1,616,406.83	179,080,044. 80	95,230,028.2 4
Other comprehensive	-	-	-	-	-	-
Total comprehensive income	-6,228,036.5 6	-	4,095,802.30	1,616,406.83	179,080,044. 80	95,230,028.2 4
Dividends received from joint ventures in current year	-	-	-	-	-	-

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NOTE TO THE FINANCIAL STATEMENTS
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<u>Items</u>	<u>10.Beijing Foton Daimler Automotive Co., Ltd</u>		<u>11. Beijing Hyundai Motor Company</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current assets	6,089,181,326.20	5,234,958,285.71	45,552,732,547.73	38,569,276,113.91
Non-current assets	9,474,445,615.43	9,135,145,472.22	16,058,943,743.62	15,177,717,598.15
Total assets	15,563,626,941.63	14,370,103,757.93	61,611,676,291.35	53,746,993,712.06
Current liabilities	8,365,049,234.28	6,711,651,875.96	32,512,395,966.02	28,010,895,022.51
Non-current liabilities	1,760,100,522.56	2,273,730,238.59	3,957,805,430.61	2,184,676,121.83
Total liabilities	10,125,149,756.84	8,985,382,114.55	36,470,201,396.63	30,195,571,144.34
Net assets	5,438,477,184.79	5,384,721,643.38	25,141,474,894.72	23,551,422,567.72
Net assets shares calculated by shareholding ratio	2,719,238,592.40	2,692,360,821.69	12,570,737,447.36	11,775,711,283.86
Adjustment events	-1,937,588,901.56	-2,068,680,428.14	-	-
Book value of equity investment on joint ventures	781,649,690.84	623,680,393.55	12,570,737,447.36	11,775,711,283.86
Fair value of equity investment with public quotation	-	-	-	-

Continued:

<u>Items</u>	<u>10.Beijing Foton Daimler Automotive Co., Ltd</u>		<u>11.Beijing Hyundai Motor Company</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Operating income	24,742,806,097.09	24,188,609,266.82	115,880,222,603.06	109,110,619,190.12
Financial	104,887,193.95	77,759,826.04	-176,292,371.93	-81,853,816.24
Income tax	24,823,893.35	88,962,892.27	-3,829,391,885.37	-3,626,417,619.08
Net profit	56,667,541.41	39,987,898.28	11,377,118,947.23	10,799,207,269.66
Other comprehensive income	-2,912,000.00	-	-	-
Total comprehensive income	53,755,541.41	39,987,898.28	-	-

BEIJING AUTOMOTIVE GROUP CO., LTD
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Dividends received from joint ventures in current year	-	-	4,893,533,310.12	2,502,967,937.86
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4) Principal financial information of important associated enterprises

<u>Items</u>	<u>1.Visteon Climate Control (Beijing) Co., Ltd</u>		<u>2.Beijing Johnson Auto Parts Co., Ltd</u>		<u>3.Yanfengwei (Beijing) Automotive Trim Svstems Co., Ltd</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current assets	1,404,659,890.81	1,337,116,564.77	1,795,730,856.37	1,238,103,876.84	741,353,542.11	591,416,301.25
Non-current assets	227,856,743.03	291,089,424.52	515,829,013.25	486,963,902.39	156,187,338.00	152,997,239.60
Total assets	1,632,516,633.84	1,628,205,989.29	2,311,559,869.62	1,725,067,779.23	897,540,880.11	744,413,540.85
Current liabilities	758,948,108.73	714,937,654.65	1,931,747,829.99	1,446,271,989.73	744,053,478.36	567,016,570.98
Non-current liabilities	4,815,529.87	4,069,199.81	-	6,564,569.00	-	-
Total liabilities	763,763,638.60	719,006,854.46	1,931,747,829.99	1,452,836,558.73	744,053,478.36	567,016,570.98
Net assets	868,752,995.24	909,199,134.83	379,812,039.63	272,231,220.50	153,487,401.75	177,396,969.87
Net assets shares calculated by shareholding ratio	173,750,599.05	181,839,826.97	148,126,695.46	106,170,176.00	38,371,850.44	4,434,924,246.75
Adjustment events	-	-	-2,485,007.37	-2,485,007.37	-	-
Book value of equity investment on associated enterprises	183,692,444.05	195,063,387.36	163,145,438.16	130,406,130.76	41,956,455.78	48,613,593.08
Fair value of equity investment with public quotation	-	-	-	-	-	-

Continued:

<u>Items</u>	<u>1.Visteon Climate Control (Beijing) Co., Ltd</u>		<u>2.Beijing Johnson Auto Parts Co., Ltd</u>		<u>3.Yanfengwei (Beijing) Automotive Trim Svstems Co., Ltd.</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Operating income	3,522,908,036.87	3,392,988,039.34	3,564,495,757.42	2,925,655,844.83	1,774,249,406.93	1,056,668,273.69
Net profit	333,553,860.41	341,056,987.53	110,334,382.53	149,464,450.60	148,033,980.91	77,342,473.63

BEIJING AUTOMOTIVE GROUP CO., LTD
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Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	333,553,860.41	341,056,987.53	110,334,382.53	149,464,450.60	148,033,980.91	77,342,473.63
Dividend received from joint ventures in current year	74,800,000.00	-	-	34,489,678.64	42,985,887.25	18,765,285.00

Items	4.Beijing Automotive Co., Ltd	Borg -Warner Transmission	5.Beijing Automotive Co., Ltd	Beiqi Guanghai Components	6.Autoliv (Beijing) Safety Systems Co., Ltd	Vehicle
	2014	2013	2014	2013	2014	2013
Current assets	249,609,731.64	480,900,033.68	50,454,847.12	33,031,780.46	106,252,033.16	161,173,512.92
Non-current assets	171,172,343.51	36,003,362.10	147,540,234.89	112,015,347.97	5,934,526.95	7,560,409.15
Total assets	420,782,075.15	516,903,395.78	197,995,082.01	145,047,128.43	112,186,560.11	168,733,922.07
Current liabilities	105,039,756.58	221,262,355.49	71,706,676.22	51,086,481.70	57,803,053.24	104,903,191.18
Non-current liabilities	1,724,139.24	-	19,257,956.92	-	-	-
Total liabilities	106,763,895.82	221,262,355.49	90,964,633.14	51,086,481.70	57,803,053.24	104,903,191.18
Net profit	314,018,179.33	295,641,040.29	107,030,448.87	93,960,646.73	54,383,506.87	63,830,730.89
Net assets shares calculated by shareholding ratio	62,803,635.87	59,128,208.06	21,406,089.77	18,792,129.35	26,647,918.37	31,277,058.14
Adjustment events	-	-	-	-	-	-
Book value of equity investment on associated enterprises	63,843,673.95	60,551,263.44	22,675,367.37	20,676,973.57	27,418,182.15	32,166,448.54
Fair value of equity investment with public quotation	-	-	-	-	-	-

Continued:

Items	4.Beijing Automotive Co., Ltd	Borg -Warner Transmission	5.Beijing Automotive Co., Ltd	Beiqi Guanghai Components	6.Autoliv (Beijing) Safety Systems Co., Ltd	Vehicle
	2014	2013	2014	2013	2014	2013
Operation income	639,788,817.26	583,810,476.00	12,269,127.06	9,438,937.94	181,329,264.41	228,386,596.08

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Net profit	197,155,281.52	173,464,641.42	18,069,802.14	14,028,122.40	8,549,800.88	21,572,028.81
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	197,155,281.52	173,464,641.42	18,069,802.14	14,028,122.40	8,549,800.88	21,572,028.81
Dividend received from joint ventures in current year	52,000,000.00	-	-	-	9,114,012.20	37,278,757.08

Items	7.Asimco	Tianwei	Fuel	8.Beijing	Beiqi	Guanghua	9.Beijing	Xiyi	Haihua
	Injection	Equipment	Stock	Jietong	Auto	Parts Co.,	Automotive	Parts Co.,	Ltd
	Co., Ltd (Beijing)			Ltd					
	2014	2013		2014		2013	2014		2013
Current assets	453,270,579.90	514,552,237.72		-		10,399,373.53	43,018,416.85		43,487,073.65
Non-current assets	379,213,005.47	387,790,109.03		-		342,977.37	15,436,680.99		13,640,245.03
Total assets	832,483,585.37	902,342,346.75		-		10,742,350.90	58,455,097.84		57,127,318.68
Current liabilities	295,020,979.93	304,969,565.07		-		2,324,280.56	24,756,784.60		27,766,510.02
Non-current liabilities	107,242,159.74	101,273,896.45		-		6,564,569.00	-		-
Total liabilities	402,263,139.67	406,243,461.52		-		8,888,849.56	24,756,784.60		27,766,510.02
Net profit	430,220,445.70	496,098,885.23		-		1,853,501.34	33,698,313.24		29,360,808.66
Net assets shares calculated by shareholding ratio	150,103,913.50	173,088,901.06		-		426,305.31	13,479,325.30		11,744,323.46
Adjustment events	14,337,069.86	14,337,069.86		-		-	-		-
Book value of equity investment on associated enterprises	185,982,506.40	193,956,871.05		-		426,665.55	13,512,194.20		11,801,124.49
Fair value of equity investment with public quotation	-	-		-		-	-		-

Continued:

<u>Items</u>	<u>7.Asimco Tianwei Fuel Injection Equipment Stock Co., Ltd (Beijing)</u>	<u>8.Beijing Beiqi Guanghua Jietong Auto Parts Co., Ltd</u>	<u>9.Beijing Xiyi Haihua Automotive Parts Co., Ltd</u>
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BEIJING AUTOMOTIVE GROUP CO., LTD
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	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Operation income	530,692,784.38	589,418,381.14	-	13,376,388.95	138,712,781.80	120,480,461.77
Net profit	-25,878,439.53	36,816,008.16	-	-11,024,163.34	8,796,925.93	6,176,690.44
Other comprehensive income		7,634,010.65	-			
Total comprehensive income	-25,878,439.53	44,450,018.81	-	-11,024,163.34	8,796,925.93	6,176,690.44
Dividend received from joint ventures in current year	2,300,000.00	6,978,330.45	-	-	1,783,768.54	1,364,588.20

<u>Items</u>	<u>10.Tenneco (Beijing) Exhaust System Co., Ltd</u>	<u>11.Beijing Zhongli Axle Co., Ltd</u>	<u>Foton</u>	<u>12.Beijing Daelim Auto Parts Co., Ltd</u>	<u>Wanda</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current assets	112,032,470.2 2	75,357,236.1 9	342,775,700. 78	260,872,280. 94	233,820,688.0 0	216,590,714.2 6
Non-current assets	13,545,335.91	10,330,604.0 3	123,439,815. 39	57,115,635.8 6	548,460,178.2 9	436,062,871.7 1
Total assets	125,577,806.1 3	85,687,840.2 2	466,215,516. 17	317,987,916. 80	782,280,866.2 9	652,653,585.9 7
Current liabilities	91,115,757.60	60,564,041.2 8	305,796,194. 13	161,350,457. 10	350,529,578.9 8	282,634,593.2 6
Non-current liabilities	-	-	-	-	117,974,320.0 0	74,895,720.00
Total liabilities	91,115,757.60	60,564,041.2 8	305,796,194. 13	161,350,457. 10	468,503,898.9 8	357,530,313.2 6
Net profit	34,462,048.53	25,123,798.9 4	160,419,322. 04	156,637,459. 70	313,776,967.3 1	295,123,272.7 1
Net assets shares calculated by	16,886,403.78	12,310,661.4 8	42,511,120.3 4	41,508,926.82	125,510,786 .92	118,049,309.0 8
Adjustment events	-	-	5,811,400.00	5,811,400.00	-44,202,977. 91	-44,202,977.9 1
Book value of equity investment on associated enterprises	16,886,403.78	12,276,672.2 8	52,835,011.4 4	51,570,573.50	120,296,669 .49	108,452,925.0 3

BEIJING AUTOMOTIVE GROUP CO., LTD
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Fair value of
equity
investment
with public
quotation

- - - - -

Continued:

<u>Items</u>	<u>10.Tenneco (Beijing)</u> <u>Exhaust System Co., Ltd</u>		<u>11.Beijing Zhongli Foton</u> <u>Axle Co., Ltd</u>		<u>12.Beijing Daelim Wanda</u> <u>Auto Parts Co., Ltd</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Operation income	263,143,310.27	174,678,281.32	619,171,720.07	203,535,878.70	653,504,673.97	556,806,949.07
Net profit	20,686,216.70	11,304,833.86	1,109,929.24	-3,901,004.27	36,985,581.16	37,163,898.59
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	20,686,216.70	11,304,833.86	1,109,929.24	-3,901,004.27	36,985,581.16	37,163,898.59
Dividend received from joint ventures in	5,560,503.88	6,860,000.00	-	-	7,200,000.00	11,200,000.00

<u>Items</u>	<u>13.Beijing Hanyi Automotive</u> <u>Trim Co., Ltd</u>		<u>14.Inergy Automotive</u> <u>Systems Manufacturing</u> <u>(Beijing) Co., Ltd</u>		<u>15.Taihang Changqing</u> <u>Automobile Safety</u> <u>Equipment (Suzhou) Co., Ltd</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current assets	597,644,495.80	471,113,440.27	294,629,347.06	261,900,450.54	206,594,979.00	95,992,791.50
Non-current assets	214,132,063.81	219,580,642.93	226,845,188.03	245,834,328.55	218,432,060.19	209,423,030.67
Total assets	811,776,559.61	690,694,083.20	521,474,535.09	507,734,779.09	425,027,039.19	305,415,822.17
Current liabilities	587,631,043.48	451,267,283.45	215,332,101.94	249,532,002.67	95,295,415.38	45,809,794.97
Non-current liabilities	-	-	93,704,018.78	92,628,201.41	51,027,500.00	57,938,336.50
Total liabilities	587,631,043.48	451,267,283.45	309,036,120.72	342,160,204.08	146,322,915.38	103,748,131.47
Net profit	224,145,516.13	239,426,799.75	212,438,414.37	165,574,575.01	278,704,123.81	201,667,690.70

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Net assets shares calculated by shareholding ratio	74,707,700.53	79,800,952.3 6	84,975,365.7 5	66,229,830.00	47,379,701. 05	40,353,704.91
Adjustment events	-124,350,051. 15	-124,350,05 1.15	-	-	-	-
Book value of equity investment on associated enterprises	61,589,528.84	75,904,889.3 0	82,913,202.6 1	63,790,981.52	-	78,951,847.90
Fair value of equity investment with public quotation	-	-	-	-	-	-

Continued:

Items	<u>13.Beijing Hanyi Automotive Trim Co., Ltd</u>		<u>14.Inergy Automotive Systems Manufacturing (Beijing) Co., Ltd</u>		<u>15.Taihang Changqing Automobile Safety Equipment (Suzhou) Co., Ltd</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Operation income	1,604,728,638. 02	1,741,469,001 .65	800,330,531. 11	653,069,041. 31	151,465,382 .24	81,932,609.61
Net profit	63,270,337.71	93,602,444.12	86,863,839.3 6	69,867,250.1 5	5,157,463.3 4	1,579,953.63
Other comprehensiv e income	-	-	-	-	-	-
Total comprehensiv e income	63,270,337.71	93,602,444.12	86,863,839.3 6	69,867,250.1 5	5,157,463.3 4	1,579,953.63
Dividend received from joint ventures in current year	51,197,694.62	1,361,763.93	16,000,000.0 0	-	-	-

Items	<u>16.Tenneco (Beijing) Automobile Shock Absorber Co., Ltd</u>		<u>17.Beiqi ZF (Beijing) Automotive Chassis Systems Co., Ltd</u>		<u>18.Beijing Sanli Auto Lamp Co., Ltd</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current assets	481,194,712.5 1	404,317,246 .15	3,330,412.0 6	-	598,493,522.0 8	-

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Non-current assets	99,513,365.39	93,658,076.01	-	-	522,995,138.01	-
Total assets	580,708,077.90	497,975,322.16	3,330,412.06	-	1,121,488,660.09	-
Current liabilities	324,457,603.93	280,227,048.37	3,614.40	-	400,864,203.03	-
Non-current liabilities				-	35,162,750.00	-
Total liabilities	324,457,603.93	280,227,048.37	3,614.40	-	436,026,953.03	-
Net profit	256,250,473.97	217,748,273.79	3,326,797.66	-	685,461,707.06	-
Net assets shares calculated by	89,687,665.89	76,211,895.83	1,630,130.85	-	-	-
Adjustment events	-18,761,016.17	-18,761,016.17	-	-	-	-
Book value of equity investment on associated enterprises	80,339,904.89	71,173,956.77	3,197,743.75	-	15,359,170.00	-
Fair value of equity investment with public quotation	-	-	-	-	-	-

Continued:

Items	<u>16.Tenneco (Beijing) Automobile Shock Absorber Co., Ltd</u>		<u>17.Beigi ZF (Beijing) Automotive Chassis Systems Co., Ltd</u>		<u>18.Beijing Sanli Auto Lamp Co., Ltd</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Operation income	913,102,422.88	806,433,863.47	-	-	1,951,180,112.89	-
Net profit	144,474,662.09	105,763,680.03	-2,992.34	-	161,193,012.34	-
Other comprehensive income		2,204,728.87	-	-	-	-
Total comprehensive income	144,474,662.09	107,968,408.90	-2,992.34	-	161,193,012.34	-
Dividend received from joint ventures in current year	37,090,361.67	26,250,000.00	-	-	-	-

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Items	<u>19.Xiezhong International Holdings Ltd</u>		<u>20.Beijing Shougang Cold-rolled Sheet Co., Ltd</u>		<u>21.Guangdong Changhe Automobile Sales & Service Co., Ltd</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current assets	891,912,770.00	-	1,263,279,399.62	1,314,871,852.11	24,960,732.74	16,375,775.16
Non-current assets	701,584,235.48	-	5,796,712,804.13	6,013,183,805.24	871,819.55	1,186,930.89
Total assets	1,593,497,005.48	-	7,059,992,203.75	7,328,055,657.35	25,832,552.29	17,562,706.05
Current liabilities	703,472,650.00	-	1,715,417,256.38	1,812,529,179.46	22,907,628.38	15,149,208.15
Non-current liabilities	61,228,800.63	-	5,289,148,332.80	5,162,158,957.09	-	-
Total liabilities	764,701,450.63	-	7,004,565,589.18	6,974,688,136.55	22,907,628.38	15,149,208.15
Net profit	795,588,890.11	-	55,426,614.57	353,367,520.80	2,924,923.91	2,413,497.90
Net assets shares calculated	263,896,834.85	-	11,085,322.91	70,673,504.16	1,023,723.37	844,724.27
Adjustment events	-	-	-	-	3,930,898.42	3,930,898.42
Book value of equity investment on associated enterprises	263,896,834.85	-	11,085,322.91	70,673,504.16	4,954,621.79	4,775,622.69
Fair value of equity investment with public quotation	-	-	-	-	-	-

Continued:

Items	<u>19.Xiezhong International Holdings Ltd</u>		<u>20.Beijing Shougang Cold-rolled Sheet Co., Ltd</u>		<u>21.Guangdong Changhe Automobile Sales & Service Co., Ltd</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Operation income	375,699,000.00	-	8,169,879,137.00	8,785,537,219.70	51,345,038.03	45,705,861.93
Net profit	16,648,424.34	-	11,377,118,947.23	10,799,207,269.66	511,426.01	1,235,107.67

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Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	16,648,424.34	-	-	-	511,426.01	1,235,107.67
Dividend received from joint ventures in current year	37,090,361.67	-	4,893,533,310.12	2,502,967,937.86	-	-

<u>Items</u>	<u>22.Beijing Hyundai MOBIS Auto Parts Co., Ltd</u>		<u>23.Beijing Yinuosheng Beiguang Advertising Co., Ltd</u>		<u>24.Shougang Steel Co., Ltd</u>	<u>Penglong</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current assets	1,132,796,819.67	1,051,667,698.32	167,247,873.54	190,953,935.69	58,240,853.48	56,343,751.52
Non-current assets	254,815,534.91	235,430,387.82	548,208.13	1,544,770.45	117,149,072.26	122,678,776.28
Total assets	1,387,612,354.58	1,287,098,086.14	167,796,081.67	192,498,706.14	175,389,925.74	179,022,527.80
Current liabilities	609,986,182.01	606,110,881.74	101,862,011.51	134,614,153.80	37,722,519.62	43,552,406.25
Non-current liabilities	-	-	-	-	109,500.00	368,222.00
Total liabilities	609,986,182.01	606,110,881.74	101,862,011.51	134,614,153.80	37,832,019.62	43,920,628.25
Net profit	777,626,172.57	680,987,204.40	65,934,070.16	57,884,552.34	137,557,906.12	135,101,899.55
Net assets shares calculated by shareholding ratio	388,813,086.29	340,493,602.20	32,307,694.38	28,363,430.65	66,027,794.94	64,848,911.78
Adjustment events	-499,021,797.54	-403,677,946.99	-	-	-	-
Book value of equity investment on joint ventures	340,424,482.55	289,909,903.01	32,335,465.01	28,391,201.28	75,340,583.15	-

Continued:

<u>Items</u>	<u>22.Beijing Hyundai MOBIS Auto Parts Co., Ltd</u>	<u>23.Beijing Yinuosheng Beiguang Advertising Co., Ltd</u>	<u>24.Shougang Steel Co., Ltd</u>	<u>Penglong</u>
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BEIJING AUTOMOTIVE GROUP CO., LTD
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	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Operation income	3,013,553,488.21	2,614,595,287.62	1,207,540,869.32	1,156,645,949.07	536,924,441.80	514,690,692.77
Net profit	526,877,675.98	439,019,089.63	45,455,023.16	37,987,807.74	2,456,006.57	4,953,012.68
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	526,877,675.98	439,019,089.63	45,455,023.16	37,987,807.74	2,456,006.57	4,953,012.68
Dividend received from joint ventures in current year	-	-	-	-	-	-

<u>Items</u>	<u>25.Sichuan Changhe Sky Auto Sales & Services Co., Ltd</u>	
	<u>2014</u>	<u>2013</u>
Current assets	22,026,865.80	27,298,005.26
Non-current assets	2,328,221.82	3,027,404.34
Total assets	24,355,087.62	30,325,409.60
Current liabilities	14,937,563.32	20,692,879.65
Non-current liabilities	-	-
Total liabilities	14,937,563.32	20,692,879.65
Net profit	9,417,524.30	9,632,529.95
Net assets shares calculated by shareholding ratio	4,057,069.47	4,149,693.90
Adjustment events	28,485.85	29,113.85
Book value of equity investment on associated enterprises	4,085,555.32	4,178,807.75
Fair value of equity investment with public quotation	-	-

Continued:

<u>Items</u>	<u>25.Sichuan Changhe Sky Auto Sales & Services Co., Ltd</u>	
	<u>2014</u>	<u>2013</u>

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Items	25.Sichuan Changhe Sky Auto Sales & Services Co., Ltd	
	2014	2013
Operation income	61,620,130.27	56,750,724.62
Net profit	784,994.35	532,392.89
Other comprehensive income	-	-
Total comprehensive income	784,994.35	532,392.89
Dividend received from joint ventures in current year	430,800.00	-

(14). Investment property

By cost method

Items	Beginning balance	Current increase		Current decrease		Closing balance
		Purchase or provision	Transferred from self-use real estate or inventories	Disposal	Transfer to self-use	
Total original cost	1,665,617,770.13	101,587,721.08	32,440,031.63	39,843,514.49	-	1,759,802,008.35
1.Houses and Buildings	1,340,383,047.60	101,587,721.08	4,114,235.13	18,746,814.49	-	1,427,338,189.32
2.Land use right	325,234,722.53	-	28,325,796.50	21,096,700.00	-	332,463,819.03
Total accumulated depreciation and amortization	202,503,730.64	53,450,308.83	-	5,811,827.54	-	250,142,211.93
1.Houses and Buildings	170,478,384.82	43,979,956.67	-	3,755,470.28	-	210,702,871.21
2.Land use right	32,025,345.82	9,470,352.16	-	2,056,357.26	-	39,439,340.72
Total net book value	1,463,114,039.49	-	-	-	-	1,509,659,796.42
1.Houses and Buildings	1,169,904,662.78	-	-	-	-	1,216,635,318.11
2.Land use right	293,209,376.71	-	-	-	-	293,024,478.31
Total accumulated provision	-	-	-	-	-	-
1.Houses and Buildings	-	-	-	-	-	-
2.Land use right	-	-	-	-	-	-
Total book value	1,463,114,039.49	-	-	-	-	1,509,659,796.42

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1.Houses and Buildings	1,169,904,662.78	-	-	-	- 1,216,635,318.11
2.Land use right	293,209,376.71	-	-	-	- 293,024,478.31

Note: The depreciation and amortization of current period was RMB 53,450,308.83 Yuan.

(15). Fixed assets

<u>Items</u>	<u>Beginning balance</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Closing balance</u>
Total original book value	39,273,115,073.70	13,489,387,850.74	712,399,551.58	52,050,103,372.86
Incl: Land assets	28,854,438.50	-	-	28,854,438.50
Houses and Buildings	16,310,332,131.80	4,763,144,998.44	189,697,445.33	20,883,779,684.91
Machineries	18,388,189,962.10	5,596,298,601.18	325,666,295.54	23,658,822,267.74
Vehicles	928,847,720.95	477,906,253.82	89,060,621.00	1,317,693,353.77
Office equipments and Others	3,616,890,820.35	2,652,037,997.30	107,975,189.71	6,160,953,627.94
Total accumulated depreciation	8,584,287,682.33	3,010,709,495.41	351,464,812.62	11,243,532,365.12
Incl: Land assets	-	-	-	-
Houses and Buildings	1,495,380,386.47	658,378,097.78	66,337,524.58	2,087,420,959.67
Machineries	5,247,182,986.48	1,483,828,601.13	170,239,637.85	6,560,771,949.76
Vehicles	345,224,249.38	133,147,368.79	55,078,639.98	423,292,978.19
Office equipments and Others	1,496,500,060.00	735,355,427.71	59,809,010.21	2,172,046,477.50
Total net book value	30,688,827,391.37	-	-	40,806,571,007.74
Incl: Land assets	28,854,438.50	-	-	28,854,438.50
Houses and Buildings	14,814,951,745.33	-	-	18,796,358,725.24
Machineries	13,141,006,975.62	-	-	17,098,050,317.98
Vehicles	583,623,471.57	-	-	894,400,375.58
Office equipments and Others	2,120,390,760.35	-	-	3,988,907,150.44
Total impairment provision	1,367,824,096.91	107,843,612.56	9,977,261.00	1,465,690,448.47
Incl: Land assets	-	-	-	-
Houses and Buildings	54,406,701.92	-	-	54,406,701.92
Machineries	1,281,033,257.57	38,100,413.69	4,733,611.43	1,314,400,059.83
Vehicles	13,543,722.92	6,083,131.90	5,173,707.07	14,453,147.75
Office equipments and Others	18,840,414.50	63,660,066.97	69,942.50	82,430,538.97
Total book value	29,321,003,294.46	-	-	39,340,880,559.27

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Incl: Land assets	28,854,438.50	-	-	28,854,438.50
Houses and Buildings	14,760,545,043.41	-	-	18,741,952,023.32
Machineries	11,859,973,718.05	-	-	15,783,650,258.15
Vehicles	570,079,748.65	-	-	879,947,227.83
Office equipments and Others	2,101,550,345.85	-	-	3,906,476,611.47

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(16). Construction in progress

1) Details of construction in progress

<u>Items</u>	<u>Budget amount</u>	<u>Beginning balance</u>	<u>Current increase</u>	<u>Transferred into fixed assets</u>	<u>Other decrease</u>	<u>% of budget</u>	<u>Project accumulated amount of capitalized interest</u>	<u>Incl: Current amount of capitalized interest</u>	<u>Current rate of capitalized interest (%)</u>	<u>Fund source</u>	<u>Closing balance</u>
MIRA project --JV	9,503,000,000.00	2,108,352,516.03	2,518,778,180.15	4,026,568,461.21	-	50.90	50.90	54,323,523.81	5.92	Self-raised or loans	600,562,234.97
MIRAI project-JV	11,853,200,000.00	1,865,722,911.94	3,053,922,983.88	38,271,764.40	-	41.83	41.83	-	-	Self-raised	4,881,374,131.42
Huairou heavy machinery project	2,134,510,000.00	701,602,535.30	397,484,241.07	1,069,128,433.56	-	85.00	90.00	-	-	Raised fund and loans from financial institution	29,958,342.81
Weifang multi-functional vehicle plant construction project	1,220,520,000.00	562,651,342.77	353,432,700.52	543,502,073.58	-	85.00	90.00	31,947,199.26	5.71	Self-raised and loans from financial institution	372,581,969.71
NGCC project--JV	5,790,800,000.00	448,774,113.58	1,886,043,352.45	11,652,433.35	-	40.52	40.52	-	-	Self-raised	2,323,165,032.68
WEIGL Technology upgrading project of off-road vehicle	426,220,000.00	419,216,713.76	20,856,211.08	-	-	97.00	97.00	35,404,353.18	5.58	Self-raised or loans	440,072,924.84
Powertrain R&D facilities	710,000,000.00	367,547,208.36	116,574,438.65	229,813,256.16	561,895.74	-	-	18,383,539.66	-	-	395,115,104.38
						95.91	99.00	26,218,907.81	5.58	Self-raised or loans	254,308,390.85

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<u>Items</u>	<u>Budget amount</u>	<u>Beginning balance</u>	<u>Current increase</u>	<u>Transferred into fixed assets</u>	<u>Other decrease</u>	<u>% of budget</u>	<u>Project amount of capitalized interest</u>	<u>Incl: Current amount of capitalized interest</u>	<u>Current rate of capitalized interest (%)</u>	<u>Fund source</u>	<u>Closing balance</u>
Miyun multi-functional plant construction project	2,960,340,000.00	312,075,250.41	627,799,218.30	21,057,715.52	-	90.00	90.00	45,125,733.74	5.71	Raised fund and loans from financial institution	918,816,753.19
Benz R&D project	858,900,000.00	310,283,234.99	-	-	-310,283,234.99	47.00	47.00	-	-	- Self-raised	-
Others	-	6,451,097,484.44	9,747,691,147.92	5,037,100,943.88	1,981,694,134.21	-	-	300,725,554.64	-	-	9,179,993,554.27
Total	=	13,933,466,927.01	19,426,318,095.13	11,671,297,018.08	2,292,539,264.94	=	=	631,411,912.67	=	=	19,395,948,439.12

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2) Provision for impairment

<u>Item</u>	<u>Beginning balance</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Closing balance</u>
Transferred & relocation project of light vehicle	27,809,933.79	-	-	27,809,933.79
Villa Development Zone	2,792,546.53	-	-	2,792,546.53
Clubhouse	31,366.09	-	-	31,366.09
Total	<u>30,633,846.41</u>	=	=	<u>30,633,846.41</u>

(17). Intangible assets

1) Classification of intangible assets

<u>Item</u>	<u>Beginning balance</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Closing balance</u>
1.Total original value	13,800,175,336.03	2,618,731,001.17	538,544,405.24	15,880,361,931.96
Inc.: Land-use rights	9,745,612,789.68	695,583,732.05	417,115,784.48	10,024,080,737.25
R&D project	1,319,707,201.75	480,911,442.06	36,306,481.72	1,764,312,162.09
Software	584,447,187.65	323,641,988.74	9,884,000.00	898,205,176.39
Intellectual property	366,154,759.12	285,943.00	38,108,359.39	328,332,342.73
Non-patented technology	981,720,017.24	580,382,924.02	-	1,562,102,941.26
Customer relationship	307,902,865.62	-	32,045,665.62	275,857,200.00
Saab Intellectual Property	492,076,572.46	481,207,350.65	-	973,283,923.11
Others	2,553,942.51	56,717,620.65	5,084,114.03	54,187,449.13
2.Total accumulated amortization	1,547,010,061.01	886,691,890.33	21,860,297.66	2,411,841,653.68
Inc.: Land-use rights	392,501,298.02	163,509,751.76	16,534,527.81	539,476,521.97
R&D project	465,125,487.07	246,366,945.80	605,108.03	710,887,324.84
Software	300,299,737.31	84,781,710.92	4,720,661.82	380,360,786.41
Intellectual property	88,029,207.40	24,063,458.19	-	112,092,665.59
Non-patented technology	220,904,278.19	278,316,969.57	-	499,221,247.76
Customer relationship	37,204,929.59	9,920,675.41	-	47,125,605.00
Saab Intellectual Property	41,006,381.04	75,422,896.50	-	116,429,277.54
Others	1,938,742.39	4,309,482.18	-	6,248,224.57
3.Total provision for impairment of intangible assets	-	-	-	-

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Inc.: Land-use rights	-	-	-	-
R&D project	-	-	-	-
Software	-	-	-	-
Intellectual property	-	-	-	-
Non-patented technology	-	-	-	-
Customer relationship	-	-	-	-
Saab Intellectual Property	-	-	-	-
Others	-	-	-	-
4.Total book value	12,253,165,275.02	-	-	13,468,520,278.28
Inc.: Land-use rights	9,353,111,491.66	-	-	9,484,604,215.28
R&D project	854,581,714.68	-	-	1,053,424,837.25
Software	284,147,450.34	-	-	517,844,389.98
Intellectual property	278,125,551.72	-	-	216,239,677.14
Non-patented technology	760,815,739.05	-	-	1,062,881,693.50
Customer relationship	270,697,936.03	-	-	228,731,595.00
Saab Intellectual Property	451,070,191.42	-	-	856,854,645.57
Others	615,200.12	-	-	47,939,224.56

2) Development expenditure

<u>Item</u>	<u>Beginning balance</u>	<u>Current increase</u>	<u>Current decrease</u>		<u>Closing balance</u>
			<u>Included into current profit or loss</u>	<u>Transferred into intangible assets</u>	
Research expenditure	-	6,678,463,457.33	375,944,319.70	994,968,717.61	5,307,550,420.02
Development expenditure	6,091,270,014.59	-	1,418,477,058.58	488,115,827.84	4,184,677,128.17
Total	<u>6,091,270,014.59</u>	<u>6,678,463,457.33</u>	<u>1,794,421,378.28</u>	<u>1,483,084,545.45</u>	<u>9,492,227,548.19</u>

(18). Goodwill

<u>Investee</u>	<u>Beginning balance</u>	<u>Opening impairment provision</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Closing balance</u>	<u>Closing impairment provision</u>

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Beijing Automotive Assets Heyuan Co., Ltd	18,503,866.26	-	-	-	18,503,866.26	-
Beijing Shunyuan Yongkang Assets Management Co., Ltd	5,573,758.33	-	-	-	5,573,758.33	-
Beijing Century Beiguang Advertising Co., Ltd	32,602,120.51	-	-	-	32,602,120.51	-
Beijing Penglong Liheng Renewable Resources Co., Ltd	-	-	56,232.38	-	56,232.38	-
Inalfa Roof Systems Co., Ltd	834,929,446.40	-	-	86,890,849.48	748,038,596.92	-
Beijing Penghao Jiye Technology Development Co., Ltd	1,814,174.54	-	-	-	1,814,174.54	-
Beijing Benz Automotive Co., Ltd	806,788,117.25	-	716,817.37	-	807,504,934.62	-
Beijing Foton Motor Co., Ltd	192,946,654.37	-	-	-	192,946,654.37	-
Jiangxi Changhe Automobile Co., Ltd	61,005,669.64	-	-	-	61,005,669.64	-
Total	<u>1,954,163,807.30</u>	=	<u>773,049.75</u>	<u>86,890,849.48</u>	<u>1,868,046,007.57</u>	=

(19). Long-term deferred expense

<u>Item</u>	<u>Beginning balance</u>	<u>Current increase</u>	<u>Current decrease</u>		<u>Closing balance</u>
			<u>Current amortization</u>	<u>Other Decrease</u>	
Improvement expense of leased fixed assets	175,804,416.32	66,815,283.90	47,943,540.35	4,477,779.04	190,198,380.83
Rental fees	2,918,644.37	18,700,569.22	5,820,933.08	-	15,798,280.51
Others	328,917,272.78	477,643,412.54	194,093,604.87	38,201,952.24	574,265,128.21
Total	<u>507,640,333.47</u>	<u>563,159,265.66</u>	<u>247,858,078.30</u>	<u>42,679,731.28</u>	<u>780,261,789.55</u>

(20). Deferred income tax assets and liabilities

<u>Items</u>	<u>Closing balance</u>	<u>Beginning balance</u>
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	<u>Deferred income tax assets/ liabilities</u>	<u>Deductible /Taxable temporary differences</u>	<u>Deferred income tax assets/ liabilities</u>	<u>Deductible /Taxable temporary differences</u>
1. Deferred income tax	-	-	-	-
assets				
Provision for impairment of assets	273,683,828.57	1,094,735,314.28	395,008,690.85	1,580,034,763.40
Accrued expenses	2,640,264,452.62	10,561,057,810.48	2,524,755,792.44	10,099,023,169.76
Foreseeable liabilities	-	-	16,303,764.73	65,215,058.92
Accumulated tax losses	182,607,378.60	730,429,514.40	131,799,727.10	527,198,908.40
Unrealized profit by internal purchase and sale	297,789,561.18	1,191,158,244.72	291,737,317.12	1,166,949,268.48
Taxable increase of advance from customers	84,842,250.00	339,369,000.00	199,569,491.37	798,277,965.48
Undeclared disposal of assets	31,128,271.70	124,513,086.80	32,319,909.56	129,279,638.24
Others	177,788,538.93	711,154,155.72	6,246,732.21	24,986,928.84
Subtotal	3,688,104,281.60	14,752,417,126.40	3,597,741,425.38	14,390,965,701.52
2. Deferred income tax				
Added value of evaluation of fixed assets	832,610,568.42	3,330,442,273.68	875,033,127.28	3,500,132,509.12
Equity method of long-term equity investment	21,871,170.73	87,484,682.92	151,885,731.35	607,542,925.40
Changes in fair value of available-for-sale financial assets	35,396,109.38	141,584,437.52	8,421,290.42	33,685,161.68
Capitalized development expenditure(deducting when occurs)	45,268,762.97	181,075,051.88	27,107,685.07	108,430,740.28
Others	133,293,115.89	533,172,463.55	73,165,683.55	292,662,734.20
Subtotal	1,068,439,727.39	4,273,758,909.55	1,135,613,517.67	4,542,454,070.68

(21). Other non-current assets

<u>Item</u>	<u>Closing balance</u>	<u>Beginning balance</u>
Prepayment of large equipment	131,933,340.39	770,830,882.68
Prepayment of project	221,852,196.97	218,034,079.00
Prepayment of purchased house	202,978,600.00	202,978,600.00
Renovation costs	-	8,112,626.68

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Prepayment of land	97,244,411.32	87,514,696.32
Unrecognized financing fees	-	1,628,474.49
Total	<u>654,008,548.68</u>	<u>1,289,099,359.17</u>

(22). Limited-ownership assets

Category	Opening book value	Current increase	Current decrease	Closing book value
Assets for Guarantee	-	-	-	-
Monetary fund (Letter of guarantee, deposits of notes etc.)	4,312,866,395.96	6,427,771,324.81	5,837,802,487.84	4,902,835,232.93
Notes receivable	187,188,000.00	1,154,264,893.40	44,798,000.00	1,296,654,893.40
Accounts receivable	452,240,345.01	587,543,496.53	452,240,345.01	587,543,496.53
Inventories	1,082,151,813.29	4,015,674,144.70	2,531,156,539.67	2,566,669,418.32
Long-term receivables	427,791,038.00	762,938,673.00	427,791,038.00	762,938,673.00
Fixed assets	1,326,984,645.96	865,465,237.27	1,326,142,356.84	866,307,526.39
Intangible assets (Land-use rights)	276,464,939.63	244,452,760.99	196,500,523.74	324,417,176.88
Others		1,444,379,962.68	1,067,370,044.11	377,009,918.57
Total	<u>8,065,687,177.85</u>	<u>15,502,490,493.38</u>	<u>11,883,801,335.21</u>	<u>11,684,376,336.02</u>

Note:

- (1) Inventory with limited-ownership refer to the commercial vehicle certification that was used as the pledge of bank acceptance bill and the pledge of trilateral financial business;
- (2) BAIC Motor Corporation., Ltd, a subsidiary of the Company, pledged the finished goods with book value of RMB 1,969,604,803.47 Yuan for bank acceptance bill as at 31 December 2014.
- (3) On 31 December 2014, BAIC Motor Corporation., Ltd, a subsidiary of the Company, used monetary fund of RMB 1,043,709,902.45 Yuan for the application of issuing unconditional, irrevocable letter of guarantee, payable notes and margin deposits by letter of credit from bank.
- (4) The deposits with limited usage of Beijing Foton Motor Co., Ltd, a subsidiary of the Company were acceptance margin deposits, mortgaged margin deposits, guarantee margin deposit, international letter of credit margin deposit, factoring margin deposit and security deposit and other deposits;
- (5) Beijing Foton Motor Co., Ltd., a subsidiary of the Company, pledged sales contract or orders of corresponding accounts receivables for financing from Bank of China Limited.
- (6) Beijing Foton Motor Co., Ltd., a subsidiary of the Company, mortgaged part of land-use rights, house and buildings, machinery equipments, construction in progress and other assets for loans.
- (7) The long-term receivables in current year refer to the pledges that Beijing Zhongche Xinrong Automobile Leasing Co., Ltd, a grandchildren company of the Company, made with the bank for rent receivable of factoring business;
- (8) Notes receivable with limited usage were bank acceptance bills which were pledged for loans and the

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issuance of bank acceptance bills.

(9) Beijing Automotive Asset Operation and Management Co., Ltd, a subsidiary of the Company, offered part of its house property and land use rights to the bank as collateral in order to obtain short-term loans for its subsidiary Beijing Capital Tyre Co., Ltd.

(23) Short-term loans

1) Category

<u>Category</u>	<u>Closing balance</u>	<u>Beginning balance</u>
Pledged loan	1,412,045,272.65	177,750,000.00
Mortgaged loan	437,605,642.06	379,908,261.09
Guaranteed loan	1,942,141,642.45	1,543,571,880.36
Credit loan	12,196,619,422.53	6,337,251,692.61
Total	<u>15,988,411,979.69</u>	<u>8,438,481,834.06</u>

2) Short-term loans due yet outstanding

<u>Debtor</u>	<u>Amount</u>	<u>Interest rate(%)</u>	<u>Type</u>	<u>Purpose</u>	<u>Overdue per iod (day)</u>	<u>Outstanding reason</u>	<u>Outstanding reason</u>
Beijing Penghao Technology Development Co., Ltd	750,000.00	-	Guaranteed loan	Mutual Association entrust loans	4933.00	Financial difficulties	Financial difficulties
Beijing Hotel Xidan	11,890,000.00	5.57	Liquid fund	"Granting or Borrowing a New Loan to Repay an Old"	2,920.00	Financial strain	Financial strain
Total	<u>12,640,000.00</u>	-	-	-	-	-	-

3) Pledged loan

<u>Debtor</u>	<u>Loan balance</u>	<u>Pledged assets</u>
Shandong Hayward Auto Parts Co., Ltd	25,000,000.00	Pledge of raw materials
Chenzhou Peng Long Chifeng Auto Sales Services Co., Ltd	55,540,000.00	Vehicle certification
Gansu Penglong Jincheng Automobile Sales Service Co., Ltd	44,550,000.00	Vehicle certification
Guizhou Penglong Chenxi Auto Sales Services Co., Ltd	55,550,000.00	Vehicle certification
Hunan Penglong Ruifeng Auto Sales Co., Ltd	12,820,000.00	Vehicle certification
Jiaozuo Penglong Dejie Auto Sales Services Co., Ltd	30,500,000.00	Vehicle certification
Beijing Penglong Dadao Auto Sales Services Co., Ltd	82,340,000.00	Vehicle certification
Yixing Penglong Auto Sales Services Co., Ltd	18,850,000.00	Vehicle certification
Zhejiang Penglong Zhiben Auto Sales Services Co., Ltd	27,000,000.00	Vehicle certification

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Foshan Penglong Litai Auto Sales Services Co., Ltd	44,550,000.00	Vehicle certification
Shiyan Pengxian Auto Sales Services Co., Ltd	27,600,000.00	Vehicle certification
Weifang Penglong Golden Sunshine Auto Sales Services Co., Ltd	59,260,000.00	Vehicle certification
Beijing Penglong Xinghui Auto Sales Services Co., Ltd	82,000,000.00	Vehicle certification
Yantai Penglong Weidong Auto Sales Services Co., Ltd	30,570,066.36	Vehicle certification
Zhengzhou Penglong Wantong Auto Sales Co., Ltd	82,679,570.60	Vehicle certification
Beijing Foton International Trade Co., Ltd	133,235,635.69	Corresponding accounts receivable of sales contract or orders
Beijing Capital Tyre Co., Ltd	600,000,000.00	Beijing sales acceptance bills
Total	<u>1,412,045,272.65</u>	-

4) Mortgage loan

<u>Debtor</u>	<u>Loan balance</u>	<u>Collateral</u>
Beijing Hainachuan Automotive Parts Co., Ltd	60,000,000.00	Land use rights
Shandong Hayward Auto Parts Co., Ltd	51,605,642.06	Mortgage of property and land, deposit pledge, Beiqi Xinghua's guarantee
Beijing Hainachuan Changpeng Automobile Parts Co., Ltd	15,000,000.00	Land
Tai'an Qicheng Wheel Manufacturing Co., Ltd	20,000,000.00	Land, property, equipment
Bank of Beijing	210,000,000.00	Real estate
Zhengzhou Penglong Wantong Auto Sales Co., Ltd	40,000,000.00	Land
Beijing Agricultural Machinery Company	5,000,000.00	property, land
Beijing Agricultural Machinery Supply Co., Ltd	2,000,000.00	Properties of natural person shareholders'
Beijing Square Engineering & Technology Co., Ltd	34,000,000.00	House and buildings
Total	<u>437,605,642.06</u>	-

5) Guaranteed loan

<u>Debtor</u>	<u>Loan balance</u>	<u>Guarantor</u>
Beiqi New Energy Hong kong Investment Co., Ltd	611,900,000.00	Beijing Electric Vehicle Co., Ltd
Beijing Beiqi Mould & Plastic Technology Co., Ltd	224,000,000.00	Beijing Hainachuan Automotive Parts Co., Ltd, Jiangyin Mould Plastics Group Co., Ltd, Shandong Xinhai Investment Company
China Heavy Automobile Finance Co., Ltd	5,000,000.00	Shandong Xinhai Investment Company

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Shandong Hayward Auto Parts Co., Ltd	54,705,160.75	Xu Benfeng, Li Zhonghua, Lu Changhui, Song Qiusheng, Zibo Fushi Calcium Industry Co., Ltd, Li Yi, Ma Wenqua, Zibo Wanshan Machinery, Zibo Yanshan Special Purpose Vehicle Co., Ltd, Beiqi Xinghua, Li Anbang, Song Dongmei
Beijing Penghao Jiye Technology Development Co., Ltd	750,000.00	Beijing Automotive Group Co., Ltd
Beijing Xidan Hotel	11,890,000.00	Beijing Samsung Industrial and Trading Company
Beijing Capital Tyre Co., Ltd	515,000,000.00	Beijing Automotive Group Co., Ltd
Yixing Penglong Auto Sales Services Co., Ltd	31,000,000.00	BAIC ROCAR Automobile Trading Co., Ltd
Zhejiang Penglong Zhiben Auto Sales Services Co., Ltd	18,500,000.00	BAIC ROCAR Automobile Trading Co., Ltd
Beijing Peng'ao Trading Co., Ltd	10,000,000.00	BAIC ROCAR Automobile Trading Co., Ltd
Beijing Kingpeng International Hi-Tech Corporatin	23,896,481.70	Beijing Agricultural Machinery Institute
Beijing Kingpeng Runhe Agro-tech Co.,Ltd	500,000.00	Beijing Kingpeng International Hi-Tech Corporatin
Beijing Jingpeng Global Husbandry Technology Co., Ltd	15,000,000.00	Beijing Agricultural Machinery Institute
Jiangxi Changhe Automobile Co., Ltd	420,000,000.00	Jiangxi Provincial State-owned Enterprise Assets Operation (Holdings) Co., Ltd ,Beijing Automotive Group Co., Ltd
Total	<u>1,942,141,642.45</u>	=

(24). Financial liabilities at fair value through profit or loss

<u>Item</u>	<u>Closing fair value</u>	<u>Opening fair value</u>
Trading financial liabilities	-	11,493,022.31
Other financial liabilities designated at fair value through profit or loss	17,029,682.84	-
Others	6,041,651.80	-
Total	<u>23,071,334.64</u>	<u>11,493,022.31</u>

(25). Notes payable

<u>Category</u>	<u>Closing balance</u>	<u>Beginning balance</u>
Commercial acceptance bills	248,522,583.30	35,000,000.00
Bank acceptance bills	6,489,377,575.27	4,714,712,772.65
Total	<u>6,737,900,158.57</u>	<u>4,749,712,772.65</u>

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(26). Accounts payable

<u>Aging</u>	<u>Closing balance</u>	<u>Beginning balance</u>
Within 1 year (including 1 year)	24,622,281,942.03	20,107,155,339.12
1-2 years (including 2 years)	300,387,435.81	1,070,759,626.67
2-3 years (including 3 years)	261,274,925.84	63,020,376.58
Over 3 years	136,793,465.60	114,967,530.49
Total	<u>25,320,737,769.28</u>	<u>21,355,902,872.86</u>

Large amount of overdue accounts payable

<u>Creditors</u>	<u>Amount owed</u>	<u>Aging</u>	<u>Outstanding reason</u>
Beijing Construction Engineering Group Co., Ltd, Shunyi Shuntong Branch	161,038,825.40	2-3 yrs	Unsettled
Standard Military Science Project	12,238,722.40	Over 5 yrs	Payment clause is undue
Beijing Construction Engineering Group, The Second Immediate Project Managers Department (Contractor)	18,546,643.04	1-2 yrs	Financial strain
Beijing Dinosaur Material Science & Technology Co., Ltd	12,311,145.40	1-2 yrs	Unpaid
Jiuhaina (Beijing) Logistics Co., Ltd	11,369,979.86	1-2 yrs	Unpaid
Xinxing Foton Construction Engineering Co., Ltd	18,035,223.69	1-5 yrs	Unpaid
Total	<u>233,540,539.79</u>	=	-

(27). Advance from customers

<u>Aging</u>	<u>Closing balance</u>	<u>Beginning balance</u>
Within 1 year (including 1 year)	6,741,377,437.17	4,520,173,726.52
1-2 years (including 2 years)	191,482,388.23	194,369,605.76
2-3 years (including 3 years)	58,860,295.79	68,326,026.55
Over 3 years	45,302,913.39	33,515,136.22
Total	<u>7,037,023,034.58</u>	<u>4,816,384,495.05</u>

Large amount of advance from customers with aging over 1 year :

<u>Creditors</u>	<u>Amount owed</u>	<u>Aging</u>	<u>Not carried over reason</u>
China people's Armed Police Forces	13,506,000.00	2-3 yrs	Unpaid

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(28). Employees compensation payable

<u>Items</u>	<u>Beginning balance</u>	<u>Current year increase</u>	<u>Current year decrease</u>	<u>Closing balance</u>
Wages, bonuses, allowances and subsidies	1,145,383.17	7,361,830.22	7,432,712.13	1,074,501,272.70
Welfare expenses	7,801,008.34	451,320,035.44	456,430,498.31	2,690,545.47
Incl: Non-monetary benefits	-	21,491,709.75	21,192,989.75	298,720.00
Social insurances	58,083,989.90	1,619,678,672.68	1,551,931,934.79	125,830,727.79
Incl: Basic medical insurance premium	17,016,427.58	483,774,041.44	478,332,650.13	22,457,818.89
Supplementary medical insurance	7,411,404.00	17,835,375.42	16,998,526.35	8,248,253.07
Basic endowment insurance	29,150,715.11	902,468,454.60	895,012,807.17	36,606,362.54
Annuity payment (Supplementary endowment insurance)	354,584.47	91,924,109.35	39,721,618.09	52,557,075.73
Unemployment insurance	1,411,564.13	47,546,334.89	46,523,990.00	2,433,909.02
Work injury insurance	1,735,058.30	40,878,886.44	40,542,994.53	2,070,950.21
Maternity insurance	1,004,236.31	35,251,470.54	34,799,348.52	1,456,358.33
Housing accumulation fund	4,130,875.01	482,644,236.49	472,558,570.06	14,216,541.44
Labor union expenditure and employee education expenses	98,562,280.67	162,447,223.46	135,157,708.71	125,851,795.42
The dismissal and early retirement compensation	40,140,504.53	26,505,382.89	47,633,264.75	19,012,622.67
Incl: Compensations for the cancellation of the labor relationship	39,308,892.72	3,208,003.35	24,218,186.96	18,298,709.11
Expected early retirement expenditure	831,611.81	2,498,973.00	2,616,671.25	713,913.56
Others	2,099,226.35	33,164,353.55	33,234,119.67	2,029,460.23
Total	<u>1,356,201,059.68</u>	<u>10,137,590,134.05</u>	<u>10,106,394,453.19</u>	<u>1,364,132,965.72</u>

(29). Taxes payable

<u>Items</u>	<u>Beginning balance</u>	<u>Current payable</u>	<u>Current paid</u>	<u>Closing balance</u>
VAT	8,320,467.78	3,701,238,868.64	3,686,619,677.11	22,939,659.31
Consumption tax	51,733,177.46	146,464,756.64	158,233,607.73	39,964,326.37
Business tax	10,813,037.89	3,692,341,775.42	3,573,816,921.42	129,337,891.89
Corporate income tax	991,266,961.48	167,338,036.98	981,408,366.14	177,196,632.32

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Urban maintenance and construction tax	39,399,377.79	316,046,299.24	326,513,638.11	28,932,038.92
Property tax	35,499,453.50	162,956,265.57	175,791,380.52	22,664,338.55
Land use tax	10,659,628.66	66,155,880.63	69,173,072.48	7,642,436.81
Personal income tax	37,586,578.46	1,854,993,061.76	1,819,070,399.46	73,509,240.76
Education surcharge	30,637,302.44	312,595,631.87	321,791,761.17	21,441,173.14
Other taxes	10,476,992.75	97,939,026.33	80,565,587.53	27,850,431.55
Total	<u>1,226,392,978.21</u>	<u>10,518,069,603.08</u>	<u>11,192,984,411.67</u>	<u>551,478,169.62</u>

(30). Interest payable

<u>Item</u>	<u>Closing balance</u>	<u>Beginning balance</u>
Bank loan	71,393,356.70	62,267,210.48
Corporate bond	391,814,472.14	346,570,072.94
Inter-enterprise loan	5,606,180.65	798,300.50
Savings absorption	13,961,513.22	8,008,458.61
Total	<u>482,775,522.71</u>	<u>417,644,042.53</u>

(31). Dividend payable

<u>Company name</u>	<u>Closing balance</u>	<u>Beginning balance</u>	<u>Reasons for unpaid over 1 year</u>
Daimler Greater China Investment Ltd	-	661,466,447.81	-
Daimler AG	344,163,424.06	368,263,617.95	Based on production and management arrangements of Beijing Benz, unpaid temporarily
Beijing Shougang Co., Ltd	-	257,187,176.75	-
Beijing Industrial Developing Investment Management Co., Ltd	71,866,037.67	184,997,699.00	Financial strain
Shenzhen Benyuan Jinghong Equity Investment Fund Enterprise (limited partnership)	-	85,534,729.50	-
Beijing State-owned Capital Operation and Management Center	-	70,222,287.00	-
Beijing Energy Investment Holding Co., Ltd	-	66,807,810.00	-
Zibo Wanshan Machinery Equipment Co., Ltd	1,051,173.78	30,018,679.07	Financial strain
Beijing Advertising Co., Ltd	18,429,812.78	14,598,980.59	Financial strain
Hangzhou Yunsheng Investment Management Co., Ltd	-	8,426,674.50	-

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Beijing Beinei Co., Ltd	-	8,000,000.00	-
Hangzhou Yunzhong Investment Management Co., Ltd	-	5,617,783.00	-
Beijing Innovation Ideas Screen Culture Co., Ltd	-	4,598,980.59	-
Jiangnan Mould & Plastic Technology Co., Ltd	-	3,175,200.00	-
Hangzhou Realm Investment Co., Ltd	-	3,125,000.00	-
Shandong Xinghua Spring Manufacturing Co., Ltd	3,035,811.45	3,035,811.45	Financial strain
Quanzhou Citong Venture Investment Center (limited partnership)	-	2,808,000.00	-
Anhui Guoyuan Investment Co., Ltd	-	1,601,068.00	-
Tianjin Blueberry Investment Partnership (limited partnerships)	-	1,404,445.75	-
Beijing Beiqi Guanghua Automotive Components Co., Ltd	1,059,591.26	1,059,591.26	Financial strain
Beijing Hainachuan Automotive Parts Co., Ltd	-	1,051,173.78	-
Zhongchuang Ronghua (Beijing) Investment Co., Ltd	-	924,715.57	-
Natural person	621,379.43	621,379.43	Pending unclaimed
Beijing Youlikai Real Estate Co., Ltd	73,512.37	73,512.37	Pending unclaimed
Shanxi Lvzhuangyuan Engineering Technology Co., Ltd	50,340.40	50,340.40	Pending unclaimed
Daimler Northeast Asia Parts Trading and Services Co., Ltd	92,081,999.75	-	Unpaid temporarily
Total	<u>532,433,082.95</u>	<u>1,784,671,103.77</u>	-

(32). Other payables

<u>Aging</u>	<u>Closing balance</u>	<u>Beginning balance</u>
Under 1 year (including 1year)	16,109,626,420.12	17,188,149,475.15
1-2 years (including 2 years)	4,871,319,653.69	837,941,297.99
2-3 years (including 3 years)	1,814,431,590.67	1,140,667,766.75
Over 3 years	1,904,164,620.83	1,658,535,713.63
Total	<u>24,699,542,285.31</u>	<u>20,825,294,253.52</u>

Large amount of other payables with aging over 1 year:

<u>Creditor</u>	<u>Arrearages</u>	<u>Aging</u>	<u>Outstanding reason</u>
Loan interest of domestic fund	23,724,627.84	2-3 yrs	Financial strain
Beijing Industrial Developing Investment Management Co., Ltd	110,371,225.00	Over 3 yrs	Arrears from previous years

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Medical payroll of Bureau of Finance	23,683,566.00	Over 5 yrs	Insufficient of fund
Bankruptcy settlement fee	12,402,981.20	Over 5 yrs	Finance settlement fee
Beijing Hainachuan North Gear Auto Axle Co., Ltd	48,954,654.00	2-4 yrs	Unpaid
Yancheng Suli Machinery Co., Ltd	23,833,085.25	1-2 yrs	Unpaid
Beiqi Holdings Limited	10,046,828.24	1-4 yrs	Unpaid
Wuhan Dongfeng Plant Shop Equipment Co., Ltd	20,770,000.00	1-2 yrs	Unsettled
Xinxing Foton Construction Engineering Co., Ltd	369,518,884.55	1-4 yrs	Unpaid
Scivic Engineering Corporation	48,301,936.70	1-4 yrs	Unpaid
China Automobile Industry Engineering Co., Ltd	12,381,520.00	1-4 yrs	Unpaid
Weifang High-end Industry Investment Co., Ltd	32,172,000.00	1-2 yrs	Unpaid
Shandong Jingdian Construction Technology Co., Ltd	21,864,419.41	1-2 yrs	Unpaid
Total	<u>758,025,728.19</u>	-	-

(33). Non-current liabilities due within one year

<u>Item</u>	<u>Closing balance</u>	<u>Beginning balance</u>
Long-term loans due within one year	3,615,807,514.15	1,653,522,384.44
Bond payable due within one year	2,496,004,664.88	997,697,700.00
Long-term payables due within one year	220,930,903.50	11,804,994.45
Other long-term liabilities due within one year	908,842,925.17	435,732,864.29
Total	<u>7,241,586,007.70</u>	<u>3,098,757,943.18</u>

1) Long-term loans due within one year

<u>Item</u>	<u>Closing balance</u>	<u>Beginning balance</u>
Credit loan	2,913,851,187.22	1,060,096,830.75
Guaranteed loan	140,100,000.00	321,160,000.00
Pledged loan	496,433,436.93	223,587,567.00
Mortgage loan	65,422,890.00	48,677,986.69
Total	<u>3,615,807,514.15</u>	<u>1,653,522,384.44</u>

2) Long-term payables due within one year

<u>Item</u>	<u>Closing balance</u>	<u>Beginning balance</u>
Sales agents due within one year and other	23,083,895.18	-

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Finance lease payable due within one year	11,543,489.91	11,804,994.45
Other	186,303,518.41	-
Total	<u>220,930,903.50</u>	<u>11,804,994.45</u>

3) Other long-term liabilities due within one year

<u>Item</u>	<u>Closing balance</u>	<u>Beginning balance</u>
Mold subsidy payments	114,980,069.35	435,732,864.29
Product quality assurance due within one year	793,862,855.82	-
Total	<u>908,842,925.17</u>	<u>435,732,864.29</u>

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4) Bond payable due within one year

<u>Name</u>	<u>Par value</u>	<u>Issuing date</u>	<u>Bond period</u>	<u>Issued amount</u>	<u>Beginning interest payable</u>	<u>Current accrued interest</u>	<u>Current interest paid</u>	<u>Closing interest payable</u>	<u>Closing balance</u>
The first phase non-public directional debt financing instruments of 2012 of BAIC Motor Corporation., Ltd.	1,000,000,000.00	2012/2/9	3 yrs	1,000,000,000.00	50,753,424.98	56,982,933.00	57,000,000.00	50,736,357.98	999,573,015.60
The second phase non-public directional debt financing instruments of 2012 of BAIC Motor Corporation., Ltd.	1,500,000,000.00	2012/8/14	3 yrs	1,000,000,000.00	30,142,602.74	77,951,507.00	77,115,684.34	30,978,425.40	1,496,431,649.28
Total	-	-	-	<u>2,000,000,000.00</u>	<u>80,896,027.72</u>	<u>134,934,440.00</u>	<u>134,115,684.34</u>	<u>81,714,783.38</u>	<u>2,496,004,664.88</u>

Note:

- 1) The Company issued 10,000,000 shares non-public directionally corporation bonds on February 9, 2012 with par value of RMB 100 Yuan and total amount of RMB 1 billion Yuan with a 3-year term. The actually received amount was RMB 989 million Yuan after deducting the underwriting and other expenses of RMB 11 million Yuan and the deductions was used as interest adjustment which was amortized at effective interest rate. Nominal interest rate of the corporation bonds issued by the Company was 5.70% while the effective interest rate was 6.11%. The value date of current corporation bonds was February 9, 2012. Interest of corporation bonds was paid annually since the value date. February 9 of every year from 2013 to 2015 was interest payment date of last interest accrual year (In case of holidays and festivals, interest payment date shall be postponed to the first following working day). The current maturity date of the corporation bonds was February 9, 2017, and principal and last interest shall be paid when it was expired.
- 2) The Company issued 15,000,000 shares non-public directionally corporation bonds on August 14, 2012 with par value of RMB 100 Yuan and total amount of RMB 1.5 billion Yuan with a 3-year term. The actually received amount was RMB 1,492,450,000 Yuan after deducting the underwriting and other expenses of RMB 7.55 million Yuan and the deductions was used as interest adjustment which amortized at effective interest rate. Nominal interest rate of the corporation bonds issued by the Company was 5.00% while the effective interest rate was 5.40%. The value date of current corporation bonds was February 9, 2012. Interest of corporation bonds was paid annually since the value date. February 9 of every year from 2013 to 2015 was interest payment date of last interest accrual year (In case of holidays and festivals, interest payment date shall be postponed to the first following working day). The current maturity date of the corporation bonds was February 9, 2017, and principal and last interest shall be paid when it was expired.

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(34). Other current liabilities

<u>Item</u>	<u>Closing balance</u>	<u>Beginning balance</u>
Product quality guarantee	-	287,793.00
Guarantee compensation reserve	33,681,829.73	38,845,617.21
Undue liability reserve	5,602,451.49	11,740,315.60
Others	140,943,164.69	171,228.00
Total	<u>180,227,445.91</u>	<u>51,044,953.81</u>

(35). Long-term loans

1) Category

<u>Category</u>	<u>Closing balance</u>	<u>Beginning balance</u>
Credit loan	13,338,244,780.64	6,458,631,673.55
Guaranteed loan	4,071,615,000.00	8,828,826,058.67
Mortgage loan	926,499,289.04	808,056,226.71
Pledged loan	740,553,117.11	414,126,063.43
Subtotal	19,076,912,186.79	16,509,640,022.36
Less: Long-term loans due within one year	3,615,807,514.15	1,653,522,384.44
Total	<u>15,461,104,672.64</u>	<u>14,856,117,637.92</u>

2) Guaranteed loan

<u>Debtors</u>	<u>Loan balance</u>	<u>Guarantor</u>
Wing Lung Bank	2,661,765,000.00	Beijing Automotive Group Co., Ltd
China Development Bank	70,000,000.00	Beijing Automotive Group Co., Ltd
Industrial and Commercial Bank of China, Happiness Branch	12,000,000.00	Beijing Automotive Group Co., Ltd
Industrial and Commercial Bank of China, Nanlishi Road Branch	2,850,000.00	Beijing Automotive Group Co., Ltd
China Construction Bank, Lixiang Zengcheng Branch	320,000,000.00	Beijing Automotive Group Co., Ltd
Agricultural Bank of China, Zengcheng Central District Branch	252,000,000.00	Beijing Automotive Group Co., Ltd
China Development Bank, Beijing Branch	204,000,000.00	Beijing Automotive Group Co., Ltd
Bank of China, Zengcheng Guangzhou Branch	170,000,000.00	Beijing Automotive Group Co., Ltd
Bank of Communications, Xintang Gangzou Branch	109,000,000.00	Beijing Automotive Group Co., Ltd

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BAIC Group Finance Co., Ltd	50,000,000.00	Beijing Automotive Group Co., Ltd
Bank of Beijing Co., Ltd, Tianqiao Branch	20,000,000.00	Beijing Automotive Group Co., Ltd
Industrial and Commercial Bank of China, Shunyi Branch	200,000,000.00	Beijing Automotive Group Co., Ltd
Total	<u>4,071,615,000.00</u>	-

3) Mortgage loan

<u>Debtors</u>	<u>Loan balance</u>	<u>Mortgage assets</u>
Industrial and Commercial Bank of China, Shijingshan Beijing Branch, Chongxing Park	120,000,000.00	Land use rights, house and buildings
Deutsche Bank	483,500,810.08	Monetary fund, accounts receivables, fixed assets
Deutsche Bank	90,398,478.96	Fixed assets
Bank of China Limited, Chengde Branch	60,000,000.00	Land use rights and house and buildings, machinery equipments, construction in process and other assets
Bank of China Limited, Chengde Branch	34,000,000.00	Land use rights and house and buildings, machinery equipments, construction in process and other assets
Bank of China Limited, Chengde Branch	52,500,000.00	Land use rights and house and buildings, machinery equipments, construction in process and other assets
Bank of China Limited, Chengde Branch	43,750,000.00	Land use rights and house and buildings, machinery equipments, construction in process and other assets
Bank of China Limited, Chengde Branch	42,350,000.00	Land use rights and house and buildings, machinery equipments, construction in process and other assets
Total	<u>926,499,289.04</u>	=

4) Pledged loan

<u>Debtors</u>	<u>Loan balance</u>	<u>Pledged assets</u>
Bank of Communications, Sanyuan Beijing Branch	68,000,000.00	Fixed assets
Industrial Bank Co., Ltd, East Outer Beijing Branch	25,948,615.00	Long-term receivables
Bank of Communications, East 3rd Ring Road Beijing Branch	382,009,345.67	Long-term receivables
Industrial Bank Co., Ltd, East Outer Beijing Branch	209,237,657.00	Long-term receivables
Ping An Bank, Wangjing Branch	55,357,499.44	Long-term receivables
Total	<u>740,553,117.11</u>	=

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(36). Bonds payable

<u>Name</u>	<u>Par value</u>	<u>Issuing date</u>	<u>Bond duration</u>	<u>Issued amount</u>	<u>Beginning interest payable</u>	<u>Current accrued interest</u>	<u>Current interest paid</u>	<u>Closing interest payable</u>	<u>Closing balance</u>
2011-first medium-term notes of Beijing Automotive Group Co., Ltd	Par value 400,000,000.00	2011.1.26	5 yrs	400,000,000.00	20,191,600.00	21,800,000.00	21,800,000.00	20,191,600.00	400,000,000.00
Interest Adjustment t	-	-	-	-4,000,000.00	-	839,424.93	-	-	-2,366,307.20
2011-second medium-term notes of Beijing Automotive Group Co., Ltd	Par value 400,000,000.00	2011.4.27	5 yrs	400,000,000.00	14,199,300.00	21,039,999.98	21,040,000.00	14,199,299.96	400,000,000.00
Interest Adjustment t	-	-	-	-4,000,000.00	-	827,254.79	-	-	-2,388,573.88
2012-first medium-term notes of Beijing Automotive Group Co., Ltd	Par value 1,500,000,000.00	2012.10.18	7 yrs	1,500,000,000.00	15,467,199.96	76,499,999.96	76,500,000.00	15,467,199.92	1,500,000,000.00
Interest Adjustment t	-	-	-	-18,760,000.00	-	2,728,788.85	-	-	-13,521,558.88
2012-second medium-term notes of Beijing Automotive Group Co., Ltd	Par value 1,000,000,000.00	2012.11.15	7 yrs	1,000,000,000.00	6,597,799.98	51,699,999.98	51,600,000.00	6,697,799.96	1,000,000,000.00

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Interest Adjustment	-	-	-	-14,000,000.00	-	1,709,196.92	-	-	-10,330,240.04
Beijing Automotive Group Co., Ltd									
Par value	1,600,000,000.00	2012.7.25	7 yrs	1,600,000,000.00	31,311,086.74	71,839,999.97	71,840,000.00	31,311,086.71	1,600,000,000.00
2012 corporation bonds of Beijing Automotive Group Co., Ltd									
Interest Adjustment	-	-	-	-12,000,000.00	-	1,591,302.52	-	-	-8,534,088.67
Beijing Automotive Group Co., Ltd									
Par value	1,000,000,000.00	2012.12.17	3 yrs	1,000,000,000.00	2,213,099.98	53,999,999.98	54,000,000.00	2,213,099.96	1,000,000,000.00
2012-first non-public directional debt financing instrument of Beijing Automotive Group Co., Ltd									
Interest Adjustment	-	-	-	-3,000,000.00	-	1,001,153.24	-	-	-1,011,181.60
Beijing Automotive Group Co., Ltd									
Par value	1,000,000,000.00	2013.4.15	3 yrs	1,000,000,000.00	35,260,273.97	49,500,000.00	49,500,000.00	35,260,273.97	1,000,000,000.00
2012-second private medium-term notes of China Minsheng Bank									
Interest Adjustment	-	-	-	-9,000,000.00	-	2,947,910.94	-	-	-3,880,695.14
China Minsheng Bank									
Par value	10,000,000.00	2013.12.9	3 yrs	10,000,000.00	56,904.11	669,999.99	670,000.00	56,904.10	10,000,000.00
Industrial Bank private medium-term notes									
Interest Adjustment	-	-	-	-60,000.00	-	18,750.63	-	-	-54,757.45

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2014-first medium-term notes of Beijing Automotive Group Co., Ltd –Bank of Beijing Jinyun Branch	Par value	800,000,000.00	2014.9.11	7 yrs	800,000,000.00	-	14,041,424.65	-	14,041,424.65	800,000,000.00
Interest Adjustment			-	-	-8,400,000.00	-	307,942.14	-	-	-8,092,057.86
McQueen Investment Co., Ltd secured note-bonds 2010 corporation bonds of Beijing Automotive Group Co., Ltd	Par value	1,000,000.00	2014.6.9	3 yrs	1,500,000,000.00	-	38,835,616.43	34,212,000.00	4,623,616.43	1,493,463,962.17
Interest Adjustment					-7,650,000.00		1,113,962.17			
2013-first non-public directional debt financing instrument of the Company		1,500,000,000.00	2010.1.29	7 yrs	1,500,000,000.00	71,225,000.00	77,700,000.00	77,700,000.00	71,225,000.00	1,496,977,535.19
			2013.4.10	3 yrs	1,500,000,000.00	54,951,780.82	75,975,000.00	75,975,000.00	54,951,780.82	1,498,524,070.35
2014-first bonds of the Company		1,000,000,000.00	2014.8.12	3 yrs	1,000,000,000.00	-	21,397,260.00	-	21,397,260.00	999,000,000.00

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2014-first medium-ter m notes of the Company	400,000,000.00	2014.9.10	7 yrs	400,000,000.00	-	7,229,370.00	-	7,229,370.00	399,400,000.00
2014-second medium-ter m notes of the Company	300,000,000.00	2014.9.22	7 yrs	300,000,000.00	-	4,676,712.00	-	4,676,712.00	299,550,000.00
2014-third medium-ter m notes of the Company	300,000,000.00	2014.9.22	7 yrs	300,000,000.00	-	4,676,712.33	-	4,676,712.33	299,550,000.00
2014-first non-public directional debt financing instrument of Beijing Benz	600,000,000.00	2014.12.11	3 yrs	600,000,000.00	-	1,880,547.95	-	1,880,547.95	600,000,000.00
Subtotal	-	-	-	14,736,780,000.00	251,474,045.5 0	244,342,943.6 7	534,837,000.0 0	170,660,999.5 3	14,746,286,106.9 9
Less: Bond payable due within one year	-	-	-	-	-	-	-	-	-
Total	-	-	-	<u>251,474,045.5</u> <u>4</u>	<u>593,462,643.2</u> <u>2</u>	<u>534,837,000.0</u> <u>0</u>	<u>310,099,688.7</u> <u>0</u>	<u>14,746,286,106.9</u> <u>9</u>	

Note:

- 1) In 2011, the bonds of the Company obtained a registration quota of RMB 800 million for the issuance of medium-term notes (MTN) with a 2-year validity which was registered by China's Inter-bank Market Dealers Association (Zhong Shi Xie Zhu [2010] MTN No. 124).

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- A. The Company issued 4,000,000 shares corporation bonds publicly on January 26, 2011 with par value of RMB 100 Yuan and total amount of RMB 400 billion Yuan with a 5-year term, and the paid-in capital was RMB 400 million Yuan. Nominal interest rate of the corporation bonds issued by the Company was 5.45%. The value date of current corporation bonds was January 28, 2011. Interest of corporation bonds was paid annually since the value date. January 28 of every year from 2012 to 2016 was interest payment date of last interest accrual year (In case of holidays and festivals, interest payment date shall be postponed to the first following working day). The current maturity date of the corporation bonds was January 26, 2016, and principal and last interest shall be paid when it was expired.
- B. The Company issued 4,000,000 shares corporation bonds publicly on April 27, 2011 with par value of RMB 100 Yuan and total amount of RMB 400 billion Yuan with a 5-year term, and the paid-in capital was RMB 400 million Yuan. Nominal interest rate of the corporation bonds issued by the Company was 5.26%. The value date of current corporation bonds was April 29, 2011. Interest of corporation bonds was paid annually since the value date. April 29 of every year from 2012 to 2016 was interest payment date of last interest accrual year (In case of holidays and festivals, interest payment date shall be postponed to the first following working day). The current maturity date of the corporation bonds was April 27, 2016, and principal and last interest shall be paid when it was expired.
- 2) In 2012, the bonds of the Company obtained a registration quota of RMB 1.5 billion for the issuance of medium-term notes (MTN) with a 2-year validity which was registered by China's Inter-bank Market Dealers Association (Zhong Shi Xie Zhu [2012] MTN No. 311). The Company issued 15,000,000 shares corporation bonds publicly on October 18, 2012 with par value of RMB 100 Yuan and total amount of RMB 1.5 billion Yuan with a 7-year term. The actually received amount was RMB 1,481,240,000 Yuan after deducting the underwriting and other expenses of RMB 18.76 million Yuan and the deductions was used as interest adjustment which was amortized at effective interest rate. Nominal interest rate of the corporation bonds issued by the Company was 5.1% while the effective interest rate was 5.3%. The value date of current corporation bonds was October 19, 2012. Interest of corporation bonds was paid annually since the value date. October 19 of every year from 2013 to 2019 was interest payment date of last interest accrual year (In case of holidays and festivals, interest payment date shall be postponed to the first following working day). The current maturity date of the corporation bonds was October 18, 2019, and principal and last interest shall be paid when it was expired.
- 3) In 2012, the bonds of the Company obtained a registration quota of RMB 1.8 billion for the issuance of medium-term notes (MTN) with a 2-year validity which was registered by China's Inter-bank Market Dealers Association (Zhong Shi Xie Zhu [2012] MTN No. 317). The Company issued 10,000,000 shares corporation bonds publicly on October 15, 2012 with par value of RMB 100 Yuan and total amount of RMB 1 billion Yuan and a 7-year term. The actually received amount was RMB 986 million Yuan after deducting the underwriting and other expenses of RMB 14 million Yuan and the deductions was used as interest adjustment which amortized at effective interest rate. Nominal interest rate of the corporation bonds issued by the Company was 5.16% while the effective interest rate was 5.37%. The value date of current corporation bonds was November 16, 2012. Interest of corporation bonds was paid annually since the value date. November 16 of every year from 2013 to 2019 was interest payment date of last interest accrual year (In case of holidays and festivals, interest payment date shall be postponed to the first following working day). The current maturity date of the corporation bonds was November 16, 2019, and principal and last interest shall be paid when it was expired.
- 4) In 2012, the Company were issued corporate bonds publicly with the approval of National Development and Reform Commission (Fa Gai Cai Jin [2012] No. 2018). The Company issued 16,000,000 shares corporation bonds publicly on July 25, 2012 with par value of RMB 100 Yuan and total amount of RMB 1.6 billion Yuan and a 7-year term. The actually received amount was RMB 1,588,000,000 Yuan after deducting the underwriting and other expenses of RMB 12 million Yuan and the deductions was used as interest adjustment which was amortized at effective interest rate. Nominal interest rate of the corporation bonds issued by the Company was 4.49% while the effective interest rate was 4.62%. The value date of current corporation bonds was July 25, 2012. Interest of corporation bonds was paid annually

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since the value date. July 25 of every year from 2013 to 2015 was interest payment date of last interest accrual year (In case of holidays and festivals, interest payment date shall be postponed to the first following working day). If investors exercised the sell back option, the interest payment date for the bonds sold back would be July 25 of every year from 2013 to 2019 (In case of holidays and festivals, interest payment date shall be postponed to the first following working day). The maturity date of current corporation bonds would be the payment date which was on July 25, 2019 (In case of holidays and festivals, interest payment date shall be postponed to the first following working day). If investors exercised the sell back option, the payment date for the bonds sold back would be on July 25, 2017 (In case of holidays and festivals, interest payment date shall be postponed to the first following working day).

- 5) In 2012, the bonds of the Company obtained a registration quota of RMB 2 billion for the issuance of debt financing instruments of non-financial enterprises with a 2-year validity which was registered by China's Inter-bank Market Dealers Association (Zhong Shi Xie Zhu [2012] PNN No. 22). The Company issued 10,000,000 shares corporation bonds on December 17, 2012 with par value of RMB 100 Yuan and total amount of RMB 1 billion Yuan. The actually received amount was RMB 997 million Yuan after deducting the underwriting and other expenses of RMB 3 million Yuan and the deductions was used as interest adjustment which amortized at effective interest rate. Nominal interest rate of the corporation bonds issued by the Company was 5.4% while the effective interest rate was 5.51%. The value date of current corporation bonds was December 17, 2012. Interest of corporation bonds was paid annually since the value date. December 17 of every year from 2013 to 2015 was interest payment date of last interest accrual year (In case of holidays and festivals, interest payment date shall be postponed to the first following working day). The current maturity date of the corporation bonds was December 17, 2015, and principal and last interest shall be paid when it was expired.
- 6) In 2013, the bonds of Beijing Automotive Group Co., Ltd. obtained a registration quota of RMB 2 billion for the issuance of debt financing instruments of non-financial enterprises with a 2-year validity which was registered by China's Inter-bank Market Dealers Association (Zhong Shi Xie Zhu [2012] PNN No. 202). The Company issued 10,000,000 shares corporation bonds publicly on April 15, 2013 with par value of RMB 100 Yuan and total amount of RMB 1 billion Yuan. Nominal interest rate of the non-public directionally financing instrument issued by the Company was 4.95%. The value date of current corporation bonds was April 15, 2013. April 15 of every year from 2014 to 2016 was interest payment date of last interest accrual year (In case of holidays and festivals, interest payment date shall be postponed to the first following working day). If investors exercised the sell back option, the interest payment date for the bonds sold back would be April 15 of every year from 2013 to 2016 (In case of holidays and festivals, interest payment date shall be postponed to the first following working day). The maturity date of current corporation bonds would be the payment date which was on April 15, 2016 (In case of holidays and festivals, interest payment date shall be postponed to the first following working day). If investors exercised the sell back option, the payment date for the bonds sold back would be on April 15, 2016 (In case of holidays and festivals, interest payment date shall be postponed to the first following working day).
- 7) In 2013, the second non-public directionally debt financing instruments of BAIC Group Finance Co., Ltd obtained a registration quota of RMB 1 billion for the issuance of non-public directionally debt financing instruments which was registered by China's Inter-bank Market Dealers Association (Zhong Shi Xie Zhu [2013] PNN No. 157). The Company issued 10,000,000 shares with a 3-year validity currently and the value date was on December 9, 2013. The issued price was 100 Yuan with nominal interest rate of 6.7%. The directionally instrument code was 031390414 and the value date was December 6, 2013. The interest was calculated at fixed rate and paid annually. The maturity is December 9, 2016. The first interest payment date was on December 9, 2014 and the frequency was 12 months per time.
- 8) In 2014, the first medium-term notes-Bank of Beijing, Jinyun Branch of Beijing Automotive Group Co., Ltd obtained a registration quota of RMB 1.8 billion for the issuance of medium-term notes with a 7-year validity which was comprehensively assessed by Dagong Global Credit Rating Co., Ltd, and was registered by National Association

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of Financial Market Institutional Investors (Zhong Shi Xie Zhu [2012] No. MTN317). The issued amount was RMB 800 million Yuan. The Company issued 8,000,000 shares corporation bonds publicly on September 10, 2014 with par value of RMB 100 Yuan and total amount of RMB 800 million Yuan and a 7-year term. The actually received amount was RMB 800 million Yuan. Nominal interest rate of the corporation bonds issued by the Company was 5.72%. The value date of current corporation bonds was September 11, 2014. Interest of corporation bonds was paid annually since the value date. September 11 of every year from 2015 to 2021 was interest payment date of last interest accrual year (In case of holidays and festivals, interest payment date shall be postponed to the first following working day). The current maturity date of the corporation bonds was September 11, 2021, and principal and last interest shall be paid when it was expired.

- 9) In 2014, the bonds of the Company obtained a secured Renminbi note registration quota of 1.5 billion Yuan with a 3-year validity which was registered by DBS Bank Limited as a Sole Global Coordinator at The Stock Exchange of Hong Kong Ltd (MAIKUN1706-R (85972)). The Company issued 1,500 shares corporation bonds publicly on June 9, 2014 with par value of RMB 1,000,000 Yuan and total amount of RMB 1.5 billion Yuan and a 3-year term. The actually received amount was RMB 1,482,350,000 Yuan after deducting the underwriting and other expenses of RMB 7,650,000 Yuan and the deductions was used as interest adjustment which amortized at effective interest rate. Nominal interest rate of the corporation bonds issued by the Company was 4.5% while the effective interest rate was 4.68 %. The value date of current corporation bonds was June 9, 2014. Interest of corporation bonds was paid annually since the value date. June 6 and December 6 of every year from 2014 to 2017 was interest payment date of last interest accrual year (In case of holidays and festivals, interest payment date shall be postponed to the first following working day). The current maturity date of the corporation bonds was June 6, 2017, and principal and last interest shall be paid when it was expired.
- 10) The Company issued 15,000,000 shares corporation bonds publicly on January 29, 2010 with par value of RMB 100 Yuan and total amount of RMB 1.5 billion Yuan and a 7-year term. The actually received amount was RMB 1,491,000,000 Yuan after deducting the underwriting and other expenses of RMB 9 million Yuan and the deductions was used as interest adjustment which amortized at effective interest rate. Nominal interest rate of the corporation bonds issued by the Company was 5.18% while the effective interest rate was 5.28 %. The value date of current corporation bonds was January 29, 2010. Interest of corporation bonds was paid annually since the value date. January 29 of every year from 2011 to 2017 was interest payment date of last interest accrual year (In case of holidays and festivals, interest payment date shall be postponed to the first following working day). The current maturity date of the corporation bonds was January 28, 2017, and principal and last interest shall be paid when it was expired.
- 11) The Company issued 6,000,000 shares non-public directionally corporation bonds on December 11, 2014 with par value of RMB 100 Yuan and total amount of RMB 600 million Yuan and a 3-year term. The actually received amount was RMB 600 million Yuan. Nominal interest rate of the corporation bonds issued by the Company was 5.45%. The value date of current corporation bonds was December 11, 2014. Interest of corporation bonds was paid annually since the value date. The maturity date of the corporation bonds was December 11, 2017, and principal and last interest shall be paid when it was expired.
- 12) The Company issued 15,000,000 shares non-public directionally corporation bonds on April 12, 2013 with par value of RMB 100 Yuan and total amount of RMB 1.5 billion Yuan and a 3-year term. The actually received amount was RMB 1,492,450,000 Yuan after deducting the underwriting and other expenses of RMB 7.55 million Yuan and the deductions was used as interest adjustment which amortized at effective interest rate. Nominal interest rate of the corporation bonds issued by the Company was 4.96% while the effective interest rate was 5.06%. The value date of current corporation bonds was April 10, 2014. Interest of corporation bonds was paid annually since the value date. April 11 of every year from 2014 to 2016 was interest payment date of last interest accrual year (In case of holidays and festivals, interest payment date shall be postponed to the first following working day). The current maturity date of the corporation bonds was April 12, 2016, and principal and last interest shall be paid when it was expired.

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- 13) The Company issued 10,000,000 shares non-public directionally corporation bonds on August 8, 2014 with par value of RMB 100 Yuan and total amount of RMB 1 billion Yuan and a 3-year term. The actually received amount was RMB 999 million Yuan after deducting the underwriting and other expenses of RMB 1 million Yuan and the deductions was used as interest adjustment which amortized at effective interest rate. Nominal interest rate of the corporation bonds issued by the Company was 5.40% while the effective interest rate was 5.51%. The value date of current corporation bonds was August 12, 2014. Interest of corporation bonds was paid annually since the value date. August 12 of every year from 2015 to 2017 was interest payment date of last interest accrual year (In case of holidays and festivals, interest payment date shall be postponed to the first following working day). The current maturity date of the corporation bonds was August 12, 2017, and principal and last interest shall be paid when it was expired.
- 14) In 2014, the bonds of the Company obtained a registration quota of RMB 1 billion for the issuance of medium-term notes (MTN) with a 2-year validity which was registered by China's Inter-bank Market Dealers Association (Zhong Shi Xie Zhu [2014] MTN No. 280).
 - A. The Company issued 4,000,000 shares non-public directionally medium-term notes on September 10, 2014 with par value of RMB 100 Yuan and total amount of RMB 400 billion Yuan with a 7-year term, and the paid-in capital was RMB 400 million Yuan. Nominal interest rate of the medium-term notes issued by the Company was 5.74%. The value date of current medium-term notes was September 10, 2014. Interest of medium-term notes was paid annually since the value date. September 10 of every year from 2015 to 2021 was interest payment date of last interest accrual year (In case of holidays and festivals, interest payment date shall be postponed to the first following working day). The current maturity date of the medium-term notes was September 10, 2021, and principal and last interest shall be paid when it was expired.
 - B. The Company issued 3,000,000 shares non-public directionally medium-term notes on September 22, 2014 with par value of RMB 100 Yuan and total amount of RMB 300 billion Yuan and a 7-year term, and the paid-in capital was RMB 300 million Yuan. Nominal interest rate of the medium-term notes issued by the Company was 5.54%. The value date of current medium-term notes was September 22, 2014. Interest of medium-term notes was paid annually since the value date. September 22 of every year from 2015 to 2021 was interest payment date of last interest accrual year (In case of holidays and festivals, interest payment date shall be postponed to the first following working day). The current maturity date of the medium-term notes was September 22, 2021, and principal and last interest shall be paid when it was expired.
 - C. The Company issued 3,000,000 shares non-public directionally medium-term notes on September 22, 2014 with par value of RMB 100 Yuan and total amount of RMB 300 billion Yuan and a 7-year term, and the paid-in capital was RMB 300 million Yuan. Nominal interest rate of the medium-term notes issued by the Company was 5.54%. The value date of current medium-term notes was September 22, 2014. Interest of medium-term notes was paid annually since the value date. September 22 of every year from 2015 to 2021 was interest payment date of last interest accrual year (In case of holidays and festivals, interest payment date shall be postponed to the first following working day). The current maturity date of the medium-term notes was September 22, 2021, and principal and last interest shall be paid when it was expired.

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(37). Long-term payables

<u>Item</u>	<u>Closing balance</u>	<u>Beginning balance</u>
Finance lease payables	933,153,492.66	586,109,771.88
Localization fund	31,800,000.00	31,800,000.00
Others	140,727,264.81	452,904.41
Subtotal	1,105,680,757.47	618,362,676.29
Less: Long-term payables due within one year	220,930,903.50	11,804,994.45
Total	<u>884,749,853.97</u>	<u>606,557,681.84</u>

(38). Long-term employee benefits payable

<u>Item</u>	<u>Beginning balance</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Closing balance</u>
Net debt in defined benefit plans	-	-	-	-
Pension plans	-	29,069,760.91	-	29,069,760.91
Termination benefits paid after one year	-	-	-	-
Subtotal	-	29,069,760.91	-	29,069,760.91
Less: Defined benefit plans due within one year	-	-	-	-
Total	-	<u>29,069,760.91</u>	<u>-</u>	<u>29,069,760.91</u>

(39). Special payables

<u>Item</u>	<u>Beginning balance</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Closing balance</u>
Custodian fee of redundant personnel in Beinei Group Corporation	278,159,892.94	-	12,759,037.81	265,400,855.13
Allocated infrastructure funds	-	-	-	-
Scholarship and assistantship	1,577,218.70	549,305.00	245,163.21	1,881,360.49
Others	8,311,165.34	23,227,100.29	17,913,881.69	13,624,383.94
Total	<u>288,048,276.98</u>	<u>23,776,405.29</u>	<u>30,918,082.71</u>	<u>280,906,599.56</u>

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(40). Estimated liabilities

<u>Item</u>	<u>Beginning balance</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Closing balance</u>
Product quality assurance	801,960,793.57	423,173,413.58	300,572,123.87	924,562,083.28
Estimated liabilities resulting from excessive loss	42,640,673.46	19,718,653.08	62,359,326.54	-
Others	2,682,200.00	151,282,780.27	1,142,473.35	152,822,506.92
Total	<u>847,283,667.03</u>	<u>594,174,846.93</u>	<u>364,073,923.76</u>	<u>1,077,384,590.20</u>

(41). Deferred income

<u>Item/Category</u>	<u>Beginning balance</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Closing balance</u>
Government grants related to assets	2,582,828,775.33	1,287,982,572.52	1,409,272,136.51	2,461,539,211.34
Government grants related to income	-	30,000,000.00	7,145,998.45	22,854,001.55
Mold subsidy	175,162,578.29	140,950,485.73	87,275,932.52	228,837,131.50
Others	-	21,998,401.96	1,273,424.92	20,724,977.04
Total	<u>2,757,991,353.62</u>	<u>1,480,931,460.21</u>	<u>1,504,967,492.40</u>	<u>2,733,955,321.43</u>

Including: Details of deferred income

<u>Grant project</u>	<u>Beginning balance</u>	<u>Current amount of new subsidy</u>	<u>The current amount recorded in non-operating income</u>	<u>Other changes</u>	<u>Closing balance</u>	<u>Category</u>
Supporting construction funds	252,086,254.00	618,729,385.00	-	420,700,948.57	450,114,690.43	Related to assets
Government grants construction funds for Utility Vehicle Plant	369,718,316.14	-	31,262,015.00	-	338,456,301.14	Related to assets
Base construction project	-	280,000,000.00	14,000,000.00	-	266,000,000.00	Related to assets
New energy vehicles test base construction project subsidies -Weifang High-tech	312,466,057.97	50,000,000.00	117,843,346.13	-	244,622,711.84	Related to assets
Tong Zhou district finance subsidy of base construction	96,028,308.49	56,830,280.58	8,957,741.98	-	143,900,847.09	Related to assets
Others	89,779,827.67	30,826,085.75	5,872,854.71	-	114,733,058.71	Related to assets
R&D funding for Weifang new energy car project	76,669,409.01	50,854,806.08	25,000,000.00	-	102,524,215.09	Related to assets
2014 First batch of Major	-	150,000,000.00	50,000,000.00	-	100,000,000.00	Related

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Achievements Transfer and Industrial Project overall funding project						to assets
Government Support Fund for Automobile Industry	100,000,000.00	-	-	-	100,000,000.00	Related to assets
Financial subsidies income from Zengcheng government	92,630,000.00	-	-	-	92,630,000.00	Related to assets
Industry Support Fund for Engine Plant Project	87,385,000.00	-	9,141,250.00	-	78,243,750.00	Related to assets
Government subsidies for staff dormitory and senior apartment	73,862,919.25	-	2,556,040.80	-	71,306,878.45	Related to assets
Industrial restructuring funds	90,000,000.00	-	30,000,000.00		60,000,000.00	Related to assets
2009 Beijing Industrial Development Bureau Industrial technology achievements transformation project funds- Industrialization base construction of new energy automotive powertrain	56,000,000.00	-	8,000,000.00	-	48,000,000.00	Related to assets
The new lightweight platform A0-Class Pure electric car development and industrialization	30,000,000.00	-	-	-	30,000,000.00	Related to assets
Special line subsidies for 10KV Nanhai car factory	20,971,703.75	-	639,300.00	-	20,332,403.75	Related to assets
Special fund allocated for Saab technical transformation of Economic Information Commission	20,989,044.27	-	1,682,637.12	-	19,306,407.15	Related to assets
Land arrangement compensation of Shahe Town Changping District People's Government	16,939,406.24	-	393,939.68	-	16,545,466.56	Related to assets
Subsidy funds for infrastructure projects- expand the production workshop construction of 4000 passage cars	11,497,693.95	-	968,841.20	-	10,528,852.75	Related to assets
"High-end CNC machine tools and basic manufacturing equipment" technology major projects	8,366,800.00	2,120,000.00	441,200.00	-	10,045,600.00	Related to assets
2013 second batch industrial development fund-small displacement gasoline engine and transmission subsidized	10,000,000.00	-	-	-	10,000,000.00	Related to assets

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funds						
Municipal road construction subsidies	11,200,000.00	-	1,600,000.00	-	9,600,000.00	Related to assets
Deferred revenue-Project expenditure	11,089,466.19	-	-	1,963,606.32	9,125,859.87	Related to assets
New engine plant project support fund	-	10,000,000.00	1,000,000.00	-	9,000,000.00	Related to assets
The new structure A0-Class extended range electric vehicle development	5,400,000.00	3,140,000.00	-	-	8,540,000.00	Related to assets
Beijing automobile independent brand car technological transformation project	8,000,000.00	-	-	-	8,000,000.00	Related to assets
Grant funds for infrastructure projects-construction project of institute buildings	7,425,000.00	-	225,000.00	-	7,200,000.00	Related to assets
Electrical drive key technology cooperation development and emerging application research of pure electric car	11,410,000.00	-	4,680,000.00	-	6,730,000.00	Related to assets
Development and demonstration of 5-meter electric logistics cars	-	6,000,000.00	-	-	6,000,000.00	Related to assets
Grant funds for infrastructure projects-Cummins joint venture projects supporting infrastructure	5,976,000.00	-	996,000.00	-	4,980,000.00	Related to assets
Deferred income - Plant Factory	4,812,500.00	-	-	687,500.00	4,125,000.00	Related to assets
Technical transformation of Changsha County Bureau of Industry and Information Technology Integrated system	4,000,000.00	-	-	-	4,000,000.00	Related to assets
development of vehicle high-pressure control modules	-	3,954,420.00	-	-	3,954,420.00	Related to assets
Development of fuel cell city bus	3,903,920.00	-	-	-	3,903,920.00	Related to assets
Emission detection of motor vehicle	3,788,497.13	-	180.00	-	3,788,317.13	Related to assets
Multi-axis wheel drive large channel low-floor electric transit bus vehicle integration technology	-	3,720,000.00	-	-	3,720,000.00	Related to assets
Beijing Science and Technology Commission key technologies research	4,200,000.00	-	600,000.00	-	3,600,000.00	Related to assets

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and development of hybrid bus power systems						
The new platform for industrialization	1,610,000.00	1,740,000.00	-	-	3,350,000.00	Related to assets
development of pure electric cars						
Subsidies for drainage pump project of Lishui Government	-	3,177,495.11	52,958.24	-	3,124,536.87	Related to assets
Refund of deed tax	3,112,173.70	-	99,836.28	-	3,012,337.42	Related to assets
Development of dual-motor drive electric buses with 12 meters	3,000,000.00	-	-	-	3,000,000.00	Related to assets
Development and demonstration of street light charge pile -New Energy Automobile	-	2,230,000.00	-	-	2,230,000.00	Related to assets
Technology Industrial Park pilot application						
MDT & HDT technological transformation	2,243,589.89	-	384,615.36	-	1,858,974.53	Related to assets
Key technology for fuel cell vehicles by the program logistics	2,670,000.00	2,880,000.00	27,385.00	3,712,800.00	1,809,815.00	Related to assets
Key technology for fuel cell vehicles by the program logistics	2,640,000.00	-	880,000.00	-	1,760,000.00	Related to assets
Demonstration application of intelligent transport of New energy vehicle-technology research and demonstration application of vehicle intelligent services	-	1,700,000.00	-	-	1,700,000.00	Related to assets
Development and demonstration of 3-meter electric logistics cars	-	1,570,000.00	-	-	1,570,000.00	Related to assets
Others	1,537,930.33	-	22,101.00	-	1,515,829.33	Related to assets
Application and demonstration of automobile electronic products	1,370,000.00	-	-	-	1,370,000.00	Related to assets
Special funds for Technology	1,300,000.00	-	-	-	1,300,000.00	Related to assets
Development of range extender of Electric Vehicles-Integrated development of range extender of Electric Vehicles	3,060,000.00	-	1,788,200.00	-	1,271,800.00	Related to assets
Matching technology research of Electronic	4,071,653.11	-	2,850,908.00	-	1,220,745.11	Related to assets

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Injection						
Phase II Innovation capacity building of Institute of Finance Bureau of Changping District	1,500,000.00	-	300,000.00	-	1,200,000.00	Related to assets
Research on integrative application vehicle electric drive system of integrated motor and reducer for electric passenger vehicles	-	1,183,100.00	-	-	1,183,100.00	Related to assets
Automobile NOx control technology	853,498.37	-	225.00	-	853,273.37	Related to assets
Development and demonstration of charging facility for solid garage-Solid garage in Penglong Building	-	800,000.00	-	-	800,000.00	Related to assets
Appropriation received from Human Resources and Social Security Bureau of Daxing District	600,000.00	-	-	-	600,000.00	Related to assets
Innovation Funds	771,199.79	-	192,800.04	-	578,399.75	Related to assets
New energy passenger vehicles energy-saving and safety Beijing Key Laboratory- 2014	-	500,000.00	-	-	500,000.00	Related to assets
Technology Innovation Base Training and Development Special Projects						
Technical transformation grants for annual output of 200,000 heavy vehicles	500,000.00	-	-	-	500,000.00	Related to assets
Development of electric bus for industrialization	1,350,000.00	1,460,000.00	-	2,500,000.00	310,000.00	Related to assets
Key technology research and demonstration application of Vehicle to the grid (V2G) and vehicle to the user (V2H)	-	300,000.00	-	-	300,000.00	Related to assets
Deferred income	455,000.00	-	-	175,000.00	280,000.00	Related to assets
Construction research of new energy auto parts platform and industry chain in Beijing	200,000.00	-	-	-	200,000.00	Related to assets
Project funding for "Recycling and Use of Battery System" applied by Chengyin Yuan from Human Resources and	150,000.00	-	-	-	150,000.00	Related to assets

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Social Security Bureau in Daxing District						
Retarder project	20,000.00	90,000.00	-	-	110,000.00	Related to assets
Development and demonstration and application of electric Coach vehicle - 2014 major projects chaired unit administration fee	-	100,000.00	-	-	100,000.00	Related to assets
Integrated system Development for Vehicle high-pressure control module - 2014 major projects chaired unit administration fee	-	100,000.00	-	-	100,000.00	Related to assets
Plug-in hybrid electric vehicle control strategy	79,700.00	-	-	-	79,700.00	Related to assets
Deferred income-matrix sterilizer	42,000.00	-	-	-	42,000.00	Related to assets
Research and development and industrialization technological breakthrough of pure electric car of Beijing brand	2,555,000.00	1,385,000.00	3,940,000.00	-	-	Related to assets
The electric drive system development and application on the B grade pure electric cars of Integrated charging function	2,000,000.00	-	2,000,000.00	-	-	Related to assets
Development of range extender of electric car-Control System	1,400,000.00	-	1,400,000.00	-	-	Related to assets
Development of range extender of electric car Research of planning and layout and service platform of New Energy Automobile Technology Industrial Park in Beijing	1,161,100.00	-	1,161,100.00	-	-	Related to assets
System development of Automotive Electric Power Steering and Application research of Integration for Electric Vehicle	1,000,000.00	-	1,000,000.00	-	-	Related to assets
Application research of braking system of Electric cars used energy back type and Integration for	500,000.00	-	500,000.00	-	-	Related to assets

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Electric Vehicle					
Enhancement of science popularization at multimedia exhibition of Beijing's new energy automotive experience center	450,000.00	-	450,000.00	-	- Related to assets
Enhancement of science popularization of Beijing's new energy automotive experience center	300,000.00	-	300,000.00	-	- Related to assets
System research and development of Electric Power Steering of electro mobile	171,000.00	-	171,000.00	-	- Related to assets
Development of Electric Coach vehicle	996,500.00	-	996,500.00	-	- Related to assets
Industrialization development of A0-level pure electric cars	12,037,561.01	-	- 12,037,561.01		- Related to assets
Industrialization development of B-Grade (C70) pure electric official car	4,700,000.00	-	- 4,700,000.00		- Related to assets
Key technology research of electric drive and development of Engineering prototype vehicle for pure electric car Beijing brand	5,741,066.02	-	- 5,741,066.02		- Related to assets
Industrialization development of Multipurpose (m30) pure electric passenger vehicles	2,520,000.00	-	- 2,520,000.00		- Related to assets
Development of electric passenger vehicle based on domestication technology platforms on Saab vehicle	15,666,666.67	-	- 15,666,666.67		- Related to assets
Electric vehicles electric vacuum brake booster system development	687,907.00	-	- 687,907.00		- Related to assets
Government subsidies for the new plant in Changsha	294,331,140.38	-	- 294,331,140.38		- Related to assets
Support funds paid to Foton for new automobile plant in Changsha from Changsha Economic Committee and the Economic and Technological Development District	20,000,000.00	-	- 20,000,000.00		- Related to assets

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Management Committee						
Development						
demonstration of 18						
meters electric bus based	4,100,000.00	-	4,100,000.00	-	-	Related
on efficient high-power						to assets
direct drive permanent						
magnet synchronous						
motor						
Extended range/ plug-in	2,993,600.00	2,470,000.00	4,208,600.00	1,255,000.00	-	Related
electric commercial						to assets
vehicle development						
Trackless electric bus with	1,800,000.00	-	1,800,000.00	-	-	Related
12 meters (BJD-						to assets
WG120F) demonstration						
Development and	500,000.00	-	500,000.00	-	-	Related
application of electric						to assets
commercial wheel motor						
system						
Development of wheels/	200,000.00	-	200,000.00	-	-	Related
wheel motor of electric						to assets
cars						
Key technology and	171,865.00	122,000.00	293,865.00	-	-	Related
application research						to assets
based on car networking						
transport energy						
High pressure safety	105,000.00	-	105,000.00	-	-	Related
control system of 8 tons						to assets
electric sanitation trucks						
Project funds for	67,500.00	-	67,500.00	-	-	Related
development and						to assets
application of						
manufacturing information						
integration technology	940,000.00	-	940,000.00	-	-	Related
K14B-series Engine						to assets
Industrialization Funds						
Subsidies for South Base	250,000,000.00	-	250,000,000.00	-	-	Related
Project						to assets
Construction of Beijing	26,000,000.00	-	-	26,000,000.00	-	Related
New Energy Vehicles						to assets
Experience Center						
Dantu District Automotive						Related
Industry Innovation and	-	30,000,000.00	7,145,998.45	-	22,854,001.55	to
Development Fund						income
Mold subsidy	175,162,578.29	140,950,485.73	87,275,932.52	-	228,837,131.50	Mold
Interest income to be						subsidy
carried forward	-	21,998,401.96	-	1,273,424.92	20,724,977.04	Other
Total	<u>2,757,991,353.62</u>	<u>1,480,931,460.21</u>	<u>691,014,871.51</u>	<u>813,952,620.89</u>	<u>2,733,955,321.43</u>	

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(42). Other non-current liabilities

<u>Item/Category</u>	<u>Beginning balance</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Closing balance</u>
Land allocation	78,260,827.22	-	-	78,260,827.22
Project funds	-	19,648,966.19	3806106.32	15,842,859.87
Total	<u>78,260,827.22</u>	<u>19,648,966.19</u>	<u>3,806,106.32</u>	<u>94,103,687.09</u>

(43). Paid-up capital

<u>Investor</u>	<u>Beginning balance</u>		<u>Current increase</u>	<u>Current decrease</u>	<u>Closing balance</u>	
	<u>Investment Amount</u>	<u>Ratio (%)</u>			<u>Investment Amount</u>	<u>Ratio (%)</u>
Beijing State-owned Capital Operation and Management	10,076,908,335.00	100.00	1,655,100,000.00	-	11,732,008,335.00	100.00

(44). Other equity instruments

On October 15, 2014, the Company issued corporation bonds of 20,000,000 shares with par value of RMB 100 Yuan and the total issued amount was RMB 2 billion Yuan and the amount received actually was RMB 2 billion Yuan. The lead underwriter and bookkeeping managers was CITIC Bank with a no-fixed term, and the bonds were perpetual before the issuer redeemed them according to the agreement. Nominal rate of corporation bonds was 6.2% and the value date of current corporation bonds was October 15, 2014. Interest of corporation bonds was paid annually since the value date, (In case of holidays and festivals, interest payment date will be postponed to the first following working day). Nominal rate was increased 300 basis points on the basis of original interest rate from the sixth interest accrual year and the nominal rate was reset every five years.

Changes of perpetual bonds issued in the end of period:

<u>Financial instruments issued</u>	<u>Beginning balance</u>		<u>Current increase</u>		<u>Current decrease</u>		<u>Closing balance</u>	
	<u>Amount</u>	<u>Book value</u>	<u>Amount</u>	<u>Book value</u>	<u>Amount</u>	<u>Book value</u>	<u>Amount</u>	<u>Book value</u>
Perpetual bonds	-	-	20,000,000	2 billion	-	-	20,000,000	2 billion

(45). Capital reserve

<u>Items</u>	<u>Beginning balance</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Closing balance</u>
Capital premium	218,403,701.54	1,215,412,104.43	-	1,433,815,805.97
Other capital reserves	1,476,378,990.22	-	24,485,011.52	1,451,893,978.70

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Capital reserves transferred into under former system	1,026,490,453.06	-	-	1,026,490,453.06
Total	<u>2,721,273,144.82</u>	<u>1,215,412,104.43</u>	<u>24,485,011.52</u>	<u>3,912,200,237.73</u>

(46). Surplus Reserves

<u>Items</u>	<u>Beginning balance</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Closing balance</u>
Statutory surplus reserve	405,923,223.83	144,817,163.29	-	550,740,387.12

(47). Undistributed Profit

<u>Item</u>	<u>Current Amount</u>	<u>Amount in last year</u>
Beginning balance of current year	6,322,103,889.33	4,587,132,471.23
Current increased amount	1,726,292,993.74	2,280,296,020.66
Inc.: Current net profit transferred into	1,726,292,993.74	2,280,296,020.66
Other adjustment factors	-	-
Current decreased amount	551,083,075.29	545,324,602.56
Inc.: Current amount of extracting surplus reserves	144,817,163.29	155,111,509.98
Current amount of extracting general risk provisions	-	-
Current amount of distributing cash dividend	405,686,700.00	388,043,900.00
Transferred paid-in capital	-	-
Other decrease	-	2,169,192.58
Closing balance of current year	7,497,893,019.78	6,322,103,889.33

(48). Operating Income and Operating Cost

<u>Item</u>	<u>2014</u>		<u>2013</u>	
	<u>Income</u>	<u>Cost</u>	<u>Income</u>	<u>Cost</u>
1. main operations				
Steel sales revenue	1,211,342,076.99	1,150,336,213.30	1,041,909,000.92	897,617,674.01
Sales of automobile and parts	103,021,193,321.60	86,699,187,273.05	57,087,099,924.80	52,156,170,843.79
Others	3,837,855,992.66	3,773,723,937.56	2,174,722,234.01	722,335,887.37
Rendering of service	11,530,926,143.56	10,833,940,615.41	741,765,200.92	1,283,218,791.60
Facility agriculture	295,951,618.79	231,653,811.11	217,721,474.01	150,003,570.42

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Subtotal of main operations	119,897,269,153.60	102,688,841,850.43	61,263,217,834.66	55,209,346,767.19
Net interest income	350,509,644.09	35,567,810.44	254,257,245.25	4,595,364.52
2. other operations	2,551,200,311.30	1,391,151,032.06	2,407,357,752.23	1,620,828,011.15
Subtotal of other operations	2,551,200,311.30	1,391,151,032.06	2,407,357,752.23	1,620,828,011.15
Total	<u>122,798,979,108.99</u>	<u>104,115,560,692.93</u>	<u>63,924,832,832.14</u>	<u>56,834,770,142.86</u>

(49). Assets impairment loss

<u>Items</u>	<u>2014</u>	<u>2013</u>
Bad debts	234,480,690.66	203,978,531.42
Inventory impairment losses	436,919,494.28	317,604,748.37
Impairment loss of long-term equity investments	79,828,724.48	31,172,501.19
Impairment of fixed assets	107,843,612.56	15,418,198.49
Provision for impairment of Construction supplies	-	27,809,933.79
Other impairment losses	-11,301,651.59	29,730,896.92
Total	<u>847,770,870.39</u>	<u>625,714,810.18</u>

(50). Income from change in fair value

<u>Sources of income from change in fair value</u>	<u>2014</u>	<u>2013</u>
Financial assets at fair value through profit or loss	44,550,299.71	-90,080.00
Financial liabilities at fair value through profit or loss	-11,643,459.66	-3,085,468.37
Total	<u>32,906,840.05</u>	<u>-3,175,548.37</u>

(51). Investment income

<u>Item</u>	<u>2014</u>	<u>2013</u>
Long-term equity investment under equity method	6,543,823,452.34	6,668,455,937.01
Investment income from disposal of long-term equity investment	75,973,239.79	322,882,168.47
Investment income gained in period of holding financial assets at fair value through profit or loss	-370,721.68	

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Investment income gained in period of holding held-to-maturity investments		
Investment income gained in period of holding held-for-sale financial assets	66,291,264.35	18,621,710.37
Investment income from disposal of financial assets at fair value through profit or loss	2,330,485.05	459,220.89
Investment income from disposal of held-to-maturity investments		
Investment income from disposal of held-for-sale financial assets	74,461,071.66	498,937.80
Others	2,082,625.30	2,351,207,789.60
Total	<u>6,764,591,416.81</u>	<u>9,362,125,764.14</u>

(52). Non-operating income

<u>Items</u>	<u>2014</u>	<u>2013</u>
Gains on disposal of non-current assets	696,743,148.30	93,273,573.54
Including: Gains on disposal of fixed assets	574,936,176.19	20,077,176.07
Gains on disposal of intangible assets	121,564,457.67	73,186,884.97
Government subsidies	1,955,818,144.55	714,882,484.54
Inventory gains	794,095.15	-
Compensation due to default	5,327,376.56	13,176,237.27
Tax rebate	102,181.87	-
Payables unable to be paid	34,762,096.80	47,810,232.17
Relocation compensation	146,599,757.35	-
Others	237,055,098.00	136,549,660.03
Total	<u>3,077,201,898.58</u>	<u>1,005,692,187.55</u>

Details of government subsidies :

<u>Items</u>	<u>2014</u>	<u>2013</u>	<u>Note</u>
Government subsidies for new energy vehicles	526,020,220.00	174,225,000.00	
Zhu Gao Zheng Han [2014] No. 19			
Management and promotion expenses for Beiqi self-own brand passenger cars	250,000,000.00	-	
Industrial support fund	200,000,000.00	-	
SME enterprise development fund	161,180,000.00	46,677,980.00	

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Fuliang County People's Government Fu Fu Ban Zi (2014) No.80	144,315,000.00	-
Government incentives (for products promotion and market development)		
Subsidies for Zhongshi base construction project of the new energy vehicles -Weifang high-tech industry development zone	117,843,346.13	128,302,852.99
Jingdezhen People's Government Jing Fu Ban Chao Zi (2014) No.255; start-up funds for Industrial base project	100,000,000.00	-
Support funds for the adjustment of industrial structure and major achievements transformation project	80,000,000.00	30,000,000.00
Zhu Gao Zheng Han [2014] No. 20		
Subsidies for Beiqi South Base project from Zhuzhou High-tech Technology Development Zone Management Committee	50,000,000.00	-
Special support fund-government subsidies for utility vehicle plant construction	31,262,015.00	31,262,012.00
Support fund for R & D of the new energy vehicle project in Weifang	25,000,000.00	25,000,000.00
Subsidy income from Shunyi Motor City	14,000,000.00	-
Industrial development of A0 full-electric cars	12,037,561.01	1,469,984.56
Water-based paint renovation/Exhaust system transformation of Foton Daimler's No.1 factory	11,620,000.00	-
Funds for Beijing Benz engine project and entering the area agreement engine factory project	9,141,250.00	-
Support funds for R & D of new energy cars in Weifang	9,119,424.88	12,547,454.07
Subsidies for base construction from Tongzhou Finance	8,957,941.97	-
Other government subsidies related to income	8,146,693.10	-
Subsidies for industrial technology transformation project in 2009 from Beijing Municipal Bureau of Industrial Development-New energy vehicle powertrain industrialization base construction	8,000,000.00	8,000,000.00
Interim Measures of Dantu District Automotive Industry Development Fund / Entering the area agreement of Industry base project vehicle project for Beiqi Huadong (Zhenjiang)	7,145,998.45	-
Technology upgrading for GTL heavy truck project of Beijing Foton Motor Co., Ltd	6,948,000.00	6,948,000.00
Incentive funds for enterprise legal person	6,915,920.00	-

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Loan interest subsidies for cylinder block and cylinder head (casting center) of engines with an annual capacity of 100,000 tons	6,704,503.25	1,000,000.00	
Refund from income tax	6,649,032.38	-	
Special funds for technology transformation of provincial industrial enterprises in 2013	6,520,000.00	-	
Subsidies for water-based paint renovation project of Beijing Municipal Environmental Protection Bureau Oman No.2 factory	5,920,000.00	-	
Electric drive key technology research of Beijing brand full-electric cars and engineering prototype development	5,741,066.02	-	
Electric passenger vehicle development based on Saab vehicle localization technology platform	5,666,666.67	-	
Enterprises development fund	5,234,295.00	12,962,100.00	
Construction project of BAIC Motor Corporation., Ltd. OBM lean production resources management system	5,010,000.00	-	
Xiang Cai Zong Zhi [2013] No.105 Notification of provincial price regulation fund in 2013 issued from Hunan Finance Department	5,000,000.00	-	
According to the <i>Regulations of Promoting Equity Investment Fund Development and Management of Shenzhen Financial Development Special Fund</i> issued by Finance Commission of Shenzhen Municipality, after approval and fulfill the relevant public program, financial development of special funds planed to Shenzhen Anpeng Equity Investment Fund Management Co., Ltd —5 million for disposable settled	5,000,000.00	-	Finance development special subsidies plan issued by Shenzhen Finance Bureau
Other government subsidies related to assets	4,948,175.80	-	
Level B (C70) Industrial development of full-electric official cars	4,700,000.00	-	
International science and technology communication and cooperation projects	4,680,000.00	-	
Subsidies from Haidian Rural Work Committee	4,568,000.00	-	
Financial subsidies for business tax reformed to VAT	4,391,596.65	-	
Development of extended range/plug-in electric commercial vehicles	4,208,600.00	-	
Imported discount income of Beijing Municipal Commission of Commerce	4,118,400.00	-	
Development of 18-meter electric bus integration demonstration based on efficient high-power direct drive permanent magnet synchronous motors	4,100,000.00	4,432,086.00	

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R & D and industrial technology research of Beijing brand full-electric cars	3,940,000.00	-
Support funds for export credit insurance	3,162,494.00	1,534,015.00
Beijing Municipal Commission of Tourism Development	2,800,000.00	2,100,000.00
Industrial development of multipurpose (m30) full-electric passenger vehicles	2,520,000.00	-
Special support project for SME development from Beijing Municipal Commission of Economy and Information Technology	2,450,000.00	-
Beijing Municipal Science & Technology Commission	2,235,555.00	-
Land tax subsidies	2,176,156.75	-
International market development funds for Beijing SEMs from Beijing Municipal Commission of Commerce	2,166,205.00	-
Financial support funds for Miaocheng County	2,038,061.74	-
Project list of special support funds for the first SME development in 2014	2,000,000.00	-
Application of efficient nursery and planting mechanized system	1,987,430.00	-
Planting combined resource efficient recycling and environmental control to raise pigs	1,935,200.00	-
Demonstration of dual source trackless 12 m electric bus (BJD—WG120F)	1,800,000.00	-
R & D of Integrated charging function the electric drive system and application on grade B full-electric cars	1,800,000.00	-
Integrated development of extended range electric vehicles	1,788,200.00	-
Promotion funds for Zhongguancun trademark in 2013 from China Technology Exchange	1,720,000.00	-
Subsidies for employees' dormitory from Guangzhou Zengcheng Government	1,718,766.67	-
Special funds for technology transformation of SAAB from Beijing Municipal Commission of Economy and Information Technology	1,682,637.12	-
Subsidies for municipal road construction	1,600,000.00	1,600,000.00
Imported products discount payments from Beijing Municipal Commission of Commerce	1,566,494.00	-
Government grants profits - R & D funds	1,450,000.00	-
Development of electric car extended-range control system	1,400,000.00	-
Research of Beijing new energy automotive industry park planning and construction of service platform	1,161,100.00	-

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Test and demonstration scale pig farms of healthy drinking patterns	1,131,800.00	-	
Notification of commercial distribution development projects in 2013 issued by Beijing Municipal Commission of Commerce / Beijing Municipal Finance Bureau	1,090,000.00	-	
Construction of Beijing New energy vehicles Experience Center	1,059,472.82	-	
Beijing Social Sports Administration Center	1,055,565.00	1,100,000.00	Beijing Social Sports Administration Center
Funds from Jingdezhen Science and Technology Bureau	1,041,500.00	-	
Jing Jing Xin Wei Fa [2013] No.108 Notification of the second batch of industrial development fund plan in 2013 issued by Beijing Municipal Commission of Economy and Information Technology	1,000,000.00	80,000,000.00	
Strategic alliance major special funds for key technology research and industrialization of automotive lightweight project	1,000,000.00	1,500,000.00	
Support funds for Beijing commercialization of patented technology project	1,000,000.00	1,000,000.00	
Construction machinery Prize from Changsha Economic Development Zone Finance Bureau	1,000,000.00	-	
Development of EV electric power steering system and applied research of vehicle integration	1,000,000.00	-	
Others	17,527,800.14	25,254,195.38	
Science and technology funds	-	19,068,200.00	
Flow Loan discount for Beijing Branch stamping center project from Beijing Municipal Commission of Economy and Information Technology	-	10,000,000.00	
Technological Innovation for electric taxi project	-	8,795,419.08	
Flow Loan discount to maintain growth from Beijing Municipal Commission of Economy and Information Technology	-	8,000,000.00	
Technology industry of AUV moderate hybrid buses	-	6,654,366.20	
Infrastructure construction payment	-	5,000,000.00	
Construction for production base of electric commercial automobile	-	4,673,966.94	

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Enterprises support fund - renovation grants	-	4,440,000.04	Jing Peng Gu Fen Ban Zi [2010] No.2
Funds for research about dial electric power hybrid electric bus from Research Institute	-	4,388,028.00	
Special fund for purchasing land	-	4,006,579.05	
Electric passenger vehicle development based on SAAB international technology platform	-	4,000,000.00	
Medium-sized and Small enterprises Management Bureau	-	4,000,000.00	Special award
Lithium titanate project	-	4,000,000.00	
Others	-	3,749,289.07	
Improvement project of delivery capacity of Foton Motor whole vale chain	-	3,000,000.00	
Land use tax compensation	-	2,925,133.84	Government compensation for current land use expenses
Receiving SME development funds for industries with local characteristics from Beijing Tongzhou District Finance Bureau	-	2,900,000.00	
Loan discount of Beijing industrial enterprises' wording capital	-	2,760,000.00	Loan discount
Full-electric postal vehicles pilot project	-	2,000,000.00	
Changping technology innovation policy funds (grants and incentives for IPR)	-	2,000,000.00	
Special guide funds for cultivating new industries in Hunan	-	2,000,000.00	
Miyun financial development fund	-	1,800,000.00	Miyun financial development fund
Government subsidies for the new factory in Changsha	-	1,375,822.32	
Subsidy for Science and technology research of the emerging industry	-	1,200,000.00	
Automobile manufacturing dynamic testing & control expert system	-	1,150,000.00	Recommended by Beijing Municipal Science & Technology Commission (No.S2014GR128)
Subsidies for research projects	-	1,080,000.00	Agriculture special management project in 2011
Funds for municipal enterprises technical center from Industrial Development Bureau	-	1,000,000.00	
Industry transformation and upgrading fund	-	1,000,000.00	Special award

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Information integration innovation project based on full-service chain	-	1,000,000.00
Total	<u>1,955,818,144.55</u>	<u>714,882,484.54</u>

(53). Non-operating Expense

<u>Items</u>	<u>2014</u>	<u>2013</u>
Loss on disposal of non-current assets	31,031,797.14	59,528,132.87
Including: Loss on disposal of fixed assets	29,817,449.72	58,775,848.83
Loss on disposal of intangible assets	1,213,219.42	720,315.08
Loss on debt restructuring	1,777,545.60	-
Donations Contributed	40,117,678.81	14,378,308.32
Expenditure for compensation, liquidated damages and fine	113,469,586.53	291,621,247.45
Abnormal loss	5,540,329.37	8,280,225.80
Inventory loss	2,356,474.29	-
Others	80,145,760.54	4,870,260.52
Total	<u>274,439,172.28</u>	<u>378,678,174.96</u>

(54). Income tax expenses

<u>Items</u>	<u>2014</u>	<u>2013</u>
Current year income tax calculated based on taxation and relevant regulations	1,121,316,157.49	798,086,169.52
Deferred income tax	-143,305,682.40	-94,543,396.55
Others	-188,039.16	-269,250.01
Total	<u>977,822,435.93</u>	<u>703,273,522.96</u>

(55). Other comprehensive income

	<u>2014</u>			<u>2013</u>		
<u>Items</u>	<u>Amount before tax</u>	<u>Income tax</u>	<u>Net amount after tax</u>	<u>Amount before tax</u>	<u>Income tax</u>	<u>Net amount after tax</u>

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1. Other comprehensive income cannot be re-classified into the profit and loss account later					
(1) Changes in the re-measurement of defined benefit plan net liabilities or net assets	-	-	-	-	-
(2) Shares of other consolidated revenue not reclassified into profit or loss under the equity	-	-	-	-	-
(3) Others	-	-	-	-	-
2. Re-classification of other comprehensive income in the profit and loss later					
(1) Shares of other consolidated revenue reclassified into profit or loss under the equity	-479,460.80	-	-479,460.80	9,651,557.93	- 9,651,557.93
Less: Previously recognized in other comprehensive	-	-	-	-	-
Subtotal	-479,460.80	-	-479,460.80	9,651,557.93	- 9,651,557.93
(2) Gains and losses from changes in fair value of available-for-sale financial assets	-12,826,150.27	-	-12,826,150.27	15,714,408.60	- 15,714,408.60
Less: Previously recognized in other comprehensive	-	-	-	-	-
Subtotal	-12,826,150.27	-	-12,826,150.27	15,714,408.60	- 15,714,408.60
(3) Foreign currency financial statements translation differences	-103,206,221.91	-	-103,206,221.91	16,545,313.68	- 16,545,313.68
Less: Previously recognized in other comprehensive	-	-	-	-	-
Subtotal	-103,206,221.91	-	-103,206,221.91	16,545,313.68	- 16,545,313.68
Total	-116,511,832.98	=	-116,511,832.98	41,911,280.21	= 41,911,280.21

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2) Adjustment of other comprehensive income

Items	Changes in the re-measurement of defined benefit plan net liabilities or net assets	Shares of other consolidated revenue not reclassified into profit or loss under the equity	Shares of other consolidated revenue reclassified into profit or loss under the equity	Gains and losses from changes in fair value of available-for-sale financial assets	Held-to-maturity investment reclassified into gains and losses from available-for-sale financial assets	The effective part of cash flow hedging gains and losses	Foreign currency financial statements translation differences	total
Reported opening balance of	-	-	-	-	-	-	-	-	-	-
Add:	-	-	9,651,557.93	15,714,408.60	-	-	-91,764,860.93	-	-	-66,398,894.40
Change in	-	-	-	-	-	-	-	-	-	-
Correction	-	-	-	-	-	-	-	-	-	-
Restatement opening balance of	-	-	9,651,557.93	15,714,408.60	-	-	-91,764,860.93	-	-	-66,398,894.40
Increase/decrease of previous	-	-	-	-	-	-	-	-	-	-
Closing balance of	-	-	9,651,557.93	15,714,408.60	-	-	-91,764,860.93	-	-	-66,398,894.40
Increase/decrease of current	-	-	-479,460.80	-12,826,150.27	-	-	-103,206,221.91	-	-	-116,511,832.98
Closing balance of current	-	-	9,172,097.13	2,888,258.33	-	-	-194,971,082.84	-	-	-182,910,727.38

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(56). Borrowing Costs

<u>Items</u>	<u>Amount of borrowing costs capitalized currently</u>	<u>Capitalization rate %</u>
1. Construction in process		
Joint venture brand MRA project	54,323,523.81	5.92%
Weifang utility vehicle factory construction project	31,947,199.26	5.71%
Powertrain equipment purchasing second-hand equipment (WEIGL)	19,982,563.78	5.58%
Technical transformation of Off-road Vehicle Project	18,383,539.66	-
Building projects in powertrain R & D area research and development area construction project	26,218,907.81	5.58%
Miyun multi-function plant construction project	12,196,300.71	5.71%
Others	254,024,683.18	-
Subtotal	417,076,718.21	
2. Intangible assets		
Development expenditures of Research Institute	110,144,937.58	5.45%
Development expenditures of Beiqi Hong Kong	67,168,564.88	4.38%
Subtotal	177,313,502.46	9.83%
Total	<u>594,390,220.67</u>	

(57). Foreign currency translation

Note : Exchange differences recognized into current profit or loss was RMB -103,206,221.91 Yuan.

(58). Leasing

1) Operating leasing assets

<u>Category</u>	<u>Closing book value</u>	<u>Beginning book value</u>
1. House, buildings	1,141,080,902.17	1,065,317,429.21
2. Land use right	232,171,663.27	259,115,007.13
3. Transport machine	27,180,367.15	19,191,332.99
4. Machinery equipment		13,057,327.41
Total	<u>1,400,432,932.59</u>	<u>1,356,681,096.74</u>

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2) Finance leased fixed assets

<u>Category</u>	<u>Closing book balance</u>	<u>Beginning book balance</u>
1. Original value		
(1) Machinery equipment	44,047,839.34	30,830,543.44
(2) Transport machine	-	-
(3) Office equipment	-	2,052,050.12
Subtotal	44,047,839.34	32,882,593.56
2. Depreciation		
(1) Machinery equipment	19,561,963.40	5,812,569.93
(2) Transport machine	-	-
(3) Office equipment	-	1,881,046.44
Subtotal	19,561,963.40	7,693,616.37
3. Provision for impairment		
(1) Machinery equipment	-	-
(2) Transport machine	-	-
(3) Office equipment	-	-
Subtotal	-	-

Minimum lease payments in later period:

<u>Remaining lease period</u>	<u>Minimum lease payments</u>
Within 1 year (including 1 year)	12,005,257.16
1-2 years (including 2 year)	9,148,904.42
2-3 years (including 3 year)	5,598,074.19
Over 3 years	113,385.97
Total	<u>26,865,621.74</u>

3) Operating leased assets

<u>Remaining lease period</u>	<u>Operating lease payments</u>
Within 1 year (including 1 year)	110,013,173.96
1-2 years (including 2 year)	86,323,268.20
2-3 years (including 3 year)	81,354,246.64
Over 3 years	619,292,819.07
Total	<u>896,983,507.87</u>

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(59). Consolidated Cash flow statement

1) Cash flow statement (Supplementary Information)

<u>Items</u>	<u>2014</u>	<u>2013</u>
1. Reconciliation of net profit to cash flows from operating activities	—	—
Net profit	5,328,173,006.05	4,253,323,808.19
Add: Provision for asset impairment	847,770,870.39	625,714,810.18
Depreciation of fixed assets	3,010,709,495.41	4,896,178,163.19
Amortization of intangible assets	886,691,890.33	677,499,019.94
Amortization of long-term prepaid expenses	247,858,078.30	256,571,364.81
Losses on disposal of fixed assets, intangible assets and other long-term assets ('-' for gains)	-666,069,706.36	-43,584,063.89
Fixed assets disposal loss ('-' for gains)	-	-
Fair value change loss ('-' for gains)	-32,906,840.05	3,175,548.37
Financial expenses ('-' for gains)	764,848,266.14	1,083,882,377.72
Losses arising from investments ('-' for gains)	-6,764,591,416.81	-9,362,125,764.14
Deferred tax income assets decrease ('-' for increase)	-90,362,856.22	-2,793,072,206.44
Deferred tax income liabilities increase ('-' for decrease)	-67,173,790.28	862,410,455.37
Decrease in inventories ('-' for increase)	-4,367,573,814.90	-6,661,422,451.99
Decrease in operating receivables ('-' for increase)	-5,869,614,159.66	-5,997,458,170.12
Increase in operating payables ('-' for decrease)	7,506,571,376.47	10,285,242,240.27
Others		
Net cash flows from operating activities	734,330,398.81	-1,913,664,868.54
2. Investing and financing activities that do not involve cash receipts and payments	—	—
Conversion of debt into capital		
Reclassification of convertible bonds expiring within one year as current liability		
Fixed assets acquired under finance leases		
3. Net increase in cash and cash equivalents	—	—
Cash at end of year	30,385,581,337.44	23,973,191,820.91
Less: cash at beginning of year	23,973,191,820.91	17,606,029,360.13
Plus: cash equivalents at end of year		
Less: cash equivalents at beginning of year		
Net increase in cash and cash equivalents	6,412,389,516.53	6,367,162,460.78

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2) Cash and cash equivalents

Items	Closing balance	Beginning balance
1. Cash	30,385,581,337.44	23,973,191,820.91
Inc: Cash on hand	8,098,782.16	4,492,200.77
Bank deposit readily available for payment	30,324,524,852.44	23,968,699,620.14
Other monetary fund readily available for payment	52,957,702.84	-
Deposits in other banks	-	-
Payments due from banks	-	-
2. Cash equivalents	-	-
Bonds investment due within three months	-	-
3. Closing balance of cash and cash equivalents	30,385,581,337.44	23,973,191,820.91
Cash and cash equivalents that are restricted for use by parent company and other subsidiaries in the group	-	-

9. CONTINGENT EVENTS

(1). Endorsed and transferred notes receivable

As at 31 December, 2014, endorsed and transferred notes receivable of the Company was RMB 17,201,195,600 Yuan.

(2). Contingent Liability

Contingent liability arising from pending litigation or arbitration and financial impact:

Plaintiff	Defendant	Reason	Court	Target amount	Progress of cases
BAIC ROCAR Automobile Trading Co., Ltd.	Beijing Beiqi Public Transport Automobile Trading Co., Ltd.	Equity transfer of Beijing Beiqi Public Transport Automobile Trading Co., Ltd.	Beijing First Intermediate People's Court	RMB 29,548,600 Yuan	The trial of second instance was in the process

As at 31 December, 2014, the disputes where BAIC ROCAR Automobile Trading Co., Ltd, a subsidiary of the Company involved with long-term investment on Beijing Beiqi Public Transport Automobile Trading Co., Ltd. of Tianjin Beiqi Jiali International Trade Co., Ltd hasn't been judged. On 20 September, 2011, the (2010) Yi Zhong Min Chu Zi No. 12377 Civil Judgment was delivered by Beijing First Intermediate People's Court, confirming that Tianjin Beiqi Jiali International Trading Co., Ltd is the actual promoter; the *Equity Exchange Contract of Beijing Beiqi Public Transport Automobile Trading Co., Ltd.* signed between Beijing Automotive Industry Imp. & Exp. Corp and Beijing BAIC ROCAR Automobile Trading Co., Ltd. on July 18, 2008 were null and void.

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After the first instance verdict in the case by Beijing First Intermediate People's Court, Beijing Automobile Industry Imp & Exp Corp, BAIC ROCAR Automobile Trading Co., Ltd and Tianjin Beiqi Jiali International Trade Co., Ltd have filed an appeal in accordance with law. The case is in the trial of second instance by Beijing Higher People's Court. The case was conducted two sessions respectively on 17 July, 2012 and 31 July, 2012. The case is under hearing at the moment.

(3). Contingent liability arising from providing guarantee to other companies and financial impact:

1) As at 31 December, 2014, external security amount of the Company and subsidiaries was RMB 13,149,350,000 Yuan, Euro 9.40 million:

<u>Name of guarantees</u>	<u>Guarantees</u>	<u>Amount</u>	<u>Period</u>	<u>Note</u>
Within the scope of consolidation of Beijing Automotive Group Co., Ltd				
Beijing Yatai Automobile Chassis System Co., Ltd	Loan guarantee	25,500,000	2015	Normal operation
Beijing Beiqi Mould & Plastic Technology Co., Ltd.	Loan guarantee	91,800,000	2015	Normal operation
Foton German Engineering Machinery Co., Ltd.	Other guarantee	25,000,000	2015	Normal operation
Beijing Foton International Trade Co., Ltd.	Credit guarantee	1,414,000,000	2015	Normal operation
Foton German Automotive Technology Engineering Co., Ltd.	Credit guarantee	EURO 5 million	2015	Normal operation
Zhucheng Foton Motors Technology Development Co., Ltd	Credit guarantee	140,000,000	2015	Normal operation
Zhucheng Foton Motors Technology Development Co., Ltd	Credit guarantee	120,000,000	2015	Normal operation
Zhucheng Foton Motors Technology Development Co., Ltd	Credit guarantee	40,000,000	2015	Normal operation
Beijing Zhongche Xinrong Car Rental Ltd.	Credit guarantee	100,000,000	2014	Normal operation
BAIC Motor Corporation., Ltd	Credit guarantee	900,000,000	2020	Normal operation
BAIC Motor Corporation., Ltd	Credit guarantee	1,349,000,000	2020	Normal operation
BAIC Motor Hong Kong Co. Ltd	Credit guarantee	235,000,000	2017	Normal operation
BAIC Motor Hong Kong Co. Ltd	Credit guarantee	15,000,000	2017	Normal operation
Beijing Beinei Engine Parts Co., Ltd	Credit guarantee	90,000,000	2019	Normal operation
Beijing Automotive Powertrain Co., Ltd	Credit guarantee	208,000,000	2022	Normal operation
Beijing Automobile Industry Advanced Technical School	Loan guarantee	90,000,000	2020	Normal operation
Beijing Automobile Industry Advanced Technical School	Loan guarantee	30,000,000	2015	Normal operation
Hainachuan Hong Kong Investment Co., Ltd.	Loan guarantee	2,653,500,000	2016	Normal operation

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BAIC Motor (Guangzhou) Automotive Co., Ltd.	Credit guarantee	2,050,000,000	2021	Normal operation
BAIC Motor (Guangzhou) Automotive Co., Ltd.	Credit guarantee	1,105,000,000	2023	Normal operation
Beijing Beiqi Hengsheng Real Estate Co., Ltd	Loan guarantee	40,000,000	2017	Normal operation
Beijing Beiqi Hengsheng Real Estate Co., Ltd	Loan guarantee	40,000,000	2017	Normal operation
Beijing Capital Tire Co., Ltd.	Loan guarantee	60,000,000	2015	Normal operation
Beijing Capital Tire Co., Ltd.	Loan guarantee	100,000,000	2015	Normal operation
Beijing Capital Tire Co., Ltd.	Loan guarantee	30,000,000	2015	Normal operation
Beijing Capital Tire Co., Ltd.	Loan guarantee	50,000,000	2015	Normal operation
Beijing Capital Tire Co., Ltd.	Loan guarantee	100,000,000	2015	Normal operation
Beijing Capital Tire Co., Ltd.	Loan guarantee	40,000,000	2015	Normal operation
Beijing Capital Tire Co., Ltd.	Loan guarantee	150,000,000	2015	Normal operation
Beijing Automobile Industry Imp & Exp Corp.	Loan guarantee	100,000,000	2015	Normal operation
Jiangxi Changhe Automobile Co., Ltd.	Loan guarantee	400,000,000	2015	Normal operation
Jiangxi Changhe Automobile Co., Ltd.	Loan guarantee	400,000,000	2015	Normal operation
Jiangxi Changhe Automobile Co., Ltd.	Loan guarantee	100,000,000	2015	Normal operation
Beijing Beinei Diesel Engine Co., Ltd.	Other guarantee	25,000,000	2015	Normal operation
Beijing Kingpeng International Hi-Tech Corporation	Credit guarantee	12,000,000	2016	Normal operation
Beijing Kingpeng International Hi-Tech Corporation	Credit guarantee	25,000,000	2016	Normal operation
Beijing Kingpeng Runhe Agricultural Science and Technology Co., Ltd.	Credit guarantee	10,000,000	2015	Normal operation
Beijing Kingpeng Global Husbandry Technology Co., Ltd.	Credit guarantee	30,000,000	2016	Normal operation
Beijing Yanshenglong Automobile Trade Co., Ltd.	Credit guarantee	50,000,000	2016	Normal operation
Beijing Yanshenglong Automobile Trade Co., Ltd.	Credit guarantee	40,000,000	2015	Normal operation
Beijing Peng'ao Trading Co., Ltd.	Credit guarantee	50,000,000	2016	Normal operation
Beijing Peng'ao Trading Co., Ltd.	Credit guarantee	40,000,000	2016	Normal operation
Beiqi Pengyuan Car Sales Services Ltd.	Credit guarantee	40,000,000	2016	Normal operation
Beijing Penglong Xinghui Auto Sales Services Co., Ltd.	Credit guarantee	50,000,000	2016	Normal operation

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Beijing Penglong Xinghui Auto Sales Services Co., Ltd.	Credit guarantee	50,000,000	2015	Normal operation
Beijing Penglong Xinghui Auto Sales Services Co., Ltd.	Credit guarantee	70,000,000	2015	Normal operation
Yantai Penglong Weidong Auto Sales & Service Co., Ltd.	Credit guarantee	15,300,000	2015	Normal operation
Zhejiang Penglong of Ben Auto Sales Co., Ltd.	Credit guarantee	20,000,000	2015	Normal operation
Yixing Penglong Auto Sales & Service Co., Ltd.	Credit guarantee	50,000,000	2015	Normal operation
Beijing Automotive Group Co., Ltd	Loan guarantee	200,000,000	2015	Normal operation
Subtotal (RMB)		13,069,100,000		
(EURO)		9,400,000		
Outside the scope of consolidation of Beijing Automotive Group:				
Beijing Daelim Wanda Auto Parts Co., Ltd	Loan guarantee	70,250,000	2015	Normal operation
Zhuzhou Shoupeng Huilong Steel Processing and Distribution Co., Ltd.	Credit guarantee	10,000,000	2015	Normal operation
Subtotal (RMB)		80,250,000		
Total (RMB)		<u>13,149,350,000</u>		
(EURO)		9,400,000		

Note:

- 1) Commerzbank Co., Ltd. Beijing branch signed L/G agreement with the Company's subsidiary Beijing Foton Motor Co., Ltd., providing guarantee for the EURO 4.4 million L/G opened for the long-term loan agreement signed between Commerzbank Co., Ltd, Essen branch and the Company's grandson company Foton German Engineering Machinery Co., Ltd, and the Company signed a guarantee contract with Commerzbank Co., Ltd., Beijing branch, undertaking joint liabilities for the Agreement above. In current year, Foton German Automotive Technology Engineering Co., Ltd. has paid off the loan.
- 2) The Company's subsidiary Beijing Foton Motor Co., Ltd. signed L/G agreement numbered 02000115-2013 (BG) 00024 with Industrial and Commercial Bank of China Co., Ltd., Beijing branch, providing guarantee for the RMB 7 million L/G opened for the short-term loan agreement of USD 1 million signed between Industrial and Commercial Bank of China Co., Ltd., Beijing branch, Russia Foton Automobile Co., Ltd and the Industrial and Commercial Bank of China Co., Ltd (Moscow). Beijing Foton Motor Co., Ltd. signed a guarantee contract with Industrial and commercial Bank of China Co., Ltd., Beijing branch, undertaking joint liabilities for the Agreement above. In current year, Russia Foton Automobile Co., Ltd has paid off the loan.
- 3) The Company's subsidiary Beijing Foton Motor Co., Ltd. signed Maximum Guarantee Contract numbered 2013027RS008 with Bank of China Co., Ltd, Beijing Changping branch, providing guarantee for the Performance Guarantee of total undue USD 126,477.00 and RMB 430,000.00 Yuan issued for the subsidiary of the Company Beijing Foton International Trade Co., Ltd. opened in Bank of China Co., Ltd., Beijing Changping branch, and providing guarantee for the bank acceptance bill of total undue RMB 1,279,320,000.00 Yuan issued for the subsidiary of the Company Beijing Foton International Trade Co., Ltd. opened in Bank of China Co., Ltd, Beijing Changping branch; Bank of China Co., Ltd, Beijing Changping

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branch provides a total of RMB 133,235,635.69 Yuan of special trading financing for the procurement of goods under order for the *Order Financing Contract* signed in Bank of China Co., Ltd, Beijing branch by Beijing Foton International Trade Co., Ltd.

- 4) The Company's subsidiary Beijing Foton Motor Co., Ltd. signed Guarantee Agreement with Commerzbank Co., Ltd., Beijing branch, providing guarantee for loans contract of RMB 70 million (EURO 8 million) signed by Foton German Automotive Technology Engineering Co., Ltd. with Commerzbank Co., Ltd., Stuttgart branch. Beijing Foton Motor Co., Ltd. signed a guarantee contract with Commerzbank Co., Ltd., Beijing branch and undertook joint liabilities for the Agreement above.
- 5) The Company's subsidiary Beijing Foton Motor Co., Ltd. signed the maximum amount of principal guarantee contract numbered Bao Fu Tian No.2014 with China Construction Bank, Zhucheng branch, providing guarantee for current capital loans contract of RMB 300 million numbered Duan Qi Shang Liu No.011 (2014), Duan Qi Shang Liu No.013 (2014), Duan Qi Shang Liu No.012 (2014) signed with China Construction Bank, Zhucheng branch by Zhucheng Foton Technology Development Co., Ltd. Beijing Foton Motor Co., Ltd signed a guarantee contract with China Construction Bank, Zhucheng branch and undertook joint liabilities for the Agreement above.
- 6) The Company's subsidiary Beijing Foton Motor Co., Ltd. signed the guarantee contract with BAIC Group Finance Co., Ltd. and provided guarantee for RMB 100 million Yuan of current capital of the maximum amount of loans contract numbered 10DQ2014010001 signed with BAIC Group Finance Co., Ltd. by Beijing Zhongche Xinrong Car Rental Ltd. Beijing Foton Motor Co., Ltd. signed a guarantee contract with BAIC Group Finance Co., Ltd., and undertook joint liabilities for the Agreement above.
- 7) According to Car Sales Financial Services Network Protocol signed between BAIC Motor Corporation., Ltd, a subsidiary of the Company, China CITIC Bank, Everbright Bank, Huaxia Bank, Bank of Dalian and China Guangfa Bank, the dealer of BAIC Motor Corporation., Ltd. will purchase the Company's vehicles with the credit funds of the protocol. If dealers do not pay full credit loans to payment deposit account within 5 working days before the expiry of credit funds (bank drafts, liquidity loans, letters of credit, corporate account overdraft), the bank has the right to require the Company to repurchase vehicles corresponding car certificate held by the bank. As at 31 December, 2014, the undue balance of bills issued by network dealers of credit funds was RMB 1,406,226,000 Yuan.
- 8) According to the Strategic Cooperation Framework Agreement between the Group and the People's Government of Daxing District of Beijing, the Group promises to fulfill the common output target of three projects under the Agreement and the Caiyu Project of Hainabaichuan Co., Ltd. by the end of 2015. If it fails to achieve the output target, the Group will return in cash at one time to the People's Government of Daxing District before January 31, 2016, and the amount is calculated as follows: the percentage of balance between the output target and the actual output dividing the output target, multiplying government subsidy in the actual agreement, and deducting interest; if the Group fails to fulfill its return obligation when it is due, the People's Government of Daxing District shall be entitled to claim the assets of the Group or the project companies, except that if the People's Government of Daxing District fails to comply with the agreement.

(4). Easy Business Loans

In accordance with the *Financial Service Cooperation Agreement* signed between Company's subsidiary Beijing Foton Motor Co., Ltd with cooperative banks, cooperative banks granted the Company a certain credit line specifically for bank acceptance bills issued to the Company's dealers who could use the bank acceptance bills to purchase various types of automobiles from the Company. In accordance with the Agreement, after the maturity of the bank acceptance bills, when a dealer was unable to pay for a bill in full, Beijing Foton Motor Co., Ltd would be responsible for buying back the unsold automobiles in stock and transferring the purchase amount to a designated account in a timely manner. As of December 31, 2014, the balance of undue bank acceptance bills issued to the dealers under the Agreement totaled RMB 2,974,863,600 Yuan, including RMB 764,454,500 Yuan of Everbright Bank, RMB 382,200,000 Yuan of China Guangfa Bank, RMB 145,940,000 Yuan of China Citic Bank,

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RMB 122,790,000 Yuan of Fujian Industrial Bank Co., Ltd., RMB 333,785,000 Yuan of Huaxia Bank, RMB 481,634,100 Yuan of Bank of Communication, RMB 702,060,000 Yuan of Bank of China and RMB 42,000,000 Yuan of Bank of Qingdao. So far, no buyback transaction has occurred over the current period.

(5). Bank Mortgage Business

In accordance with the *Cooperation Agreement on Financial Services* and relevant subsidiary agreements signed between the Company's subsidiary Beijing Foton Motor Co., Ltd. and the bank, the bank executed mortgage contracts with the Company's dealers and customers for purchasing various types of automobiles from the Company. When any of the dealers or customers was unable to repay the loan principal and interest on schedule, and in full, for three consecutive months during the term of the loan, or was still unable to repay the loan principal and interest in full upon maturity, or was unable to complete the mortgage materials and procedures and submit the materials to the bank within 90 days after disbursement of the loan fund, the Company would be obliged for buyback. As of December 31, 2014, the loan balance under the Agreement amounted to RMB 380,402,000 Yuan, including RMB 217,944,600 Yuan of Bank of Communication, RMB 65,313,000 Yuan of Everbright Bank, RMB 25,030,500 Yuan of China Zheshang Bank, RMB 45,930,500 Yuan of China Bohai Bank, RMB 643,000 Yuan of Bank of Beijing, RMB 491,400 Yuan of China Guangfa Bank and RMB 25,048,800 Yuan of Postal Savings Bank of China,. With respect to this service, the overdue principal owed to some banks totaled up to RMB 3,448,700 Yuan.

(6). Financial Lease Service

In accordance with the cooperation agreement and relevant *Financial Lease* and *Leaseback Contracts* signed between the Company's subsidiary Beijing Foton Motor Co., Ltd and any leasing company (as the lessor), the leasing company rendered relevant financial services to the Company's dealers or customers (as automobile buyers and lessees, respectively). The dealers or customers resold the automobiles they purchased from the Company to the leasing company and then leased them back under finance lease arrangements. Based on the contracts, the Company agreed to pay the guarantee deposit to the lessor as security for the rent unpaid by any lessee in default. The Company would be obliged to advance the rent unpaid by the lessees in default, along with liquidated damages, the consideration for the transfer of ownership of the leasehold, and other expenses payable by the lessees under the Agreement, and would be entitled to recovering them from the lessees. As of December 31, 2014, the financing balance under the Agreement amounted to RMB 1,692,359,700 Yuan, which were the funds of the CDB Leasing Co., Ltd. With respect to this service, the overdue principal unpaid by some customers totaled up to RMB 850,326,000 Yuan.

(7). Zhongche Xinrong Business

In accordance with the *Financial Lease Contract* signed between the Company's grandson company Beijing Zhongche Xinrong Automobile Leasing Co., Ltd. (as the lessor) and lessees, Beijing Zhongche Xinrong Automobile Leasing Co., Ltd. rendered relevant financial services to the lessees. The lessees resold the automobiles that they purchased from the Company or its dealers to Beijing Zhongche Xinrong Automobile Leasing Co., Ltd. and then leased them back under finance lease arrangements. As of December 31, 2014, the financing balance provided by Beijing Zhongche Xinrong Automobile Leasing Co., Ltd. to the lessees amounted to RMB 1,846,022,100 Yuan. With respect to this service, the overdue principal unpaid by some customers totaled up to RMB 165,463,300 Yuan.

(8). Installment Easy Business

In accordance with the *Entrust Guarantee Agreement* signed between the Company's grandson company Beijing INDUTEE Guarantee Co., Ltd. (as the guarantor) and customers, Beijing INDUTEE Guarantee Co., Ltd. rendered

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guarantee service for the purchase of automobiles by installments by customers from Beijing Foton Daimler Automotive Co., Ltd., through the dealers. As of December 31, 2014, the undue balance of the installment easy business amounted to RMB 97,130,000 Yuan. With respect to this service, the overdue principal unpaid by some customers totaled up to RMB 7,979,200 Yuan.

(9). Commitment

1) As at 31 December, 2014, commitment of construction in process is as follows:

<u>Items</u>	<u>Contract amount</u>	<u>Amount paid</u>	<u>Amount owed</u>
Molding plant II Phase	-	96,224,038.58	383,286.00
Lear plant II Phase	66,300,000.00	59,843,233.26	3,030,820.68
Molding plant project	25,500,000.00	9,532,935.21	2,908,318.19
Mercedes-Benz parts park project	-	139,283,456.47	20,664,518.78
Lear III Phase	693,820.00	693,820.00	-
Zhuzhou I Phase project	60,795,160.32	60,304,347.87	490,812.45
Zhuzhou II Phase project	182,610,882.48	157,994,604.63	24,616,277.85
The 3 rd group plot and two plots	810,018.51	770,057.58	39,960.93
Binzhou engine project	3,748,180.00	3,712,150.00	36,030.00
Total		<u>528,358,643.60</u>	<u>52,170,024.88</u>

2) As at 31 December, 2014, other capital-related commitments were as follows:

A. In accordance with the *Base Construction Project of Strategic Cooperation Framework Agreement of Beijing Foton Weifang New Energy Automobile Parts and New Energy Automobiles* signed between Weifang People's Government and the Company, the Company shall return the government preferential policies and pay liquidated damages if it did not complete the total investment within the specified period; If the Company cannot complete project planning indicators (including local tax revenue process index) on time, the government shall adjust the cash ratio of support capital, if the Company over-fulfilled the target, then the exceeding part will be increased as support capital. The project has been in process.

B. The board of directors made *Shareholders Return Plan of Beiqi Foton Motor Co., Ltd. In Three Years (2015-2017)* in November 2014, indicating that the cumulative distribution of cash profit in recent three years shall not less than 30% of recognized annual distributable profits in recent three years. Except special circumstances, under the circumstances that the accumulated undistributed profits are positive, the Company adopts cash dividend distribution that the distribution of cash profit shall not be less than 15% of the audited net profit.

C. The Company signed relocation and compensation agreement with Foshan Nanhai People's Government in current year, indicating that in order to meet the requirement of the construction of the government financial high-tech zone, the Company must finish the overall relocation of Foton Nanhai Automobile Factory before 31 Dec 2015, and Foshan Nanhai People's Government shall pay RMB 141,386,159.92 Yuan of equipment relocation costs and wages compensation for the discontinued workers. The relocation has been not

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finished.

D. The capital commitments of Beijing Automotive Co., Ltd. that had been signed but not necessarily presented on the balance sheet totaled 15,052,827,625.06 Yuan on December 31, 2014.

(10). Other contingent events

According to the Strategic Cooperation Framework Agreement between the Group and the People's Government of Daxing District of Beijing, the Group promises to fulfill the common output target of three projects under the Agreement and the Caiyu Project of Hainachuan Co., Ltd. by the end of 2015. If it fails to achieve the output target, the Group will return in cash at one time to the People's Government of Daxing District before January 31, 2016, and the amount is calculated as follows: the percentage of balance between the output target and the actual output dividing the output target, multiplying government subsidy in the actual agreement, and deducting interest; if the Group fails to fulfill its return obligation when it is due, the People's Government of Daxing District shall be entitled to claim the assets of the Group or the project companies, except that if the People's Government of Daxing District fails to comply with the agreement.

As at 31 December 2014, there were no contingent events in the Group that should be disclosed.

10. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

(1) On 6 March, 2015, paid-in capital contribution of BAIC Group Industry Investment Co., Ltd. was USD 37.5 million.

(2) In accordance with the *Proposal of the Second Shareholder Capital Increase in 2014 and Amendments to the Articles Scheme that was Approved by the Board of Directors of Jiangxi Changhe Automobile Co., Ltd* on 15 July, 2014, shareholders are agreed to increase capital of RMB 1 billion in cash based on the original shares, which is in two phases. RMB 500 million was received before 30 September, 2014 and another RMB 500 million was received before 31 March, 2015. As at 31 December, 2014, the Company received RMB 35 million of capital increase from Beijing Automotive Group Co., Ltd and hasn't received RMB 15 million from Jiangxi Provincial State-owned Enterprise Assets Operation (Holdings) Co., Ltd. On 4 February, 2015, Jiangxi Changhe Automobile Co., Ltd. received RMB 15 million from Jiangxi Provincial State-owned Enterprise Assets Operation (Holdings) Co., Ltd., which has been verified by Jiangxi Jingde CPA Limited with the issuance of capital verification report Gan Jing De Yan Zi [2005] No.005.

(3) In accordance with the resolution of the third provisional shareholder's meeting for the year 2014 and approved by China Securities Regulatory Commission with issuance of *Circular of Approval on Beijing Foton Motor Co., Ltd's Non-public Offering of Stocks* (Zheng Jian Xu Ke (2015) No.254), the Company issued RMB ordinary shares (A shares) of 525,394,045 shares with total raised funds of RMB 2,999,999,996.95 Yuan and the net amount of raised funds was RMB 2,941,107,457.55 Yuan after deducting the issuance costs, which has been verified by Grant Thornton with the issuance of capital verification report Zhi Tong Yan Zi(2015)No.110ZC0127. The amount of non-public raised funds examining is unmistakable.

(4) In accordance with the resolution of the second provisional shareholder's meeting for the year 2014 and approved by China Securities Regulatory Commission with issuance of *Circular of Approval on Beijing Foton Motor Co., Ltd's Public Offering of Stocks* (Zheng Jian Xu Ke (2014) No.1094), the Company finished issuance of corporate bonds of 1 billion Yuan in April 2015 with 5.10% of bond coupon rate, which has been verified by Grant Thornton with the issuance of capital verification report Zhi Tong Yan Zi(2015)No.110ZC0153. The amount received of non-public raised funds was examined and audited.

(5) In accordance with the *Proposal of Partial Raise Funds Temporarily Supplementing Current Capital* that was approved by the board of directors in December 2014, RMB 140 million Yuan was temporarily supplemented to current capital from non-public raised funds in 2012. RMB 140 million Yuan were returned totally by the Company to the special account of raised funds in March 2015. According to the *Proposal of Partial Raise Funds*

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Temporarily Supplementing Current Capital, RMB 1,3 billion Yuan was temporarily supplemented to current capital from non-public raised funds in 2015.

(6) In accordance with the *Proposals of Raise Additional Funds for Replacement of Pre-Investment of Its Own Funds*, funds of RMB 145,690,000 Yuan for utility vehicle plant light passenger cars project from Beijing Foton Motor Co., Ltd replaced non-public offering of raised funds, which has been verified by Grant Thornton with the issuance of special report Zhi Tong Zhuan Zi (2015) No.110ZA2070. The amount of self-raised funds pre-invested in raised funds project was examined and audited.

(7) Profit distribution of the Company in 2014: after extraction of current reserve fund (extracting 10% of statutory surplus reserve and 10% of voluntary surplus reserve), based on 3,335,065,600 shares of total share at the end of March 2015, the Company donated 0.43 Yuan (including tax) for every 10 shares. The profit distribution has not yet been submitted to and approved by general meeting of shareholders.

(8) In accordance with the *Proposals of Establishing Hong Kong Financing Platform* which was approved by the board of directors, the Company planned to establish a wholly owned subsidiary in Hong Kong with USD 5 million, and the Company invested RMB 0.2 billion to establish Foreign Finance Leasing Company. Foton International (Hong Kong) Co., Ltd. has already been established in March 2015. As at 16 April, 2015, Foreign Finance Leasing Company has not been established.

As at 24 April, 2015, there were no other subsequent events after balance sheet date that should be disclosed except for the aforementioned events.

11. RELATED PARTIES AND TRANSACTION

(1). Parent company

<u>Name of parent company</u>	<u>Registration place</u>	<u>Business nature</u>	<u>Registered capital</u>	<u>Shareholding % of the Company</u>	<u>voting right % of the Company</u>
Beijing State-owned Capital Management Center	Beijing	Investment	30,000,000,000	100	100

The ultimate controlling party of the Company is State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality.

During report period, changes in registered capital of parent company are as follows:

<u>Name of parent company</u>	<u>Beginning balance</u>	<u>Current increase</u>	<u>Current decrease</u>	<u>Closing balance</u>
	<u>nce</u>	<u>e</u>	<u>se</u>	<u>e</u>
Beijing State-owned Capital Management Center	30,000,000,000	-	-	30,000,000,000

(2) Subsidiary company

Please refer to Note 7 for detailed information for the subsidiaries of the Company.

(3). Joint ventures and associates

Please refer to Note 8.13 of long-term equity investment.

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(4). Other related parties

<u>Name of related parties</u>	<u>Relationship with the Company</u>	<u>Organization Code</u>
Beijing Haidian Jingling Industrial Company	Shareholding company of the Company	102005312
Beijing Beiling Special Purpose Vehicle Co., Ltd.	Shareholding company of the Company	600028525
Beijing Zhongli Foton Axle Co., Ltd.	Shareholding company of the Company	76092306X
Zhonglian Automobile Electronics Co., Ltd	Shareholding company of the Company	630463093
Beijing Automotive Starter Plant	Associates of subsidiaries of the Company	101215975
Beijing Beinei Export Co., Ltd.	Subsidiary of subsidiaries of subsidiaries of the Company	801665942
Daimler AG	Minority shareholder of BAIC Motor Corporation., Ltd	-
Changchai Company Limited	Shareholder of Foton Company, director of Foton Company as its director	13479241-0
Zhucheng Yihe Axles Co., Ltd.	Shareholder and supervisor of Foton Company as its chairman of the board	16972530-6
Changsha Yihe Axles Co., Ltd.	Wholly-owned subsidiary of Zhucheng Yihe, an affiliated company of Foton Company	76561402-0
Weichai Power Co., Ltd.	Shareholder and director of Foton Company as its chairman of the board	74567659-0
Tianjin Lovol Engines Co., Ltd.	General manager of Foton Company as its chairman of the board, EDGM as its director, Beijing Foton Environmental Engine Co., Ltd., a joint -stock company of Foton Company, holds 24.27% of its shares	055257399
Hubei Foton Special Purpose Vehicle Co., Ltd.	Beijing Foton Environmental Engine Co., Ltd., a joint -stock company of Foton Company, holds 44.90% of its shares	72832305-6
Xinxing Foton Construction Co., Ltd.	Beijing Foton Environmental Engine Co., Ltd., a joint -stock company of Foton Company, holds 46.43% of its shares	10001834-7
Beijing Baogong Foton Logistics Ltd.	Deputy general manager of Foton Company as its director	73766179-4
Anhui Quanchai Engine Co., Ltd	Deputy general manager of Foton Company as its director	704965812
Zhucheng Baogong Foton Logistics Limited Liability Company	Holding subsidiary of affiliated company of Foton Company	72389319-9
Foton Heavy Machinery Co., Ltd.	Holding subsidiary of affiliated company of Foton Company	76982278-3
Beijing Jingcheng Automotive Car Plant	Joint venture of the Company's subsidiary	-

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Jiangnan Mould & Plastic Technology Co., LTD.	Beijing Beiqi Mould & Plastic Technology Co., Ltd., a subsidiary of Hainachuan, as non-controlling shareholder	142233627
Shandong Xinghua Leaf Spring Manufacturing Co., Ltd.	Beijing Beiqi Xinghua Automobile Spring Co., Ltd. a subsidiary of Hainachuan, as non-controlling shareholder	863072456
Zibo Boshan Wanshan Machinery Co., Ltd.	Beijing Beiqi Xinghua Automobile Spring Co., Ltd. a subsidiary of Hainachuan, as non-controlling shareholder	-
Shenzhen Ping'an Innovation Capital Investment Co., Ltd.	non-controlling shareholder of Penglong Share	192210239
Vantone Industrial Co., Ltd.	Cost method company of Automotive Industry Import and Export	-
Beijing Automotive Brake Pump Factory	Subsidiary of large shareholders of Foton Company	10110551-4
Wuhan Quanchai Engine Co., Ltd.	Wholly-owned subsidiary of an affiliated company of Foton Company	717945909
Weichai Power Yangzhou Diesel Engine Co., Ltd	Holding subsidiary of an affiliated company of Foton Company	699341895
Shaanxi Fast Gear Co., Ltd.	Holding subsidiary of an affiliated company of Foton Company	730431187
Beijing Auto Assembly Plant	Non-controlling shareholder of the Company's subsidiary	102473247
Beijing Zhongshou LOGISTICS CO., LTD.	Non-controlling shareholder of the Company's subsidiary	752191014
Yanfengwei Shitong (Beijing) Automotive Trim Systems Co., Ltd.	Director of Foton Company as its deputy chairman of the board	74470515-0
Beinei Group Corporaation	Joint venture of the Company's subsidiary	101209049
Beijing Automotive Ocean Motor Power Technology Co., Ltd.	Joint venture of the Company's subsidiary	-
Hainan Yanhai Industry and Trade Associates Ltd.	Joint venture of the Company's subsidiary	708860292
Beijing Shougang Cold-rolled Sheet Co. Ltd	Director of Foton Company as its chairman of the board	678206539
Zhucheng Foton Logistics Limited Liability Company	Holding subsidiary of Foton Company's affiliated company	72389319-9
Beijing Foton Industry Holding Group Co., Ltd.	Holding directly and in directly 18.85% shares by Foton Company, general manager and deputy chairman of the board as its adjunct chairman of the board and deputy chairman of the board, supervisor of Foton Company as its adjunct director	70023041-3
Shandong Lufeng Special-Purpose Vehicle Co., Ltd.	Deputy general manager of Foton as its director	706130106
Anhui Quanchai Miantian Machinery Co., Ltd.	Essentially controlled by Foton Company's affiliated company	704966751
Foton Lovol International Heavy Industry Co., Ltd., Beijing Sale branch	Branch of Foton Heavy Machinery Co., Ltd.	77636844-3
Beijing Pride New Energy Battery Technology Co., Ltd.	Supervisor of Foton Company as its director	55309176-6

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Beijing Bam Company Ltd. Radiating Branch	With the Company controlled by the ultimate controlling party	766794713
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(5). Related transactions

1) Related sales and purchase

A. Good purchased and receiving service

<u>Related parties</u>	<u>Related transactions</u>	<u>2014</u>	<u>% of similar transactions</u>	<u>2013</u>	<u>% of similar transactions</u>
		<u>Amount</u>		<u>Amount</u>	
Anhui Ankai Futian Shuguang Axle Co., Ltd	Purchase of raw material	65,187,600	0.06	75,939,600	0.12
Anhui Quanchai Engine Co., Ltd	Purchase of raw material	24,204,200	0.02	616,189,300	0.98
Anhui Quanchai Miantian Machinery Co., Ltd.	Purchase of raw material	-	-	4,885,900	0.01
Autoliv (Beijing) Vehicle Safety Systems Co., Ltd	Purchase of raw material	2,096,800	0.01	4,338,100	0.01
Autoliv (Beijing) Vehicle Safety Systems Co., Ltd	Service charge	678,600	0.01	918,600	0.06
Beijing Beiqi Changsheng Auto Accessories Co., Ltd.	Purchase of raw material	-	-	30,445,800	0.05
Beijing Beiqi Changsheng Automobile Co., Ltd.	Purchase of raw material	-	-	332,090,400	0.53
Beijing Beiqi Guanghua Automotive Components Co., Ltd	Service charge	92,200	0.01	84,500	0.01
Beijing Beiqi Lear Automotive Systems, Inc.	Purchase of raw material	1,073,978,900	0.93	193,598,700	0.31
Beijing Beiqi Lear Automotive Systems, Inc.	Service charge	2,146,700	0.23	-	-
Beijing Beiqi Yuandong Transmission Parts Co., Ltd.	Purchase of raw material	6,095,400	0.01	2,178,600	-
Beijing Daelim Wanda Auto Parts Co., Ltd	Purchase of raw material	21,679,700	0.02	1,517,200	-
Beijing Daelim Wanda Auto Parts Co., Ltd	Service charge	933,300	0.01	-	-
Beijing Foton Daimler Automotive Co., Ltd.	Purchasing vehicle and raw material, receiving service-shuttle bus, water and electricity, vehicle certification test and others	2,809,956,600	0.03	2,524,850,700	4.03
Beijing Foton Cummins Engine Co., Ltd.	Purchase of raw material	2,175,683,200	1.89	958,542,100	1.53

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Beijing Ifoton Logistics Ltd.	Receiving service-Logistics services	81,114,300	0.01	87,957,000	5.45
Beijing Hainachuan HSAE Automotive Electronics Co., Ltd.	Purchase of raw material	65,764,400	0.06	16,114,600	0.03
Beijing Hainachuan HSAE Automotive Electronics Co., Ltd.	Service charge	530,800	0.05	-	-
Beijing Hainachuan HSAE Automotive Electronics Co., Ltd.	Receiving service	156,800	0.02	-	-
Beijing Hainachuan Henglong Automotive Steering Systems Co., Ltd	Purchase of raw material	142,715,200	0.12	115,509,600	0.18
Beijing Hainachuan Henglong Automotive Steering Systems Co., Ltd	Service charge	240,000	0.02	-	-
Beijing Hainachuan Xiezhong Automotive Air Conditioning Co., Ltd.	Purchase of raw material	257,191,600	0.22	184,054,000	0.29
Beijing Hainachuan Xiezhong Automotive Air Conditioning Co., Ltd.	Service charge	262,700	0.02	-	-
Beijing Hainachuan Xiezhong Automotive Air Conditioning Co., Ltd.	Receiving service	25,600	-	-	-
Beijing Hanyi Automotive Trim Co., Ltd.	Purchase of raw material	68,773,600	0.06	9,365,200	0.01
Beijing Xingshangxing Advertising Co., Ltd.	Receiving service-advertising services	57,321,500	0.01	91,870,600	5.7
Beijing Johnson Auto Parts Co., Ltd	Purchase	29,587,700	0.01	-	-
Beijing Johnson Auto Parts Co., Ltd	Service charge	1,212,100	0.00	-	-
Beijing Jingchi Gearbox Manufacturing Co., Ltd.	Purchase of raw material	8,378,000	0.01	-	-
Beijing Lear Automotive Electronics Co., Ltd.	Service charge	5,996,500	0.00	-	-
Beijing Pride New Energy Battery Technology Co., Ltd.	Purchase of raw material	36,266,100	0.03	131,401,700	0.21
Beijing Pride New Energy Battery Technology Co., Ltd.	Receiving service	-	-	1,173,200	0.07
Beijing Auto Assembly Plant	Purchase of raw material	5,690,000	-	-	-
Beijing Shougang Foton Automobile Air Conditioner Co., Ltd.	Purchase of raw material	51,382,100	0.04	54,611,800	0.09
Beijing Shougang Company Limited	Purchase of raw material	-	-	2,611,000	-
Beijing Shougang Company Limited	Receiving service	766,100	0.03	2,611,000	-
Beijing Shougang Cold-rolled Sheet Co. Ltd	Purchase of raw material	492,387,000	0.43	450,537,900	0.72
Beijing Xiyi Haihua Automotive Parts Co., Ltd.	Purchase of raw material	108,100	-	1,080,500	-

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Beijing Xiyi Haihua Automotive Parts Co., Ltd.	Service charge	279,400	0.02	125,400	0.08
Beijing Hyundai MOBIS Auto Parts Co., Ltd	Purchase of raw material	45,443,600	0.04	56,705,900	0.09
Beijing Hyundai Motor Company	Purchasing vehicle	1,022,614,900	0.01	2,291,329,400	3.66
Asimco Tianwei Fuel Injection Equipment Stock Co., Ltd (Beijing)	Service charge	3,058,100	0.03	3,629,400	0.23
Beijing Zhongli Foton Axle Co., Ltd.	Purchase of raw material	-	-	258,700	-
Beiqi Dayang Motor Technology Co., Ltd.	Purchase of raw material	287,400	-	27,910,700	0.04
Beiqi Dayang Motor Technology Co., Ltd.	Receiving service	16,100	-		
BAIC Yinxiang Automotive Co., Ltd.	Purchase of raw material	3,271,858,000	2.84	1,221,491,800	1.95
Hubei Foton Special Purpose Vehicle Co., Ltd.	Purchase of raw material	5,681,000	-	11,754,700	0.02
Hunan Guanghua Rongchang Automobile Parts Co., Ltd.	Purchase of raw material	140,741,800	0.12	71,893,700	0.11
Hunan Guanghua Rongchang Automobile Parts Co., Ltd.	Service charge	500,000	0.05	60,000	-
Mercedes - Benz (China) Automobile Sales Co., Ltd	Receiving service	84,142,100	0.01	38,788,200	2.4
Mercedes - Benz (China) Automobile Sales Co., Ltd	Purchasing vehicle	2,197,751,000	0.03	-	-
Qinghai Foton Equipment Manufacturing Co., Ltd.	Purchase of raw material	-	-	-	-
Sanhe Infac Automotive Components Co., Ltd	Service charge	231,400	0.02	221,800	0.01
Sanhe Infac Automotive Components Co., Ltd	Purchase of raw material	96,100	-	-	-
Shandong Lufeng Special-Purpose Vehicle Co., Ltd.	Purchase of raw material	-	-	53,800	-
Shaanxi Fast Gear Co., Ltd.	Purchase of raw material	81,836,700	0.07	62,891,700	0.1
Shougang Penglong Steel Co., Ltd.	Purchase of raw material	1,830,300	-	614,400	-
Tenneco (Beijing) Exhaust System Co., Ltd.	Purchase of raw material	30,080,200	0.03	544,300	-
Tenneco (Beijing) Exhaust System Co., Ltd	Service charge	491,400	0.05	495,100	0.03
Tenneco (Beijing) Exhaust System Co., Ltd	Purchase	193,100	0.01	-	-
Tenneco (Beijing) Automobile Shock Absorber Co., Ltd	Service charge	739,200	0.08	742,000	0.05
Weichai Power (Weifang) Intensive Distribution Ltd.	Receiving service-Logistics services	-	-	4,700	-
Weichai Power Co., Ltd.	Purchase of raw material	169,371,100	0.15	140,164,100	0.22

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Weichai Power Yangzhou Diesel Engine Co., Ltd	Purchase of raw material	269,200,500	0.23	453,325,600	0.72
Visteon Climate Control (Beijing) Co., Ltd	Service charge	1,478,400	0.17	-	-
Xinjiang Foton Guanghui Special Vehicle Co., Ltd.	Purchasing vehicle	1,235,400	-	129,635,200	0.21
Xinxing Foton Construction Co., Ltd.	Receiving service-architectural and engineering services	275,474,900	0.03	328,558,800	20.37
Yanfeng Visteon (Beijing) Automotive Trim Systems Co., Ltd.	Purchase of raw material	280,087,000	0.24	131,047,500	0.21
Yanfeng Visteon (Beijing) Automotive Trim Systems Co., Ltd.	Service charge	680,000	0.06	-	-
Yanfeng Visteon Automotive Electronics Co., Ltd.	Receiving service	4,495,000	0.41	1,400,000	0.09
Inergy Automotive Systems Manufacturing (Beijing) Co., Ltd	Service charge	911,600	0.10	-	-
Inergy Automotive Systems Manufacturing (Beijing) Co., Ltd	Purchase of raw material	56,980,500	0.05	10,276,500	0.02
Changsha Yihe Axles Co., Ltd.	Purchase of raw material	111,972,100	0.10	166,630,200	0.27
Zhuzhou Torch Spark Plug Co.,Ltd	Purchase of raw material	585,500	-	449,800	-
Zhuzhou Torch Automotive Lighting Co., Ltd.	Purchase of raw material	140,100	-	146,600	-
Zhucheng Foton Logistics Limited Liability Company	Receiving service-Logistics services	-	-	73,579,700	4.56
Zhucheng Yihe Axles Co., Ltd.	Purchase of raw material	-	-	714,231,000	1.14

B. Goods sold and rendering services

<u>Related parties</u>	<u>Related transactions</u>	<u>2014</u>		<u>2013</u>	
		<u>Amount</u>	<u>% of similar transactions</u>	<u>Amount</u>	<u>% of similar transactions</u>
Anhui Ankai Futian Shuguang Axle Co., Ltd	Vehicle sales	279,900	0.01	-	-
Anhui Quanchai Engine Co., Ltd	Vehicle sales	-	-	3,077,400	0.01
Beijing Beiqi Changsheng Automobile Co., Ltd.	Goods sales	-	-	132,000	-
Beijing Beiqi Lear Automotive Systems, Inc.	Rendering service	1,448,400	0.01	-	-
Beijing Foton Daimler Automotive Co., Ltd.	Engines, stampings, steel and accessories for sales	1,326,391,900	1.29	752,237,600	1.24

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Beijing Foton Daimler Automotive Co., Ltd.	Goods sales	1,570,800	0.13	1,003,600	-
Beijing Foton Power Machinery Co., Ltd.	rendering service- accommodation, water and electricity, heating fees	-	-	458,700	0.06
Beijing Foton Environmental Engine Co., Ltd., Nanhai Car Plant	Goods sales	6,869,800	0.01	11,703,200	0.02
Beijing Foton Cummins Engine Co., Ltd.	Rendering service- test fee , water and electricity, heating fees, shuttle bus, accommodation	100,492,000	0.87	3,694,200	0.5
Beijing Foton Motor Co., Ltd, Zhucheng Aooling Automobile Plant	Goods sales	5,741,900	0.01	-	-
Beijing Ifoton Logistics Ltd.	Vehicle and accessories sales	30,710,300	0.03	37,439,400	0.06
Beijing Hainachuan Xiezhong Automotive Air Conditioning Co., Ltd.	Vehicle sales	2,420,600	0.01	244,500	-
Beijing Hongdaxing Regional Electric Minibus Rental Ltd.	Goods sales	-	-	12,376,100	0.02
Beijing Hongdaxing Regional Electric Minibus Rental Limited Liability Company	Vehicle sales	126,100	0.01	10,309,900	0.02
Beijing Huaixingwang Electric Minibus Rental Limited Liability Company	Vehicle sales	32,051,300	0.03	10,247,900	0.02
Beijing Jinyuyang Area Electric Minibus Rental Ltd.	Goods sales	-	-	2,555,600	-
Beijing Lear Daimosi Automotive Systems, Inc.	Rendering service	5,877,100	0.05	23,152,700	3.13
Beijing Pride New Energy Battery Technology Co., Ltd.	Goods sales	854,700	0.01	59,800	-
Beijing Hyundai MOBIS Auto Parts Co., Ltd.	Goods sales	149,709,200	0.15	113,919,600	0.19
Beijing Hyundai MOBIS Auto Parts Co., Ltd	Goods sales	619,270,300	0.60	398,043,600	0.66
Beijing Hyundai Motor Company	Rendering services	17,046,800	0.15	5,559,300	0.75
Beijing Hyundai Motor Company	Goods sales	344,710,500	0.33	508,075,600	0.84
Beiqi Dayang Motor Technology Co., Ltd.	Goods sales	2,459,700	0.01	566,700	0
Beijing Foton Daimler Automotive Co., Ltd.	Providing services	-	-	35,400	0
BAIC Yinxiang Automotive Co., Ltd.	Goods sales	816,453,300	0.79	173,593,100	0.29

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BAIC Yinxiang Automotive Co., Ltd.	Providing services	148,957,000	1.29	-	-
Hubei Foton Special Purpose Vehicle Co., Ltd.	Vehicle and steel sales	4,360,100	0.36	17,490,400	0.03
Shenzhen Benyuan Jinghong Fund Management Ltd	Rendering service	-	-	4,457,200	0.6
Weichai Power Yangzhou Diesel Engine Co., Ltd	Vehicle sales	-	-	275,200	-
Wuhan Quanchai Engine Co., Ltd.	Vehicle and accessories sales	-	-	69,360,300	0.11
Xinjiang Foton Guanghui Special Vehicle Co., Ltd.	Vehicle and accessories sales	1,488,700	0.01	30,487,400	0.05
Xinxing Foton Construction Co., Ltd.	Rendering service-heating fees, water and electricity	20,048,300	0.02	161,800	0.02
Zhucheng Foton Logistics Limited Liability Company	Vehicle and accessories sales	-	-	6,096,000	0.01
Zhucheng Yihe Axles Co., Ltd.	Vehicle sales	591,600	0.01	3,090,000	0.01
Autoliv (Beijing) Vehicle Safety Systems Co., Ltd	Goods sales	900	0.01	918,600	0.06
Beijing Hainachuan Henglong Automotive Steering Systems Co., Ltd	Vehicle sales	839,900	0.01	-	-
Yanfeng Visteon (Beijing) Automotive Trim Systems Co., Ltd.	Goods sales	892,500	0.01	-	-

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2) Other related transactions
A. Related guarantee

<u>Related parties</u>	<u>Related transactions</u>	<u>Pricing basis</u>	<u>2014</u>		<u>2013</u>	
			<u>Amount</u>	<u>% of similar transactions</u>	<u>Amount</u>	<u>% of similar transactions</u>
Beijing Daelim Wanda Auto Parts Co., Ltd	Loan guarantee	-	40,000,000	29.89	40,000,000	29.89

B. Related leasing

<u>Lessor</u>	<u>Lessee</u>	<u>Pricing basis</u>	<u>2014</u>	<u>% of similar transactions</u>	<u>2013</u>	<u>% of similar transactions</u>
Beijing Foton Motor Co., Ltd	Beijing Foton Daimler Automotive Co., Ltd.	Fair trade principles	4,041,800	-	-	-
Beijing Foton Motor Co., Ltd	Beijing Foton Daimler Automotive Co., Ltd.	The total fixed rent was RMB 572 Yuan according to the contract; the floating rent is calculated as the truck number that Beijing Foton Daimler Automotive Co., Ltd. produced or assembled multiplying the rental of single truck of 1143 Yan, and the cap number is 500,000	64,764,200	-	65,682,900	2.39
Beijing Hainachuan Automotive Parts Co., Ltd.	Beijing Johnson Auto Parts Co., Ltd	Fair trade principles	15,051,200	-	-	-
Beijing Hainachuan Automotive Parts Co., Ltd.	Beijing Shunyuan Yongkang Asset Management Ltd.	Fair trade principles	-	-	94,600	-
Beijing Hainachuan Automotive Parts Co., Ltd.	Autoliv (Beijing) Vehicle Safety Systems Co., Ltd	Fair trade principles	1,347,300	0.05	1,373,700	0.05

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Beijing Electric Vehicle Co., Ltd	Beiqi Dayang Motor Technology Co., Ltd.	Market Pricing	-	-	1,289,700	0.05
Beijing Pengsheng Property Management Ltd.	Beijing Hyundai Motor Company	Market Pricing	-	-	1,863,000	0.07

C. Providing funds

<u>Related parties</u>		<u>Related transaction s</u>	<u>Pricing basis</u>	<u>2014</u> <u>Amount</u>	<u>% of similar transact ions</u>	<u>2013</u> <u>Amount</u>	<u>% of similar transactio ns</u>
A. Deposits absorbed and interest paid							
Beijing Automotive Systems, Inc.	Beiqi Dashi	Interest of deposits	Market Pricing	12,997,851,800	0.74	19,936,255,600	1.68
Beijing Daelim Wanda Auto Parts Co., Ltd		Interest of deposits	Market Pricing	-	-	867,153,400	0.07
Beijing Automotive Lighting Co., Ltd.	Beideng	Interest of deposits	Market Pricing	-	-	1,907,800	-
Beijing Auto Parts Co., Ltd	Hyundai MOBIS	Interest of deposits	Market Pricing	7,489,393,500	0.42	8,047,881,400	0.68
Beijing Company	Hyundai Motor	Interest of deposits	Market Pricing	1,237,500,000	0.07	10,739,737,000	0.91
Beijing Automotive Systems, Inc.	Beiqi Lear	Interest of deposits	Market Pricing	-	-	48,283,300	-
Beijing Transport Trading Co., Ltd.	Beiqi Public Automobile	Interest of deposits	Market Pricing	6,338,684,700	0.36	6,051,100,100	0.51
Beijing Automotive Co., Ltd.	Hainachuan HSAE Electronics	Interest of deposits	Market Pricing	809,873,500	0.05	33,116,800	-
Beijing Xiezhong Automotive Conditioning Co., Ltd.	Hainachuan	Interest of deposits	Market Pricing	-	-	2,631,100	-
Beijing Automotive Parts Co., Ltd.	Xiyi Haihua	Interest of deposits	Market Pricing	-	-	25,134,300	-
B. Issuing loans and charging interest							
Beijing Daelim Wanda Auto Parts Co., Ltd		Interest income loans of	Market Pricing	50,134,653,100	1.09	32,203,599,900	0.03
Beijing Automotive Parts Co., Ltd.	Xiyi Haihua	Interest income loans of	Market Pricing	790,989,100	0.02	320,623,400	0.03
Beijing Company	Hyundai Motor	Interest income discount of	Market Pricing	173,153,119,100	3.76	445,670,525,600	0.97

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<u>Related parties</u>		<u>Related transaction s</u>	<u>Pricing basis</u>	<u>2014</u>		<u>2013</u>	
				<u>Amount</u>	<u>% of similar transact ions</u>	<u>Amount</u>	<u>% of similar transact ions</u>
Hunan Rongchang Parts Co., Ltd.	Guanghua Automobile	Interest income loans of	Market Pricing	176,750,000	0.00	-	-
Beijing Johnson Auto Parts Co., Ltd		Interest income loans of	Market Pricing	4,835,100,000	0.10	-	-
C. Loans							
Beijing Daelim Wanda Auto Parts Co., Ltd		Self-loans	Market Pricing	992,800,000,00	1.76	712,800,000,00	2.16
Beijing Xiyi Haihua Automotive Parts Co., Ltd.		Self-loans	Market Pricing	-	-	16,877,000,000	0.05
Hunan Rongchang Parts Co., Ltd.	Guanghua Automobile	Self-loans	Market Pricing	25,000,000,000	0.04	-	-
Beijing Johnson Auto Parts Co., Ltd		Self-loans	Market Pricing	710,000,000,000	1.26	-	-
D. Absorbing deposits							
Beijing Hyundai Motor Company		Deposit taking	Market Pricing	6,002,174,643,600	5.72	5,546,624,436,500	4.85
Beijing Daelim Wanda Auto Parts Co., Ltd		Deposit taking	Market Pricing	617,793,800	0.01	23,604,222,200	0.02
Beijing Beiqi Dashi Automotive Systems, Inc.		Deposit taking	Market Pricing	1,913,431,380,600	1.82	338,089,650,200	0.30
Beijing Hyundai MOBIS Auto Parts Co., Ltd		Deposit taking	Market Pricing	313,673,184,500	0.30	309,830,320,300	0.27
Beijing Beiqi Public Transport Automobile Trading Co., Ltd.		Deposit taking	Market Pricing	210,114,783,100	0.20	205,302,354,400	0.18
Beijing Beiqi Lear Automotive Systems, Inc.		Deposit taking	Market Pricing	47,704,381,200	0.05	50,041,241,000	0.04
Beijing Xiyi Haihua Automotive Parts Co., Ltd.		Deposit taking	Market Pricing	4,436,320,500	0.01	10,050,112,600	0.01
Hunan Rongchang Parts Co., Ltd.	Guanghua Automobile	Deposit taking	Market Pricing	50,064,989,900	0.05	-	-
Beijing Xiezhong Automotive Air Conditioning Co., Ltd.	Hainachuan	Deposit taking	Market Pricing	10,655,717,700	0.01	21,626,428,800	0.02

D. Other related-party transactions

<u>Related parties</u>		<u>Related transaction s</u>	<u>Categorie s of related transactio ns</u>	<u>Pricing basis</u>	<u>2014</u>		<u>2013</u>	
					<u>Amount</u>	<u>% of similar transact ions</u>	<u>Amount</u>	<u>% of similar transact ions</u>

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Beijing Daimler Automotive Co., Ltd.	Foton Co., Ltd.	Trademark licensing fee	Trademark licensing	Fair trade principles	15,000,000.00	100	15,000,000.00	100
Beijing Daimler Automotive Co., Ltd.	Foton Co., Ltd.	General technical costs	Technology service	Fair trade principles	4,000,000.00	11.6	4,000,000.00	100
Beijing Daimler Automotive Co., Ltd.	Foton Co., Ltd.	Compensation for senior management dispatch and administrative expenses	Dispatch of senior management	Fair trade principles	18,642,021.00	85.6	16,645,880.00	84.47
Beijing Daimler Automotive Co., Ltd.	Foton Co., Ltd.	IT systems use and maintenance fees	Technology service	Fair trade principles	30,493,425.55	88.4	41,000,000.00	100
Beijing Daimler Automotive Co., Ltd.	Foton Co., Ltd.	H4 truck model hybrid truck technology licensing fee	Business license revenue	Fair trade principles	15,050,000.00	8.05	-	-
Beijing Daimler Automotive Co., Ltd.	Foton Co., Ltd.	H4 truck licensing	Licensing fee	Fair trade principles	172,001,000.00	91.95	172,001,000.00	100
Beijing Daimler Automotive Co., Ltd.	Foton Co., Ltd.	Mold sale	Fixed assets disposal income	Fair trade principles	3,852,597.91	100	-	-
Beijing Daimler Automotive Co., Ltd.	Foton Co., Ltd.	GEP royalty	Technical services revenue	Fair trade principles	78,344,000.00	100	-	-
Beijing Cummins Engine Co., Ltd.	Foton Co., Ltd.	ISG road test project research and development expenses	Research and development costs	Fair trade principles	46,000,000.00	58.72	-	-

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Beijing Daimler Automotive Co., Ltd.	Foton	Sale of Auman office building	Sale of Auman office building	Fair trade principles	-	-	103,132,548.27	100
Beijing Cummins Engine Co., Ltd.	Foton	Compensation for senior management dispatch and administrative expenses	Senior management dispatch	Fair trade principles	-	-	3,059,745.46	15.53

(6). Receivables from and payables to related parties

1) Receivables from related parties

<u>Items</u>	<u>Related parties</u>	<u>Closing amount</u>		<u>Beginning amount</u>	
		<u>Book balance</u>	<u>Provision for bad debts</u>	<u>Book balance</u>	<u>Provision for bad debts</u>
Advance suppliers	to Beijing Gear Factory	348,000.00	-	348,000.00	-
Advance suppliers	to Beijing Foton Daimler Automotive Co., Ltd.	143,763,657.42	1,437,636.57	860.31	8.6
Advance suppliers	to Jiangxi Changhe Suzuki Automobile Co., Ltd.	-	-	4,285,643.85	-
Advance suppliers	to Beijing Foton Cummins Engine Co., Ltd.	332,999.18	3,329.99	203,236,457.38	11,120,915.29
Advance suppliers	to Beijing Ifoton Logistics Ltd.	5,827,796.32	58,277.96	522,014.66	5,220.15
Advance suppliers	to Beijing Hainachuan HSAE Automotive Electronics Co., Ltd.	23,338,952.08	-	2,244.00	22.44
Advance suppliers	to Beijing Bam Company Ltd. Radiating Branch	-	-	109,047.00	-
Advance suppliers	to Beijing Shougang Cold-rolled Sheet Co. Ltd	230,038,214.38	-	1,219,999.12	12,199.99
Advance suppliers	to Beijing Hyundai MOBIS Auto Parts Co., Ltd	3,271,773.13	-	1,997,616.46	-
Advance suppliers	to Beijing Hyundai Motor Company	41,024,901.03	-	77,730,934.14	-
Advance suppliers	to Hubei Foton Special Purpose Vehicle Co., Ltd.	29,845,990.52	31,046,827.32	4,768,481.90	598,451.38
Advance suppliers	to Shougang Penglong Steel Co., Ltd.	-	-	1,026,692.66	-
Advance suppliers	to Weichai Power Co., Ltd.	10,714,616.87	16,401,273.59	6,480.00	64.8
Advance suppliers	to Xinjiang Foton Guanghui Special Vehicle Co., Ltd.	28,013,748.99	26,712,581.39	-	-

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Advance suppliers	to	Xinxing Foton Construction Co., Ltd.	28,668,297.80	2,142,415.60	9,843,602.90	98,436.03
Advance suppliers	to	Hunan Guanghua Rongchang Automobile Parts Co., Ltd.	42,575,564.39	-	-	-
Advance suppliers	to	BAIC Yinxiang Automotive Co., Ltd.	74,759,792.27	-	-	-
Advance suppliers	to	Mercedes - Benz (China) Automobile Sales Co., Ltd	19,553,779.65	-	-	-
Advance suppliers	to	Beijing Beiqi Lear Automotive Electronics Co., Ltd.	2,691,563.12	-	-	-
Accounts receivable		Jiangxi Changhe Suzuki Automobile Co., Ltd.	-	-	655,251,925.25	-
Accounts receivable		Beijing Beiqi Changsheng Automobile Co., Ltd.	1,355,838.70	-	1,434,557.70	-
Accounts receivable		Beijing Beiqi Zhongcheng Materials Co., Ltd.	863,262.00	43,163.10	865,432.80	-
Accounts receivable		Beijing Foton Daimler Automotive Co., Ltd.	2,223,734.56	87.15	12,854,929.89	123,258.28
Accounts receivable		Beijing Foton Power Machinery Co., Ltd.	-	-	1,045.00	10.45
Accounts receivable		Beijing Foton Environmental Engine Co., Ltd., Nanhai Car Plant	1,291,370.08	-	1,946,178.63	-
Accounts receivable		Beijing Foton Cummins Engine Co., Ltd.	19,480,386.45	180,353.50	2,097,968.23	2,592.18
Accounts receivable		Beijing Foton Resa Crane Branch	-	-	16,102.00	-
Accounts receivable		Beijing Foton Motor Co., LtdZhucheng Aooling Automobile Plant	-	-	2,683,335.41	-
Accounts receivable		Beijing Guichuan Taxi Co., Ltd.	353,502,490.58	3,535,024.91	220,000.00	11,000.00
Accounts receivable		Beijing Hainachuan Xiezhong Automotive Air Conditioning Co., Ltd.	-	-	164,600.00	1,646.00
Accounts receivable		Beijing Hongdaxing Regional Electric Car Rental Company	-	-	14,480,000.00	-
Accounts receivable		Beijing Hongdaxing Regional Electric Car Rental Company	-	-	3,000,000.00	30,000.00
Accounts receivable		Beijing Huaixingwang Electric Car Rental Company	-	-	3,000,000.00	30,000.00
Accounts receivable		Beijing Jinyuyang Area Electric Minibus Rental Ltd.	-	-	2,990,000.00	-
Accounts receivable		Beijing Hyundai MOBIS Auto Parts Co., Ltd.	20,059,865.96	-	16,837,418.91	-
Accounts receivable		Beijing Hyundai MOBIS Auto Parts Co., Ltd	22,751,627.37	574,432.61	188,698.56	-

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Accounts receivable	Beijing Hyundai Motor Company	96545737.56	-	32,023,669.68	-
Accounts receivable	Beijing Foton Motor Co., Ltd	11,635.73	-	10,000.01	-
Accounts receivable	BAIC Yinxiang Automotive Co., Ltd.	98,546,717.42	-	39,829,403.20	-
Accounts receivable	Hubei Foton Special Purpose Vehicle Co., Ltd.	6,480.00	64.80	9,148,036.75	432,511.44
Accounts receivable	Mercedes - Benz (China) Automobile Sales Co., Ltd	29,334,869.36	-	306,965.43	-
Accounts receivable	Wuhan Quanchai Engine Co., Ltd.	-	-	172,080.00	1,720.80
Accounts receivable	Xinxing Foton Construction Co., Ltd.	72,888.20	728.88	186,600.00	1,866.00
Accounts receivable	Russian AMS Company	8,453,965.62	-	85,274,467.15	-
Other receivables	Autoliv (Beijing) Vehicle Safety Systems Co., Ltd	169,645.32	-	229,645.32	-
Other receivables	Beijing North Gear Hongyuan Commerce Company	17,485,000.00	17,485,000.00	17,485,000.00	17,485,000.00
Other receivables	Beijing Beiqi Dashi Automotive Systems, Inc.	14,400,000.00	-	-	-
Other receivables	Beijing Beiqi Changsheng Automobile Co., Ltd.	-	-	110,287,652.67	-
Other receivables	Beijing Beiqi Changsheng Auto Accessories Co., Ltd.	-	-	400,000.00	-
Other receivables	Mercedes - Benz (China) Automobile Sales Co., Ltd.	81,203,877.15	-	-	-
Other receivables	Beijing Beiqi Guanghua Automotive Components Co., Ltd	24,232.49	-	21,848.63	-
Other receivables	Beijing Beiqi Lear Automotive Electronics Co., Ltd.	38,738,064.00	-	40,204,700.00	-
Other receivables	Beijing Foton Daimler Automotive Co., Ltd.	4,057,159.90	27,262,301.07	238,966,247.35	2,389,662.47
Other receivables	Beijing Foton Cummins Engine Co., Ltd.	3,571,671.41	2,625,240.01	37,260,893.43	1,113,238.52
Other receivables	Beijing Foton Logistics Ltd.	3,405,394.65	3,733,742.33	259,005.56	2,590.06
Other receivables	Beijing Hainachuan HSAE Automotive Electronics Co., Ltd.	-	-	34,593.75	-
Other receivables	Beijing Johnson Auto Parts Co., Ltd	1,212,125.00	-	-	-
Other receivables	Beijing Jinyuyang Area Electric Minibus Rental Ltd.	-	-	6,000,000.00	-

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Other receivables	BAIC Yinxiang Automotive Co., Ltd.	1,107,683.42	-	-	-
Other receivables	Beijing Mercedes - Benz Sales and Service Co., Ltd.	1,886,184.32	-	66,606,690.00	-
Other receivables	Beijing Internal Combustion Engine Plant	-	-	655,634.00	-
Other receivables	Beijing Bam Company Ltd.	107,058.40	-	107,058.40	-
Other receivables	Insolvency administrator of Beijing Bam Company Ltd.	-	-	26,253,400.00	-
Other receivables	Beijing Automobile Shock Absorber Plant	317,640.00	-	360,720.00	-
Other receivables	Beijing Hyundai MOBIS Auto Parts Co., Ltd	546,130.38	-	159,341.47	-
Other receivables	Beijing Hyundai Motor Company	2,016,394.21	-	4,901,095.34	-
Other receivables	Beijing Hyundai Motor Company	-	-	600,000.00	-
Other receivables	Asimco Tianwei Fuel Injection Equipment Stock Co., Ltd (Beijing)	3,053,821.64	-	1,485,751.64	-
Other receivables	BAIC Yinxiang Automotive Co., Ltd.	43,401,688.04	-	-	-
Other receivables	Beijing Zhongli Foton Axle Co., Ltd.	140,000.00	-	140,000.00	-
Other receivables	Hunan Guanghua Rongchang Automobile Parts Co., Ltd.	80,000.00	-	-	-

2) Payables to related parties

<u>Items</u>	<u>Related parties</u>	<u>Closing balance</u>	<u>Beginning balance</u>
Jiangxi Changhe Suzuki Automobile Co., Ltd.	Accounts payable	13,701,563.31	1,078,117,833.66
Anhui Ankai Futian Shuguang Axle Co., Ltd	Accounts payable	733,046,312.73	27,262,301.07
Anhui Quanchai Engine Co., Ltd	Accounts payable	6,412,937.94	51,787,054.53
Anhui Quanchai Miantian Machinery Co., Ltd.	Accounts payable	-	1,209,090.20
Autoliv (Beijing) Vehicle Safety Systems Co., Ltd	Accounts payable	1,136,640.80	4,644,727.87
Beijing Beinei Machinery Industry Co., Ltd.	Accounts payable	-	15,663.06
Beijing Beiqi Lear Automotive Systems, Inc.	Accounts payable	318,377,219.78	268,877,120.39
Beijing Beiqi Yuandong Transmission Parts Co., Ltd.	Accounts payable	-	1,881,905.20
Beijing Foton Daimler Automotive Co., Ltd.	Accounts payable	1,479,595.24	661,813,661.93

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Beijing Foton Cummins Engine Co., Ltd.	Accounts payable	1,432,279.45	182,214,564.64
Beijing Foton Logistics Ltd.	Accounts payable	-	3,262,371.51
Beijing Hainachuan HSAE Automotive Electronics Co., Ltd.	Accounts payable	7,833,961.04	9,641,981.09
Beijing Hainachuan Henglong Automotive Steering Systems Co., Ltd	Accounts payable	9,103,146.69	41,525,746.64
Beijing Hainachuan Xiezhong Automotive Air Conditioning Co., Ltd.	Accounts payable	9,439,731.27	56,607,828.50
Beijing Hanyi Automotive Trim Co., Ltd.	Accounts payable	2,251,406.51	12,751,384.63
Beijing Pride New Energy Battery Technology Co., Ltd.	Accounts payable	1,009,437.02	82,254,957.86
Beijing Bam Company Ltd.	Accounts payable	-	2,633,721.42
Beijing Bam Company Ltd. Radiating Branch	Accounts payable	-	20.00
Beijing Shougang Foton Automobile Air Conditioner Co., Ltd.	Accounts payable	112,595.11	16,401,273.59
Beijing Shougang Company Limited	Accounts payable	-	151,013.46
Beijing Xiyi Haihua Automotive Parts Co., Ltd.	Accounts payable	12,998.70	1,001,860.18
Beijing Zhongli Foton Axle Co., Ltd.	Accounts payable	-	296,271.00
Beiqi Dayang Motor Technology Co., Ltd.	Accounts payable	-	-
Beijing Foton Motor Co., Ltd	Accounts payable	-	-
Beijing Foton Engine Plant	Accounts payable	-	-
BAIC Yinxiang Automotive Co., Ltd.	Accounts payable	353,992,721.03	337,760,340.14
Hubei Foton Special Purpose Vehicle Co., Ltd.	Accounts payable	187,047.00	537,279.74
Hunan Guanghua Rongchang Automobile Parts Co., Ltd.	Accounts payable	219,041.78	24,286,734.67
Shandong Lufeng Special-Purpose Vehicle Co., Ltd.	Accounts payable	-	63,000.00
Shaanxi Fast Gear Co., Ltd.	Accounts payable	125,378.32	12,055,632.40
Shougang Penglong Steel Co., Ltd.	Accounts payable	251,048.72	-
Tenneco (Beijing) Exhaust System Co., Ltd.	Accounts payable	11,558,481.08	7,902.00
Tenneco (Beijing) Automobile Shock Absorber Co., Ltd	Accounts payable	36,864.24	95,916.13
Weichai Power Co., Ltd	Accounts payable	335,000.00	2,705,429.32
Weichai Power Yangzhou Diesel Engine Co., Ltd	Accounts payable	165,658.60	9,921,267.00
Xinjiang Foton Guanghui Special Vehicle Co., Ltd.	Accounts payable	-	5,298,276.00
Xinxing Foton Construction Co., Ltd.	Accounts payable	-	56,313,402.69

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Yanfeng Visteon (Beijing) Automotive Trim Systems Co., Ltd.	Accounts payable	37,517,319.78	51,922,502.09
Yanfengwei Shitong (Beijing) Automotive Trim Systems Co., Ltd.	Accounts payable	100,000.00	2,064,049.43
Yanfeng Visteon Automotive Electronics Co., Ltd.	Accounts payable	521,170.41	-
Inergy Automotive Systems Manufacturing (Beijing) Co., Ltd	Accounts payable	2,708,490.26	3,362,397.04
Changsha Yihe Axles Co., Ltd.	Accounts payable	-	9,374,600.74
Zhuzhou Torch Spark Plug Co., Ltd	Accounts payable	70,300,836.76	119,256.55
Zhuzhou Torch Automotive Lighting Co., Ltd.	Accounts payable	-	115,728.24
Zhucheng Foton Logistics Limited Liability Company	Accounts payable	-	1,992,444.52
Zhucheng Yihe Axles Co., Ltd.	Accounts payable	14,528,459.53	52,399,398.99
Beiqi Dayang Motor Technology Co., Ltd.	Accounts payable	-	19,245,219.72
Beijing Goldrare Automobile parts Co., LTD.	Accounts payable	3,893,531.59	-
Zhuzhou Torch Spark Plug Co., Ltd	Accounts payable	112,595.11	119,256.55
Anhui Ankai Futian Shuguang Axle Co., Ltd	Advance from customers	984.00	600,000.00
Anhui Quanchai Engine Co., Ltd	Advance from customers	-	2,403,293.00
Beijing Gear Striker Transmission Ltd.	Advance from customers	2,794.10	2,794.10
Beijing Beiqi Dashi Automotive Systems, Inc.	Advance from customers	-	536,520.00
Hyundai Top-Selection U-Car Operating Ltd.	Advance from customers	313,500.00	-
Beijing Goldrare Automobile parts Co., LTD.	Advance from customers	364,521.85	-
Beijing Foton Daimler Automotive Co., Ltd.	Advance from customers	219,000.00	494,480,297.25
Beijing Foton Logistics Ltd.	Advance from customers	-	129,450.00
Beijing Hainachuan Henglong Automotive Steering Systems Co., Ltd	Advance from customers	-	600,000.00
Foton Heavy Machinery Co., Ltd.	Advance from customers	561.40	-
Beijing Bam Company Ltd.	Advance from customers	-	22,128.53
Beijing Bam Company Ltd. Radiating Branch	Advance from customers	-	299,240.05
Beijing Shougang Foton Automobile Air Conditioner Co., Ltd.	Advance from customers	-	73,000.00
Beijing Zhongli Foton Axle Co., Ltd.	Advance from customers	-	2,500,000.00
Beijing Foton Motor Co., Ltd Beijing Automobile Sales Branch	Advance from customers	-	2,676,975.59

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Changchai Company Limited	Advance from customers	-	100,000.00
Hubei Foton Special Purpose Vehicle Co., Ltd.	Advance from customers	264.00	714,433.49
Shandong Lufeng Special-Purpose Vehicle Co., Ltd.	Advance from customers	-	4,024.00
Weichai Power Yangzhou Diesel Engine Co., Ltd	Advance from customers	-	2,700,000.00
Wuhan Quanchai Engine Co., Ltd.	Advance from customers	-	5,230,572.93
Xinjiang Foton Guanghui Special Vehicle Co., Ltd.	Advance from customers	-	2,934,830.00
Xinxing Foton Construction Co., Ltd.	Advance from customers	48,195.00	140,000.00
Zhuzhou Shoupeng Huilong Steel Processing and Distribution Co., Ltd.	Advance from customers	9,093,727.74	7,355,666.00
Zhucheng Foton Logistics Limited Liability Company	Advance from customers	-	1,350,908.51
Zhucheng Yihe Axles Co., Ltd.	Advance from customers	17,435.33	4,100,230.00
Anhui Quanchai Engine Co., Ltd	Other payables	-	2,000,000.00
Beijing Gear Fourth Ring Gearbox Ltd.	Other payables	106,901.20	106,901.20
Beijing Beiqi Lear Automotive Systems, Inc.	Other payables	16,969,463.05	10,000.00
Beijing Foton Daimler Automotive Co., Ltd.	Other payables	13,221,829.61	924,321.57
Beijing Foton Logistics Ltd.	Other payables	70,300,836.76	46,420,422.70
Beijing Hainachuan HSAE Automotive Electronics Co., Ltd.	Other payables	22,817,575.00	200,000.00
Beijing Hainachuan Xiezhong Automotive Air Conditioning Co., Ltd.	Other payables	14,308,186.00	984.00
Beijing Hanyi Automotive Trim Co., Ltd.	Other payables	18,004,398.75	30,000.00
Beijing Mercedes - Benz Sales and Service Co., Ltd.	Other payables	-	38,788,189.29
Beijing Automobile Shock Absorber Plant	Other payables	75,000.00	75,000.00
Beijing Automotive Investment Gold Limited	Other payables	-	85,906,361.97
Beijing Light Automobile Co., Ltd.	Other payables	12,705,748.29	12,718,735.88
Beijing Shougang Foton Automobile Air Conditioner Co., Ltd.	Other payables	264.00	264.00
Beijing Xiyi Haihua Automotive Parts Co., Ltd.	Other payables	3,550.95	10,000.00
BAIC Yinxiang Automotive Co., Ltd.	Other payables	695,800.00	-
BAM Company Ltd	Other payables	1,551,563.54	1,551,563.54
Foton Heavy Machinery Co., Ltd.	Other payables	561.40	1,300,561.40
Hunan Guanghua Rongchang Automobile Parts Co., Ltd.	Other payables	12,733,548.47	5,000.00

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Weichai Power Yangzhou Diesel Engine Co., Ltd	Other payables	-	1,100,000.00
Xinjiang Foton Guanghui Special Vehicle Co., Ltd.	Other payables	17,435.33	3,493.97
Xinxing Foton Construction Co., Ltd.	Other payables	605,931,599.77	461,714,120.42
Yanfeng Visteon (Beijing) Automotive Trim Systems Co., Ltd.	Other payables	5,000.00	22,917.44
Tenneco (Beijing) Exhaust System Co., Ltd.	Other payables	-	-
Tenneco (Beijing) Automobile Shock Absorber Co., Ltd..	Other payables	25,256,466.65	-
Inergy Automotive Systems Manufacturing (Beijing) Co., Ltd	Other payables	269,192.77	20,000.00
Beiqi Dayang Motor Technology Co., Ltd.	Other payables	336,299.81	-
Zhucheng Foton Logistics Limited Liability Company	Other payables	-	1,473,716.85
Zhucheng Yihe Axles Co., Ltd.	Other payables	48,195.00	48,195.00

12. Other information that should be disclosed based on Accounting Standards for Business Enterprises

(1). In accordance with the resolution of the 6th shareholder's meeting for the year 2014 (Jing Qi Ji Dong Jue Zi [2014] No.56), Beijing Transportation Bus Manufacturing Factory, a subsidiary of the Company, was liquidated. As at 31 December, 2014, Beijing Transportation Bus Manufacturing Factory has been in the process of liquidation. So far, the audit before cancellation was finished and tax write-off procedure has been started. The liquidation procedure was planned to be completed at the end of December 2015.

(2). In accordance with the resolution of the 6th shareholder's meeting for the year 2014 (Jing Qi Ji Dong Jue Zi [2014] No.56), Beijing Gear Works Co., Ltd, a subsidiary of the Company, conducted an internal reorganization based on the overall relocation schedule of BGC that was approved. As at 31 December, 2014, Beijing Gear Works has been in the process of reorganization. So far, the removal has been finished. Restructuring plan will be remade after BAIC Motor exited overall. Internal reorganization procedure was planned to be completed at the end of 2015.

(3). In accordance with the resolution of the 6th shareholder's meeting for the year 2014 (Jing Qi Ji Dong Jue Zi [2014] No.56), Hefei Changhe Automobile Technology Import and Export Co., Ltd., a grandson company of the Company, was cancelled. As at 31 December, 2014, Hefei Changhe Automobile Technology Import and Export Co., Ltd. has been in the process of cancellation. So far, assets disposal before cancellation has been in the process. The cancellation was planned to be completed at the end of 2015.

(4). In accordance with the resolution of the 6th shareholder's meeting for the year 2014 (Jing Qi Ji Dong Jue Zi [2014] No.56), Beijing Beinei Engine Co., Ltd., a subsidiary of the Company, was cancelled. As at 31 December, 2014, Beijing Beinei Engine Co., Ltd. has been in the process of cancellation. So far, tax write-off data was reported completely. The cancellation was planned to be completed at the end of May, 2015.

(5). In accordance with the resolution of the 6th shareholder's meeting for the year 2014 (Jing Qi Ji Dong Jue Zi [2014] No.56), Beijing Huaguantong Heating Services, LLC, a subsidiary of the Company, was cancelled. As at 31 December, 2014, Beijing Huaguantong Heating Services, LLC has been in the process of cancellation. So far, the cancellation of business of Xiangheju Company and the transfer of non-operating assets of Huaguantong Company has been finished. The cancellation was planned to be completed at the end of 2015.

(6). In accordance with the resolution of the 6th shareholder's meeting for the year 2014 (Jing Qi Ji Dong Jue Zi [2014] No.56), Tibet Tianzhuo Dining Entertainment Co., Ltd., a grandson company of the Company, was cancelled. As at 31 December, 2014, Tibet Tianzhuo Dining Entertainment Co., Ltd has been in the process of

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cancellation. So far, the disposal of credit and debt and assets liquidate has been finished. The transference and cancellation was planned to be completed at the end of September, 2015.

(7). In accordance with the resolution of the 6th shareholder's meeting for the year 2014 (Jing Qi Ji Dong Jue Zi [2014] No.56), Weili Power Machinery Co., Ltd., a grandson company of the Company, was cancelled. As at 31 December, 2014, Weili Power Machinery Co., Ltd. has been in the process of cancellation. The cancellation was planned to be completed at the end of December, 2015.

(8). In accordance with the resolution of the 6th shareholder's meeting for the year 2014 (Jing Qi Ji Dong Jue Zi [2014] No.56), Beijing Capital Tire Co., Ltd., a grandson company of the Company, was liquidated. As at 31 December, 2014, Beijing Capital Tire Co., Ltd. has been in the process of liquidation. So far, Reorganization restructuring of Beijing Capital Tire Co., Ltd. has been determined. The liquidation was made by Assets Company. The liquidation procedure was planned to be completed at the end of 2016.

(9). In accordance with the resolution of the 6th shareholder's meeting for the year 2014 (Jing Qi Ji Dong Jue Zi [2014] No.56), Beijing Capital Meridian Tire Manufacturing Co., Ltd., a subsidiary of the Company, was liquidated. As at 31 December, 2014, Beijing Capital Meridian Tire Manufacturing Co., Ltd. has been in the process of liquidation. So far, Reorganization restructuring of Beijing Capital Meridian Tire Manufacturing Co., Ltd. has been determined. The liquidation was made by Assets Company. The liquidation procedure was planned to be completed at the end of 2016.

(10). In accordance with the resolution of the 6th shareholder's meeting for the year 2014 (Jing Qi Ji Dong Jue Zi [2014] No.56), Hebei Dragon Emperor Capital Tyre Manufacturing Co., Ltd, a grandson company of the Company, was liquidated. As at 31 December, 2014, Hebei Longdi Capital Tire Manufacturing Co., Ltd. has been in the process of liquidation. So far, Reorganization restructuring of Hebei Longdi Capital Tire Manufacturing Co., Ltd. has been determined. The liquidation was made by Assets Company. The liquidation procedure was planned to be completed at the end of 2016.

(11). In accordance with the resolution of the 6th shareholder's meeting for the year 2014 (Jing Qi Ji Dong Jue Zi [2014] No.56), the equity of Beijing Beiqi Changsheng Automobile Co., Ltd, a grandson company of the Company, was transferred. As at 31 December, 2014, the transference has been in the process. So far, the negotiation over equity price was in the process with Hengsheng Real Estate. The transference was planned to be finished at the end of 2015.

(12). In accordance with the resolution of the 6th shareholder's meeting for the year 2014 (Jing Qi Ji Dong Jue Zi [2014] No.56), the equity of Beijing Hainachuan Xiezhong Automotive Air Conditioning Co., Ltd, a grandson company of the Company, was transferred. As at 31 December, 2014, the transference has been in the process. So far, the transference program has been determined, which Hainachuan Company purchases 50% equity was held by Nanjing Zhongxie, accounting for 100% equity of the company. 50% equity was used by Hainachuan Company to cooperate with other companies, which is negotiating. The transference was planned to be finished at the end of 2015.

(13). In accordance with the resolution of the 6th shareholder's meeting for the year 2014 (Jing Qi Ji Dong Jue Zi [2014] No.56), BAW- Ross Automobile Co., Ltd., a grandson company of the Company, was Integrated and managed. As at 31 December, 2014, BAW- Ross Automobile Co., Ltd. has been in the process of integration and management. So far, the cooperation agreement has been discussed by BAM, Beiqi Ltd. and BAW-RUS. After the business restarted (from original light truck to NGVs), the reorganization will be started, which was planned at the end of June, 2015.

(14). In accordance with the resolution of the 6th shareholder's meeting for the year 2014 (Jing Qi Ji Dong Jue Zi [2014] No.56), China and Africa Automobile Co., Ltd., a grandson company of the Company, was Integrated and managed. As at 31 December, 2014, China and Africa Automobile Co., Ltd. has been in the process of integration and management. The integration solutions currently suspended. Beiqi International Hong Kong Company established Beiqi International South Africa Company in September, 2014. *Support plan of China-Africa car in 2014* was implemented based on Beiqi International South Africa Company.

(15). In accordance with the resolution of the 6th shareholder's meeting for the year 2014 (Jing Qi Ji Dong Jue Zi [2014] No.56), Mongolia MCM Company, a grandson company of the Company, was cancelled. As at 31

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December, 2014, Mongolia MCM Company has been in the process of cancellation. The cancellation was planned to be completed at the end of 2015.

(16). In accordance with the resolution of the 6th shareholder's meeting for the year 2014 (Jing Qi Ji Dong Jue Zi [2014] No.56), Beijing Gear Works Co., Ltd, a grandson company of the Company, conducted an internal reorganization. As at 31 December, 2014, Beijing Gear Works Co., Ltd has been in the process of internal reorganization. So far, the internal reorganization has been based on the overall relocation schedule of BGC, which was planned to be finished at the end of 2015.

(17). In accordance with the resolution of the 6th shareholder's meeting for the year 2014 (Jing Qi Ji Dong Jue Zi [2014] No.56), the equity of Beijing Yanke Technology Corporation, a grandson company of the Company, was transferred. As at 31 December, 2014, the transference was suspended. The company was made up with Research Centers of Science & Technology Commission with 50,000 Yuan of Research Institution, accounting for 0.5%. Yanke Company has been profitable, 1,360,000 Yuan. And part of land purchased during operating period has been appreciated. But, so far, evaluation, audit and other work was temporarily unable to carry out because large shareholders did not coincide with the company's equity quit work.

(18). In accordance with the resolution of the 6th shareholder's meeting for the year 2014 (Jing Qi Ji Dong Jue Zi [2014] No.56), the equity of Sichuan Tengzhong Foton Special Purpose Vehicle Co., Ltd., a grandson company of the Company, was transferred. As at 31 December, 2014, the transference was suspended. The transference was unable to start and the equity of the company was in a frozen state because the company has been currently involved in litigation. (Creditor prosecuted, litigation concentrated to Sichuan Higher People's Court, the case has not been heard)

13. APPROVAL OF FINANCIAL STATEMENTS

The financial statements and notes to the financial statements were approved by the board of the Company on April 24, 2015.

Beijing Automotive Group Co., Ltd.

24 April 2015

Auditor's Report

Grant Thornton Shen Zi (2014) No 110ZC0777

Beijing Automotive Group Co., Ltd:

We have audited the accompanying financial statements of Beijing Automotive Group Co., Ltd (hereinafter referred to as “**the Group**”), which comprise the consolidated balance sheet as at 31 December 2013 and the consolidated income statement in 2013, consolidated cash flow statement, consolidated statement of changes in owners' equity, and the consolidated statement of assets impairment provision as at 31 December 2013 and notes to the financial statements.

Management' Responsibility for the Financial Statements

Management of the Group is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing and fairly presenting the financial statements in accordance with Accounting Standards for Business Enterprises; (2) designing, implementing and maintaining internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Chinese Standards on Auditing. Those standards require that we comply with Code of Ethics for Chinese Certified Public Accountants and plan and perform the audit to obtain a reasonable assurance about whether these financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of Beijing Automotive Group Co., Ltd as at 31 December 2013, and their consolidated financial performance and their cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises.



Beijing, China

Chinese Certified Public
Accountant

Chinese Certified Public
Account

8 April 2014



Beijing Automotive Group Co., Ltd.

CONSOLIDATED BALANCE SHEET

31 Dec 2013

Items	Notes	Closing Balance	Opening Balance
		Consolidated	Consolidated
Expressed in Renminbi Yuan			
Current assets			
Cash and cash equivalents	1	28,269,122,153.35	20,493,557,025.36
△Deposit reservation for balance			
△Placements with banks and other financial institutions			
Financial assets held under resale agreements	2	288,340.00	378,420.00
Notes receivable	3	3,830,936,592.58	986,012,789.07
Accounts receivable	4	9,241,301,713.62	4,350,808,599.21
Advance to suppliers	5	1,642,716,815.14	1,809,238,398.36
△Premiums receivable			
△Reinsurance accounts receivable			
△Reinsurance reserves receivable			
Interest receivable	6	24,007,560.55	4,497,036.35
Dividends receivable	7	99,662,764.31	49,306,579.32
Other receivables	8	2,699,588,828.63	4,147,191,063.66
△Securities purchased under agreements to resell			
Inventories	9	13,665,869,765.29	7,004,447,313.30
Including: Raw materials		2,823,206,695.85	1,841,280,000.44
Finished goods		7,543,933,318.80	3,538,574,268.44
Non-current assets, current portion		1,244,975,376.76	119,876,002.77
Other current assets	10	1,901,300,195.17	841,816,911.49
Total current assets		62,619,770,105.40	39,807,130,138.89
Non-current assets			
△Loans and advances		0.00	0.00
Available-for-sale financial assets	11	103,400,275.54	105,923,305.45
Held-to-maturity investment		0.00	0.00
Long-term receivables	12	1,213,378,633.90	712,344,211.70
Long-term equity investment	13	16,478,091,967.46	18,160,872,139.12
Investment property	14	1,463,114,039.49	1,047,587,773.00
Fixed assets – book value	15	39,298,532,728.51	17,866,605,758.76
Less: Accumulated depreciation		8,578,665,384.91	4,445,975,219.76
Fixed assets – net		30,719,867,343.60	13,420,630,539.00
Less: fixed assets impairment		1,367,824,096.91	353,884,256.48
Net value of fixed assets		29,352,043,246.69	13,066,746,282.52
Construction in progress	16	13,778,814,610.27	8,842,474,206.63
Project materials		0.00	0.00
Fixed assets disposals	17	3,965,726.10	2,716.67
Capitalised biological assets		0.00	0.00
Oil-and-gas assets		0.00	0.00
Intangible assets	18	12,227,041,548.34	6,638,176,823.68
Research and development assets	19	5,881,903,790.13	4,615,900,290.31
Goodwill	20	1,954,163,807.30	1,043,614,890.92
Long-term deferred expenses	21	507,640,333.47	382,575,479.46
Deferred tax assets	22	3,619,781,432.98	826,709,226.54
Other non-current assets	23	1,289,099,359.17	382,656,574.42
Includings: Charactered material reserve		0.00	0.00
Total non-current assets		87,872,438,770.84	55,825,583,920.42
TOTAL ASSETS		150,492,208,876.24	95,632,714,059.31

Beijing Automotive Group Co., Ltd.

CONSOLIDATED BALANCE SHEET (Continued)

31 Dec 2013

Items	Notes	Closing Balance	Opening Balance
		Consolidated	Consolidated
Expressed in Renminbi Yuan			
Current liabilities			
Short-term bank borrowings	25	8,438,481,834.06	6,845,978,875.35
△Borrowing from central banks			
△Deposit and placements from other financial institutions		631,923,998.28	832,213,719.30
△Borrowing funds			
Transactional monetary liabilities	26	11,493,022.31	10,088,099.85
Notes payable	27	4,749,712,772.65	3,484,380,862.41
Accounts payable	28	21,331,422,714.60	10,196,760,635.74
Customer deposit	29	4,816,384,095.05	2,717,399,527.89
△Financial assets sold under repurchase agreements			
△Handling charges and commissions payable			
Employee compensation payable	30	1,379,338,159.89	814,183,243.59
Including: Wage payable		1,145,529,251.32	694,056,023.32
Welfare payable		7,801,008.34	1,233,499.91
#Including: Bonus and allowance bond			
Taxes and dues payable	31	1,219,644,353.09	477,532,558.62
Including: Tax payable		1,189,007,050.65	471,148,030.22
Interest payable	32	417,644,042.53	354,769,360.10
Dividend payable	33	1,784,671,103.77	14,677,223.63
Other payables	34	20,819,972,012.75	6,764,496,245.76
△Dividend payable for reinsurance			
△Insurance contract reserve			
△Deal with vicarious bond			
△Receivings from vicariously sold securities			
Non-current liabilities due within one year	35	2,997,438,144.68	3,245,585,603.29
Other current liabilities	36	152,364,752.31	174,041,612.64
Total current liabilities		68,750,491,005.97	35,932,107,568.17
Non-current liabilities			
Long-term loans	37	14,856,117,637.92	9,577,524,769.14
Bonds payable	38	12,339,894,585.43	10,827,608,384.70
Long-term payable	39	606,557,681.84	664,005,997.35
Special payable	40	288,048,276.98	297,375,665.10
Accrued liabilities	41	845,321,467.03	121,361,221.88
Deferred tax liability	22	1,063,281,907.28	200,871,451.91
Other non-current liabilities	42	2,813,001,353.62	2,406,007,600.29
Including: Authorised reserve fund		0.00	0.00
Total non-current liabilities		32,812,222,910.10	24,094,755,090.37
Total liabilities		101,562,713,916.07	60,026,862,658.54

Beijing Automotive Group Co., Ltd.

CONSOLIDATED BALANCE SHEET (Continued)

31 Dec 2013

		<u>Closing Balance</u>	<u>Opening Balance</u>
<u>Items</u>	<u>Notes</u>	<u>Consolidated</u>	<u>Consolidated</u>
Expressed in Renminbi Yuan			
Owners’(shareholders’) equity			
Share Capital	43	10,076,908,335.00	7,947,548,335.00
State owned capital		10,076,908,335.00	7,947,548,335.00
Including: State-owned legal person’s capital		10,076,908,335.00	7,947,548,335.00
Collectively owned capital		0.00	0.00
Private Capital		0.00	0.00
Including: Individual Capital			0.00
Foreign capital		0.00	0.00
#Less: Capital redemption			0.00
Paid in capital (or stock) net		10,076,908,335.00	7,947,548,335.00
Capital reserve	44	2,919,655,239.45	3,791,344,704.48
Less: Treasury share		0.00	0.00
Specialties repertory			
Surplus reserve	45	405,923,223.83	186,379,136.33
Including: Legal reserve		405,923,223.83	186,379,136.33
Other surplus reserve			
# Reserve fund			
# Enterprise expansion fund			
# Profits capitalised on return of investment			
△Provision for general risk			
Retained earnings	46	5,986,094,509.33	4,275,435,139.67
Currency translation reserve		-89,300,170.68	-104,651,000.62
Attributable to equity holders of the company		19,299,281,136.93	16,096,056,314.86
Minority interests		29,630,213,823.24	19,509,795,085.91
Total Shareholder’ Equity		<u>48,929,494,960.17</u>	<u>35,605,851,400.77</u>
TOTAL LIABILITIES AND			
 SHAREHOLDERS’ EQUITY			
		<u>150,492,208,876.24</u>	<u>95,632,714,059.31</u>

Legal Representative: **Principal in Charge of Accountancy:** **Chief Accountant:**

Beijing Automotive Group Co., Ltd.

CONSOLIDATED INCOME STATEMENT

Year 2013

Items	Notes	Current Period	Prior Period
		Consolidated	Consolidated
		Expressed in Renminbi Yuan	
I. Total Income		63,866,636,188.24	59,129,636,106.15
Including: Operating income	47	63,612,378,942.99	59,015,748,406.77
Including: Prime operating income		61,227,487,998.62	56,917,539,235.50
Other operating income		2,384,890,944.37	2,098,209,171.27
△ Interest income		254,257,245.25	113,887,699.38
△ Net premiums earned			
△ Fee and commission income			
II. Total Costs and Expenses		68,992,899,280.24	62,620,402,118.53
Including: Operating costs	47	56,774,062,748.54	52,795,568,746.84
Including: Prime Operating costs		55,171,242,716.53	51,697,851,677.01
Other operating costs		1,602,820,032.01	1,097,717,069.83
△ Interest expenses		4,595,364.52	9,184,223.86
△ Fee and commission expenses			
△ Surrender charge fee			
△ Net insurance claims			
△ Net provision for insurance contracts			
△ Policyholder dividends resulting from participation in profits			
△ Reinsurance costs			
Business Tax and Surcharges		1,201,583,027.64	347,615,189.71
Selling expenses		3,981,906,685.15	3,791,772,338.22
General and administrative expenses		5,214,828,863.29	4,276,289,257.10
Including: Research and development expenses		887,316,011.07	1,002,178,739.82
Financial expenses		1,189,089,166.36	1,126,895,923.34
Interest expense		1,355,883,414.33	1,070,658,157.81
Interest income		346,860,777.52	149,743,026.87
Exchange net loss (net income “-” on the list)		76,702,370.27	-5,345,875.68
Impairment loss of assets	48	626,833,424.74	273,076,439.46
Others			
Add: Fair value gain (loss expressed with “-”)	49	-3,175,548.37	-4,933,882.04
Investment income (loss expressed with “-”)	50	9,363,325,764.14	5,505,291,756.33
Including: Investment income from joint ventures		6,668,455,937.01	5,009,722,940.50
△ Exchange gains (losses with a “-” sign)			
III. Operating profit (losses with a “-” sign)		4,233,887,123.77	2,009,591,861.91
Add: Other income	51	1,046,503,498.27	3,615,571,585.00
Including: Gains from disposal of non current assets		103,102,684.26	2,383,237,176.30
Non monetary assets exchange gains			
Government subsidies		714,882,484.54	1,093,353,399.73
Gains from debt restructuring			20,000.00
Less: Other expenses	52	378,678,174.96	154,391,165.30
Including: Losses from disposal of non current assets		59,528,132.87	25,288,795.51
Non monetary assets exchange losses			88,315.50
Losses from debt restructuring			57,665.16
IV. Total profit (total loss “-” on the list)		4,901,712,447.08	5,470,772,281.61
Less: Income tax	53	692,646,139.14	507,847,505.71
V. Net profit (total loss “-” on the list)		4,209,066,307.94	4,962,924,775.90
Net profit belonging to parent company		2,253,814,779.64	2,175,212,480.62
Minority interest income		1,955,251,528.30	2,787,712,295.28
VI. Earnings per share			
Basic Earnings per share			
Diluted Earnings per share			
VII. Other comprehensive income	54	-8,687,829.52	-17,808,259.58
VIII. Total comprehensive income		4,200,378,478.42	4,945,116,516.32
Total comprehensive income attributed to the owner of the parent company		2,268,445,375.37	2,222,497,188.82
Total comprehensive income attributable to the minority shareholders		1,931,933,103.05	2,722,619,327.50

Legal Representative: **Principal in Charge of Accountancy:** **Chief Accountant:**

Beijing Automotive Group Co., Ltd.

CONSOLIDATED CASH FLOW STATEMENT

Year 2013

Items	Notes	Current Period	Prior Period
		Consolidated	Consolidated
Expressed in Renminbi Yuan			
I. Cash flows from operating activities			
Cash received from sale of goods or rendering of services		48,964,697,817.88	44,175,880,443.81
△ Net increase in customer deposits and interbank deposits net increase		468,784,177.56	815,649,168.88
△ Net increase of borrowings from central bank			
△ Net increase of borrowings from other financial institutions			
△ Cash premiums received on original insurance contracts			
△ Net cash received from re-insurance business			
△ Net increase of savings and investment fund			
△ Net increase of disposal of financial assets held under resale agreements			
△ Net increase of Interest charges, fees and commissions		100,163,418.87	110,883,772.18
△ Net increase in funds borrowed			
△ Net increase in repurchase business funds			
Refund of tax and levies		683,627,157.95	508,322,988.91
Other cash received relating to operating activities		6,592,480,793.76	2,251,587,801.52
Sub-total of cash inflows from operating activities		56,809,753,366.02	47,862,324,175.30
Cash paid for goods and services		36,916,483,593.10	35,103,011,781.31
△ Net increase in loans and payments on behalf		41,064,760.36	34,280,000.00
△ Deposited in the central bank and interbank net increase . . .		903,354,124.19	344,664,066.29
△ Payments of claims for original insurance contracts			
△ Payments of interest, fees and commissions		14,813,099.16	3,838,176.38
△ Cash paid for Policyholder dividend			
Cash paid to and on behalf of employees		7,028,098,415.15	5,158,564,425.31
Payments of all types of taxes		3,555,276,491.66	1,846,959,996.26
Other cash paid relating to operating activities		10,281,263,814.46	6,647,209,006.00
Sub-total of cash outflows from operating activities . . .		58,740,354,298.08	49,138,527,451.55
Net cash flows from operating activities		-1,930,600,932.06	-1,276,203,276.25
II. Cash flows from investing activities			
Cash received from disposal of investments		566,172,694.06	24,248,477.54
Cash received from returns on investments		3,840,153,638.25	3,075,082,412.81
Net cash received from disposal of fixed assets, intangible assets & other long-term assets		2,222,018,927.96	1,981,175,373.12
Net cash received from disposal of subsidiaries and other business units		3,771,162.31	0.00
Other cash received relating to investing activities		9,406,921,541.47	241,680,478.48
Sub-total of cash inflows from investing activities		16,039,037,964.05	5,322,186,741.95
Cash paid to acquire fixed assets, intangible assets & other long-term assets		13,683,664,428.74	8,929,720,379.74
Cash paid to acquire investments		2,260,424,721.85	915,323,194.68
△ Net increase in mortgage loan			
Net cash paid to acquire subsidiaries and other business units		24,531,221.95	0.00
Other cash payments relating to investing activities		217,171,834.84	10,555,659.16
Sub-total of cash outflows from investing activities		16,185,792,207.38	9,855,599,233.58
Net cash flows from investing activities		-146,754,243.33	-4,533,412,491.63

Beijing Automotive Group Co., Ltd.

CONSOLIDATED CASH FLOW STATEMENT (Continued)

Year 2013

Items	Notes	Current Period	Prior Period
		Consolidated	Consolidated
Expressed in Renminbi Yuan			
III. Cash flows from financing activities			
Cash received from capital contribution		8,007,636,993.59	6,553,190,426.00
Including: Capital contribution from minority shareholders of subsidiaries		5,878,276,993.59	5,224,255,161.85
Cash received from borrowings		15,545,297,782.43	13,509,635,318.62
△ Proceeds from issuance of debt		2,508,650,000.00	8,533,450,000.00
Other cash received relating to financing activities		646,650,261.16	1,389,693,369.94
Sub-total of cash inflows from financing activities		26,708,235,037.18	29,985,969,114.56
Cash repayments of amounts borrowed		14,902,281,862.85	12,246,394,352.45
Cash payments for interest expenses and distribution of dividends or profit		2,576,934,265.07	2,858,134,065.28
Including: Dividends, profit paid by subsidiaries to minority shareholders		379,495,732.30	955,468,563.93
Other cash payments relating to financing activities		740,729,081.32	2,030,367,369.52
Sub-total of cash outflows from financing activities ...		18,219,945,209.24	17,134,895,787.25
Net cash flows from financing activities		8,488,289,827.94	12,851,073,327.31
IV. Effect of foreign exchange rate changes on cash		-60,708,255.29	2,411,669.32
V. Net increase /(decrease) in cash and cash equivalents ...		6,350,226,397.26	7,043,869,228.75
Add: Cash and cash equivalents at beginning of year		17,606,029,360.13	10,562,160,131.38
VI. Cash and cash equivalents at end of year		23,956,255,757.39	17,606,029,360.13

Legal Representative: Principal in Charge of Accountancy: Chief Accountant:

Beijing Automotive Group Co., Ltd.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year 2013

		Amount of Current Year										
		Attributable to equity shareholders of the parent company										
Items	Lines	Paid in Capital (or Share capital)	Capital Surplus	Less: Treasury stock	Specialties repertory	Surplus reserve	△General reserve	Retained earnings	Others	Subtotal	Minority interests	Total Equity
Columns	-	1	2	3	4	5	6	7	8	9	10	11
Expressed in Renminbi Yuan												
I. Balance at the end of prior year	1	7,947,548,335.00	3,791,344,704.48	-	-	186,379,136.33	-	4,275,435,139.67	-104,651,000.62	16,096,056,314.86	19,509,795,085.91	35,605,851,400.77
Add: Accounting policy changes	2											
Prior errors' correction	3											
II. Balance at the beginning of current year	4	7,947,548,335.00	3,791,344,704.48	-	-	186,379,136.33	-	4,275,435,139.67	-104,651,000.62	16,096,056,314.86	19,509,795,085.91	35,605,851,400.77
III. Increases / Decreases in current year (decrease with "+", sign)	5	2,129,360,000.00	-871,689,465.03	-	-	219,544,087.50	-	1,710,659,369.66	15,350,829.94	3,203,224,822.07	10,120,418,737.33	13,323,643,559.40
A. Net profit	6											
B. Other comprehensive income	7		-720,234.21					2,253,814,779.64		2,253,814,779.64	1,955,251,528.30	4,209,066,307.94
Total comprehensive income	8	-	-720,234.21	-	-	-	-	2,253,814,779.64	15,350,829.94	14,630,595.73	-23,318,425.25	-8,687,829.52
C. Capital contributed by owners and capital decreases (decrease with "+", sign)	9	2,129,360,000.00	-870,969,230.82	-	-	64,432,577.52	-	-	-	1,322,823,346.70	9,487,539,476.48	10,810,362,823.18
1. Capital contributed by owners	10	2,129,360,000.00	189,982,841.03							2,319,342,841.03	5,977,973,035.00	8,297,315,876.03
2. The amount of share-based payment recorded in owners' equity	11											
3. Others	12		-1,060,952,071.85			64,432,577.52	-	-	-	-996,519,494.33	3,509,566,441.48	2,513,046,947.15
D. The extraction and use of special reserve	13											
1. Special reserves extract	14											
2. Use of the special reserve	15											
E. The distribution of profits (decrease with "+", sign)	16											
1. Appropriation of surplus reserve	17	-	-	-	-	155,111,509.98	-	-543,155,409.98	-	-388,043,900.00	-1,299,053,842.20	-1,687,097,742.20
Including: Legal reserve	18					155,111,509.98		-155,111,509.98				
Other surplus reserve	19							-155,111,509.98				
# Reserve fund	20											
# Enterprise expansion fund	21											
# Profits capitalised on return of investment	22											
2. Extraction of general risk reserve (The financial enterprise reporting)	23											
3. Profit distributed to owners (or stockholders)	24											
4. Others	25							-388,043,900.00		-388,043,900.00	-1,299,053,842.20	-1,687,097,742.20
F. Transfers within the owners' equity (decrease with "+", sign)	26											
1. Capital (or stock) transferred from capital surplus	27											
2. Capital (or stock) transferred from surplus reserve	28											
3. Recovery of losses by surplus reserve	29											
4. Others	30											
IV. Balance at the end of current year	31	10,076,908,335.00	2,919,655,239.45	-	-	405,923,223.83	-	5,986,094,509.33	-89,300,170.68	19,299,281,136.93	29,630,213,823.24	48,929,494,960.17

Legal Representative :

Principal in Charge of Accountancy :

Chief Accountant :

Beijing Automotive Group Co., Ltd.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

Year 2013

		Amount of Last Year										
		Attributable to equity shareholders of the parent company										
Items	Lines	Paid in Capital (or Share capital)	Capital Surplus	Less: Treasury stock	Specialties repertory	Surplus reserve	△General reserve	Retained earnings	Others	Subtotal	Minority interests	Total Equity
Columns	-	12	13	14	15	16	17	18	19	20	21	22
Expressed in Renminbi Yuan												
I. Balance at the end of prior year	1	6,434,567,035.00	3,647,591,540.12	-	-	392,532,335.49	-	2,800,013,916.12	-161,900,775.61	13,112,804,051.12	12,635,273,448.00	25,748,077,499.12
Add: Accounting policy changes	2							57,392,430.92		57,392,430.92	55,141,747.35	112,534,178.27
Prior errors' correction	3		-5,100,000.00					-6,594,477.51		-11,694,477.51	2,105,397.56	-9,589,079.95
II. Balance at the beginning of current year	4	6,434,567,035.00	3,642,491,540.12	-	-	392,532,335.49	-	2,850,811,869.53	-161,900,775.61	13,158,502,004.53	12,692,520,592.91	25,851,022,597.44
III. Increases / Decreases in current year (decrease with "+", sign)	5	1,512,981,300.00	148,853,164.36	-	-	-206,153,199.16	-	1,424,623,270.14	57,249,774.99	2,937,554,310.33	6,817,274,493.00	9,754,828,803.33
A. Net profit	6							2,175,212,480.62		2,175,212,480.62	2,787,712,295.28	4,962,924,775.90
B. Other comprehensive income	7		-9,965,066.79						57,249,774.99	47,284,708.20	-65,092,967.78	-17,808,259.58
Total comprehensive income	8	-	-9,965,066.79	-	-	-	-	2,175,212,480.62	57,249,774.99	2,222,497,188.82	2,722,619,327.50	4,945,116,516.32
C. Capital contributed by owners and capital decreases (decrease with "+", sign)	9	1,512,981,300.00	158,818,231.15	-	-	-359,448,340.91	-	-25,243,068.73	-	1,287,108,121.51	5,073,116,702.28	6,360,224,823.79
1. Capital contributed by owners	10	1,512,981,300.00	207,033,528.41							1,720,014,828.41	5,593,647,971.66	7,313,662,800.07
2. The amount of share-based payment recorded in owners' equity	11											
3. Others	12		-48,215,297.26			-359,448,340.91		-25,243,068.73		-432,906,706.90	-520,531,269.38	-953,437,976.28
D. The extraction and use of special reserve	13	-		-	-	-	-	-	-	-	-	-
1. Special reserves extract	14											
2. Use of the special reserve	15											
E. The distribution of profits (decrease with "+", sign)	16	-		-	-			-725,346,141.75	-	-572,051,000.00	-978,461,536.78	-1,550,512,536.78
1. Appropriation of surplus reserve	17					153,295,141.75		-153,295,141.75				
Including: Legal reserve	18					153,295,141.75		-153,295,141.75				
Other surplus reserve	19											
# Reserve fund	20											
# Enterprise expansion fund	21											
# Profits capitalised on return of investment	22											
2. Extraction of general risk reserve (The financial enterprise reporting)	23											
3. Profit distributed to owners(or stockholders)	24							-572,051,000.00		-572,051,000.00	-978,461,536.78	-1,550,512,536.78
4. Others	25											
F. Transfers within the owners' equity (decrease with "+", sign)	26	-		-	-	-	-	-	-	-	-	-
1. Capital (or stock) transferred from capital surplus	27											
2. Capital (or stock) transferred from surplus reserve	28											
3. Recovery of losses by surplus reserve	29											
4. Others	30											
IV. Balance at the end of current year	31	7,947,548,335.00	3,791,344,704.48	-	-	186,379,136.33	-	4,275,435,139.67	-104,651,000.62	16,096,056,314.86	19,509,795,085.91	35,605,851,400.77

Legal Representative:

Principal in Charge of Accountancy:

Chief Accountant:

Beijing Automotive Group Co., Ltd.

CONSOLIDATED STATEMENT OF ASSETS IMPAIRMENT RESERVES

31 Dec 2013

Items	Lines	Year beginning book balance	Amount of increase in this year				Amount of decrease in this year				Year-end book balance	Subtotal	Items	Supplementary Information	Lines	Amount
			Allotting amount in this year	Increased amount caused by consolidation	Increased amount caused by other reasons	Reversed amount due to recovery of asset value	Amount of reselling	Decreased amount caused by consolidation	Decreased amount caused by other reasons							
										1						
Columns																
Bad debts provision	1	939,880,720.51	286,795,574.56	211,226,610.60	Expressed in Renminbi Yuan		498,022,185.16	81,698,428.58	141,895,344.99	20,708,046.27	244,301,819.84	1,193,601,085.83	I. The net loss of assets	17		
Inventory provision	2	240,561,786.93	324,419,381.23	115,623,544.18	2,093,079.63	442,136,005.04	6,814,632.86	94,280,362.05			101,094,994.91	581,602,797.06	A. Net loss of current assets	18		
Available-for-sale financial assets impairment reserves	3															
Held-to-maturity investment impairment reserves	4												Including: Bad debt loss	19		
Long-term equity investment devaluation													Inventory loss	20		
Investment real estate impairment reserves	5	328,487,418.03	31,172,501.19	40,815,094.64		71,987,595.83					187,066,694.68	213,408,319.18	Loss from disposal of short-term investments	21		
Fixed assets impairment reserves	6												B. Net loss of fixed assets	22		
Engineering material impairment reserves	7	353,884,256.48	15,418,198.49	1,044,217,491.17	7,490,570.87	1,067,126,260.53					53,186,420.10	1,367,824,096.91	Including: Fixed assets inventory shorts	23		
Construction- in-progress projects impairment reserves	8												Fixed assets scrap	24		
Productive biological asset impairment reserves	9	2,823,912.62	27,809,933.79			27,809,933.79						30,633,846.41	Fixed assets inventory surplus	25		
Oil and gas asset impairment reserves	10												C. Loss from disposal of long-term investments	26		
Intangible asset impairment reserves	11												D. Loss of intangible assets	27		
Goodwill impairment reserves	12												E. Loss of Construction-in-progress	28		
Other asset impairment reserves	13												F. Loss of entrust loan	29		
	14	29,730,896.92				29,730,896.92						29,730,896.92	II. The policy credit	30		
	15												III. Processing the previous year loss and credit in current year	31		
													Including: Treatment of prior year losses, in profit or loss in the current year			
TOTAL	16	1,865,638,094.57	715,346,486.18	1,411,882,740.59	9,583,650.50	2,136,812,877.27	88,513,061.44	476,428,821.82	20,708,046.27	0.00	585,649,929.53	3,416,801,042.31		32		

Legal Representative:

Principal in Charge of Accountancy:

Chief Accountant:

Notes to Financial Statements

1. General corporate information

Beijing Automotive Group Co., Ltd. (hereinafter referred to as “**the Company**”), formerly Beijing Automotive Industry Holding Co. Ltd., changed its name on 28 September 2010 after obtaining the approval from the State-owned Assets Supervision & Administration Commission of the People’s Government of Beijing Municipality in Jing Guo Zi [2010] No.207. The Company, originally known as Beijing Automotive Industrial Company, was established in 1973 as an enterprise owned by the whole people with the approval of the Beijing Administration for Industry & Commerce. On 15 May 1995, approved by the Beijing Municipal Bureau of Finance and the State-owned Assets Supervision & Administration Commission of the People’s Government of Beijing Municipality in Jing Guo Zi Gong (1995) No. 208, the Company officially established (北京汽車工業集團和北京汽車工業集團總公司) Beijing Automotive Industrial Group and Beijing Automotive Industry Corporation, thereby becoming an authorised operator of State-owned assets. In 2010, the Company was approved to set up Beijing Automotive Industry Holding Co., Ltd by the People’s Government of Beijing Municipality. In 2011, The Company changed its registered capital to RMB4,549,332,035, which was verified and registered in the change of state owned property rights by (北京正瑞華會計師事務所有限責任公司) Beijing Zhengruihua Accounting Firm Co. Ltd. with the issuance of capital verification report *Zheng Rui Hua Yan Zi [2011] No. 2013*. On 20 November 2013, the Company was reissued a business license with registration *No.110000005034385*, changed its domicile of incorporation to No. 99, Shuanghe Street, Shunyi District, Beijing; Legal Representative: Xu Heyi; Type of Enterprise: Limited Liability Company (solely State-owned).

For details of subsidiaries of the Company please see Note 7.

The Company’s business scope mainly encompasses the management of authorised State-owned property; investment and investment management; automobile manufacturing and distribution; manufacturing and distribution of agricultural machinery, agricultural vehicles, motorcycles, internal combustion engines and auto parts; the import and export trade of automobiles and auto parts; technological development, services, and consultation; information consultancy service (intermediary service not included); device installation; and real estate development and distribution. The major business operations of the Company include automobile manufacture and distribution, auto parts manufacture and distribution, and automobile service trade.

In accordance with Jing Guo Zi [2009] No. 70 issued by the State-owned Assets Supervision & Administration Commission of the People’s Government of Beijing Municipality, the Commission brought the Company under the supervision of Beijing State-owned Capital Operation & Management Center on 31 March 2009.

2. The basis for preparation of financial statements

The financial statements are prepared in accordance with the “**Accounting Standards for Business Enterprises – Basic Standards**” issued by the Ministry of Finance in February 2006 and 38 specific accounting standards and their application guidelines, interpretations and other relevant requirements issued subsequently (collectively referred to as “**Accounting Standards for Business Enterprises**”).

The financial statements of the Company have been prepared on going concern basis.

The Company follows the accrual basis of accounting. The financial statements are prepared under the historical cost convention except for certain financial instruments. If impaired, the assets shall be provided for impairment in accordance with the relevant regulations.

3. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements present fairly and fully the financial position of the Company as of 31 December 2013, and its results of operations and cash flows of the Company and consolidation for the year then ended are in accordance with Accounting Standards for Business Enterprises.

4. Principal accounting policies and accounting estimates

(1). Accounting period

The Company's accounting year starts on 1 January and ends on 31 December.

(2). Reporting currency

The Group's functional and reporting currency is the Renminbi ("RMB").

Each entity in the Group determines its own functional currency in accordance with the operating circumstances. At the end of the reporting period, the foreign currency financial statements are translated into the reporting currency of the Company of RMB.

(3). Basis of accounting and measurement basis

The Company uses the accrual method as its basis of accounting. The Company adopts historical cost as its measurement principle except for some financial tools.

(4). Foreign currency transactions and foreign currency translation

1) Foreign currency transactions

Transactions in foreign currencies are translated into RMB at the spot exchange rates or the approximate exchange rate stipulated by the People's Bank of China prevailing on the day when transactions occur.

Foreign currency monetary items are translated using the spot exchange rate quoted by the People's Bank of China at the balance sheet date. The exchange gains or losses arising from occurrence of transactions and exchange of currencies, except for those relating to foreign currency borrowings specifically for construction and acquisition of fixed assets capitalised, are dealt with in the profit and loss accounts. Non-monetary foreign currency items measured at historical cost remain to be translated at the spot exchange rate prevailing on the transaction date, and the amount denominated in the functional currency should not be changed. Non-monetary foreign currency items measured at fair value should be translated at the spot exchange rate prevailing on the date when the fair values are determined. The exchange difference thus resulted should be charged to the current income or capital surplus account of the current period.

2) Translation of financial statements presented in foreign currency

At the end of period for translation of the foreign currency financial statements prepared by the overseas subsidiaries assets and liabilities in the balance sheet are translated into RMB using the spot exchange rates at the balance sheet date. Owners' equity items except "**undistributed profits**" are translated using the spot exchanges rates at the dates when the transactions occurred.

Income and expenses in the income statement are translated into RMB at an average exchange rate during the accounting period.

All items in the cash flow statement are translated at an exchange rate that is determined based on a systematic and reasonable method and approximate to the spot exchange rate prevailing on the dates when the cash flows took place. The effect on cash arising from the exchange rate differences is presented separately in the cash flow statement under "**Exchange rate on the influence of cash and cash equivalents**" as a balancing item.

Difference arising from translation of financial statements is presented separately as "**foreign currency financial statements translation differences**" under owners' equity in the balance sheet.

When disposing overseas business and losing the control power, the Company shall transfer the whole or the corresponding proportion of the foreign currency translation differences, which are related to foreign operations and presented under owners' equity in the balance sheet, to the current period's profit or loss.

(5). Cash and cash equivalents

Cash includes cash on hand and deposits that can be used for payment at any time. Cash equivalents refer to short-term, highly-liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(6). Financial instruments

Financial instruments refer to any contract that gives rise to a financial asset of the Company and a financial liability or equity instrument of other entities.

1) Recognition and derecognition of financial instruments

The Company should recognise a financial asset or financial liability on the balance sheet when it becomes a party to the contractual provisions of a financial instrument.

A financial asset is derecognized when one of the following criteria is met:

- A. the contractual rights to the cash flows from the financial asset expire; or
- B. the Company transfers the financial asset and the transfer qualifies under the criteria for the derecognition of financial assets prescribed by *transfer of financial assets* as stated below.

The Company should derecognize a financial liability or part of a financial liability when the present obligation associated with the financial liability ceases or partly ceases. When the Company (debtor) signing new agreements with the debtee, by which the new financial debts replaces the existing ones and there are material differences between the contracts articles, the Company shall derecognize the current financial debts and recognise the new ones.

Financial assets which are bought and sold in common ways, should be recognised and derecognized according to the trading dates.

2) Classification and measurement of financial assets

The Company classified its financial assets on initial recognition into the following four categories:

- A. financial assets at fair value through profit or loss;
- B. held-to-maturity investments;
- C. loans and receivables; and
- D. available-for-sale financial assets.

Financial assets are measured at fair value upon initial recognition. In the case of financial assets at fair value through profit or loss, associated transaction costs should be included in profit or loss for the current period when incurred. In the case of other categories of financial assets, associated transaction costs should be included in the amount recognised initially.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include trading financial assets and financial assets designated upon initial recognition as at fair value through profit or loss. Trading financial assets include financial assets that are acquired and held principally for the purpose of selling in the near term and derivative financial instruments. This category of financial assets should be carried at fair value subsequent to initial recognition and all the realized and unrealized gains and losses should be recognised in profit or loss for the current period.

Held-to-maturity investment

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity whereby the Company has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured subsequently at amortised cost using the effective interest method, and gains or losses arising from the derecognition, impairment or amortisation thereof should be recognised in profit or loss for the current period.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, including accounts receivable and other receivables. (Note 4.7)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated upon initial recognition as available-for-sale or financial assets that are not classified as the above categories. Available-for-sale financial assets are subsequently measured at fair value. Premium or discount is amortised using effective interest method and recognised as interest income. Except impairment losses and exchange differences on foreign currency monetary financial assets that are recognised in profit or loss for the current period, variation in fair value of available-for-sale financial assets are recognised separately under Capital Surplus. When the financial assets are derecognized or impairment takes place cumulative gains or losses previously recorded under Capital Surplus are taken into profit or loss for the period. Dividends or interest incomes associated with available-for-sale financial assets are recognised in profit or loss for the period.

3) Classification and measurement of financial liabilities

The Company classified its financial liabilities on initial recognition into the following two categories:

- A. financial liabilities at fair value through profit or loss; and
- B. other financial liabilities

In case of financial liabilities that are not classified as at fair value through profit or loss the associated transaction costs should be included in the amount recognised initially.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include trading financial liabilities and financial liabilities designated upon initial recognition as at fair value through profit or loss. This category of financial liabilities should be subsequently measured at fair value and all the realized and unrealized gains and losses should be recognised in profit or loss for the current period.

Other financial liabilities

The derivative financial liabilities for which there is no quotation in the active market and whose fair value cannot be measured reliably, and the derivative financial assets which are connected with the said equity instrument and must be settled by delivering the said equity instrument shall be measured on the basis of their costs. Other financial liabilities should be measured subsequently at amortised cost using effective interest method.

4) Derivative financial instruments

Derivatives are initially recognised at fair value on the day when related contracts are signed, and are subsequently measured at fair value. Derivatives should be recognised as an asset when fair value is positive and a liability when fair value is negative.

The changes in fair value of derivatives are recognised in profit or loss for the period, unless they are designated and highly effective as hedging instruments, in

which case gains or losses arising from changes in fair value are determined based on the nature of hedging relationship and recognised in the period in which profit or loss occurs under the requirements of hedge accounting.

For mixed instruments that include embedded derivative instruments which are not recognised as the financial assets or liabilities at fair value through profit or loss, if there is no close relationship between them and the principal contracts in terms of economic features and risks and they share the same conditions with that of the embedded derivative instruments, and the independent instrument meets the requirements of the definition of derivative instruments, the Company shall separate the derivative instruments from the mixed instrument and treated as an independent derivative instruments.

5) Fair value of financial instruments

When there is an active market for a financial asset or financial liability its fair value should be determined at the quoted price in the active market.

When there is no active market for a financial instrument its fair value should be determined by the Company using valuation techniques such as using recent arm's length market transactions between knowledgeable, willing parties, referring to the current fair value of another financial instrument that is substantially the same, the discounted cash flow method and the option pricing models.

The Company chooses value appraisal techniques which are generally acknowledged by market participants and have been proved as reliable by past actual transaction prices of the market. When determining the fair value of a financial asset by adopting value appraisal techniques, the Company shall adopt, if possible, all the market parameters that are taken into account by market participants in pricing financial instruments, and test the effectiveness of the said value appraisal techniques.

6) Impairment of Financial Assets

The Company assesses the carrying amount of financial assets at each balance sheet date except financial assets at fair value through profit or loss. Where there is objective evidence that a financial asset is impaired, an impairment provision should be made. Objective evidence of impairment is an event(s) that actually occurs after the initial recognition of the financial asset and the event(s) has an impact on the estimated future cash flows of the financial asset that can be reliably measured by the Company.

Financial assets measured at amortised cost

Where there is objective evidence that a financial asset is impaired, the carrying amount of the financial asset should be reduced to its present value of the expected future cash flows (excluding future credit losses that have not been incurred); the amount of reduction is recognised as the asset's impairment loss in profit or loss for the period. The expected future cash flows should be discounted at the financial asset's original effective interest rate, taking into account the price of related collateral.

The Company should carry out the impairment test for financial assets that are individually significant. If objective evidence of impairment exists the Company should recognise impairment loss in profit or loss. For financial assets that are not individually significant they should be included in a group of financial assets with similar credit risk characteristics and assessed for impairment collectively. If impairment has not been incurred for an individually assessed financial asset, including financial assets that are and are not individually significant, the Company should include the financial asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Financial assets that are individually assessed for impairment, for which an impairment loss is recognised should not be included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment.

If, subsequently, there is objective evidence for the recoverability of recognised impairment loss and the recoverability can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss should be reversed and recognised in profit or loss for the current period. However the carrying amount of the financial asset after the reversal should not exceed what the amortised cost would have been at the date of reversal had the impairment not been recognised.

Available-for-sale financial assets

Where there is objective evidence that a financial asset is impaired, the cumulative loss that had been recognised directly in owners' equity under Capital Surplus (other capital surplus) as a result of decline in fair value of the asset should be removed from owners' equity and recognised in profit or loss for the period. The amount of the cumulative loss that is removed from owners' equity should be the difference between its (a) initial acquisition costs, net of any principle repayment and amortised amount, and (b) current fair value, less any impairment loss on that financial asset that has been previously recognised in profit or loss.

For available-for-sale liability instruments for which impairment loss was recognised, if in a subsequent accounting period its fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the previously recognised impairment loss should be reversed with the amount of the reversal recognised in profit or loss for the current period. Impairment losses recognised in profit or loss for investment in available-for-sale equity instruments should not be reversed through profit or loss.

Financial assets measured at cost

Where an equity instrument investment for which there is no quoted price in the active market and whose fair value cannot be reliably measured, or a derivative financial asset which is connected with the equity instrument and which must be settled by delivering the equity instrument, suffers from any impairment, the gap between the carrying amount of the equity instrument investment or the derivative financial asset and the current value of the future cash flow of similar financial assets capitalised according to the returns ratio of the market at the

same time shall be recognised as impairment-related losses and be recorded into the profits and losses of the current period. The recognised impairment losses should not be reversed.

7) Transfer of a financial asset

Transfer of financial assets refers to when the Company (the transferor) transfers or delivers a financial asset to a party (the transferee) other than the issuer of the financial asset.

When the Company transfers substantially all the risks and rewards of ownership of a financial asset to the transferee, the financial asset should be derecognized. When the Company retains substantially all the risks and rewards of ownership of a financial asset, the Company should continue to recognise the financial asset.

When, in the transfer, the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Company should determine whether it has retained control of the financial asset as follows: If the Company has not retained control, it should derecognize the financial asset, and recognise the associated asset and liability. If the Company retains control, it should continue to recognise the financial asset to the extent of its continuing involvement in the financial asset and recognise the associated liabilities.

8) Entrusted Loan

The Company calculates and determines interest receivable based on the entrusted loan contract principal and contract nominal interest rate at the balance sheet date, calculates and determines the return on investment based on the amortised cost and actual interest rate (adopt nominal interest rate when the difference between real interest rate and nominal interest rate is insignificant, and the same below) of the entrusted loan, the difference is charged to the entrusted loan (interest adjustment).

The Company conducted a comprehensive inspection on the entrusted loan which indicates an existence of impairment, if there is evidence that the book value of entrusted loan is higher than the recoverable amount, the difference is charged to the provision for asset impairment loss; interest income determines from the amortised cost of entrusted loan and actual interest rate is recognised as investment income, and a deduction of the provision for entrusted loan impairment loss, meanwhile, the interest receivable which is calculated and determined from the contractual principal and contractual nominal interest rate is registered off-balance-sheet.

(7). Receivables

Receivables include accounts receivables and other receivables

1) Individually significant receivable and provision for bad and doubtful debts individually

Criteria of individually significant receivables: the carrying amount of accounts receivables of over RMB20 million (including 20 million) are recognised as individually significant receivable.

Measurement of individually recognised bad and doubtful debts provision of individually significant receivables: Receivables that are individually significant are subject to separate impairment assessment, if there is objective evidence that the impairment occurred, recognise the provision for bad and doubtful debts according to the difference between the present value of future cash flows, which is lower, and the carrying amount.

If impairment of financial asset tested individually is not established, recognise the provision of bad and doubtful debts in combination.

- 2) Individually insignificant receivables but provision for bad and doubtful debts individually

<u>Reasons for provision individually</u>	<u>Litigation funds, deterioration of customer credit receivables</u>	
Method of provision	Recognise the provision for bad and doubtful debts according to the difference between the present value of future cash flows, which is lower, and the carrying amount.	
組合類型	確定組合的依據	按組合計提壞賬準備的計提方法
組合 1	賬齡狀態	賬齡分析法
組合 2	合資品牌業務應收款項	個別認定法

- 3) Receivables with provision for bad and doubtful debts collectively

If receivables which are not impaired in individual test (including individually significant and insignificant receivables) and individually insignificant receivables which are not individually tested, recognise the provision for bad and doubtful debts according to the following credit risk combination.

<u>Type of group</u>	<u>Basis of group</u>	<u>Method of provision for bad and doubtful debts collectively</u>
Group 1	Aging state	Aging analysis method
Group 2	Receivables for joint-venture brands	Individually significant

- A. For group of aging, the rate of provision for bad and doubtful debts in ageing analysis method is as follows:

<u>Aging</u>	<u>Percentage of provision for accounts receivable %</u>	<u>Percentage of provision for other receivables %</u>
With 12 months	0-5.-	0-5-
1-2 years	5-10.	5-10
2-3 years	15-30	15-30
3-4 years	25-50	25-50
4-5 years	50-80	50-80
More than 5 years	100	100

When one of the following conditions occurs, according to the prescribed procedures approved recognised account receivable as bad debts, write off provision for bad debts.

- A. debtor in accordance with the law declared bankrupt, revoked, obtains declaration of bankruptcy, proof of license cancellation or government's close down order file and other relevant information, after deducting the settlement of property settled part of the debtor, the remaining amount that cannot be received recognised as bad debts;
- B. death of the debtor or in accordance with the law the debtor has been declared missing, death, the property or estate is insufficient to repay and there is no heir of the receivables, after obtain the relevant legal documents, charge the receivables to bad debts;
- C. receivables that involved in litigation, entry into people's court verdict, judge orders, ruled loss, or winning the lawsuit but unable to perform and ruled to suspend enforcement, recognised as bad debts;
- D. three years past due receivables, collection consultation records in accordance with the law, and be able to confirm that three years does not have any business contact, deduct the balance of various amounts of the debtor and the compensation of the responsible persons responsible, recognised as bad debt;
- E. three years past due receivables, the debtor in overseas and Hong Kong, Macao, Taiwan region, according to the law collection has not yet recovered, and in three years does not have any business contact, after receive the termination of receivable submissions issued by outside agency or proof that the debtor flee or bankruptcy from China's embassies (consulate) business institutions, recognised as bad debt; and
- F. over an extended period of time, the debtor do not pay the due debts, and there is sufficient evidence states that the receivable cannot be recovered or possibility to recover the receivable is rare.

(8). Inventories

1). Classification of inventory

Inventories comprise mainly raw material, consigned processing materials, work-in progress, and low-value consumables, finished goods, goods on instalment sales and delivered goods etc.

2). Determination and amortisation of cost

The company applies the perpetual inventory system. Inventories acquire at the actual costs. Materials are stated at planned cost, and variances between the planned cost and actual cost are stated through material-cost-variance account and calculate the cost variances attributed to the dispatched inventories on a regular basis in order to state the inventories at the actual costs at the end of accounting period. The Company uses one-off amortisation method when low-value consumables are received for use; and reuseful packaging is recognised in cost in accordance with the expected number of use.

3). Provision for decline in value of inventories

If the cost of closing inventory of the Company exceeds its net realisable value, recognise provision for decline in value of inventories. The Company usually recognise provision for decline in value of inventories by a single inventory item, period, if the factors of value of inventory previously written-down have disappeared, reverse provision for decline in value of inventories in the amount originally made.

4). Recognition of the net realisable value

Net realisable value is based on the estimated selling price deducting the estimated costs to be incurred when completed, the estimated selling expenses and related taxes amount. The Company shall confirm the net realisable value of inventories on the ground of reliable evidence obtained, taking into consideration of the purpose for holding inventories and the effects of events occurring after the date of the balance sheet.

(9). Long-term equity investments

1) Recognition of Long-term Equity Investments

Long-term equity Investments of the Company are measured at initial cost upon acquisition. The initial cost of a long-term equity investment generally includes assets paid, liabilities incurred or assumed and the fair value of equity securities issued for acquisition of the investment, including directly related expenses. But for long-term equity investment caused from business combination under the common control, the initial investment cost is the absorbing party's share of the carrying amount of the owners' equity of the party being absorbed at the date of combination.

2) Subsequent measurement of long-term equity investment

Where the Company does not have joint control or significant influence over the investee, the investment is not quoted in an active market and its fair value cannot be reliably measured, a long-term equity investment is accounted for using the cost method. Where the Company can exercise joint control or significant influence over the investee, a long-term equity investment is accounted for using the equity method.

A long-term equity investment where the Company can exercise control over the investee is accounted for using the cost method. For long-term equity investments accounted for in the cost method, except for payments made actually from the investments or cash dividends or profits contained in the consideration which have been declared but not yet paid, the cash dividends or profits which have been declared distribution by investees are recognised and recorded in the current profit or loss as investment gains.

Under the equity method, if the initial cost of a long-term equity investment is greater than the investor's attributable share of the fair values of the net identifiable assets of the investee enterprise at the acquisition date, no adjustment is made to the initial investment cost. If the initial cost of a long-term equity investment is less than the investor's attributable share of the fair value of the net

identifiable assets of the investee enterprise at the acquisition date, the difference is charged to profit or loss for the current period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, investment income or loss represents the Company's share of the net profits or losses made by the investee for the current period. The Company recognizes in its share of the investee's net profits or losses based on the fair values of the investee's individual separately identifiable assets at the acquisition date, after making appropriate adjustments thereto in conformity with the accounting policies and accounting periods of the Company.

The part of profits or losses arising from internal transactions between the Company and an associate or joint venture that is attributable to the Company according to its share proportion in the investee enterprise should be eliminated, and on this basis the investment gains or losses should be recognised.

For a long-term equity investment in an associate or joint venture held prior to 1 January 2007, if an equity investment debit balance associated with the investment exists, the amount amortised on a straight-line basis during the remaining period is recognised in profit or loss for the current period.

3) Basis for recognition of joint control or significant impact on investees

The term “**joint control**” refers to the contractually agreed sharing of control over an economic activity. The joint control cannot exist without the unanimous consent of the investors who share the control, and unanimous consent is required when making important financial and operating decisions that relate to the above-mentioned economic activity. The term “**control**” refers to the power to govern the financial and/or operating decisions of an enterprise, to obtain benefits from its business activities. Significant impact refers to the power of participating in making decisions for an enterprise's financial and operating policies, but unable to control or jointly with other parties to control formulation of these policies. When ascertaining whether or not it is able to control or have significant influences on an invested entity, the Company shall take into consideration the invested enterprises' current convertible corporate bonds and current executable warrants held by the investing enterprise and other parties, as well as other potential factors concerning the voting rights.

If the Company holds more than 20 per cent. (including 20 per cent.) but lower than 50 per cent. of ownership interest but does not exercise significant influence over an investee, and the equity investments are accounted for using the cost method, the reason why significant influence is not exercised should be specified. If the Company holds less than 20 per cent. (not including 20 per cent.) of ownership interest but exercise significant influence over an investee, and the equity investments are accounted for using the equity method, the reason why significant influence is exercised should be specified.

4) Conversion between different accountings for long-term equity investment

From the cost method to equity method

For a long-term equity investment that adopted the cost method before, which was the investment of enterprise that does not conduct joint control or does not

have significant influences on the invested entity, and has no offer in the active market and its fair value cannot be reliably measured, the Company then becomes able to conduct joint control or perform significant influences on the invested entity later due to the increase of shareholding proportion caused by further investment, its accounting method should convert to equity method. And the follow-up adjustment should be applied, employing the equity method to the initial shares of long-term investment from the primary date.

When the decline from the prior control power for the invested enterprises to significant influence or joint control with other investors occurred due to the disposal of the investment, the recognition of the related proportion of the investment cost should be terminated and carried forward. Then, the remaining proportion of long-term equity investment should be adjusted using the equity method from the beginning.

After the transition, the Company should recognise the investment profits or losses in accordance with the attributable share of the net profits or losses of the invested entity and the change of owner's equity, in the following period.

From the equity method to cost method

The transition from joint-ventures or associates investment to subsidiaries, due to the additional investment input, if it accords with provisions of Accounting Standards for Enterprises No. 20, Business Combinations Under the Different Controls, the initial investment cost should be recorded as the total of the book value of the equity investment held before the date of merger and the additional investment on the date of merger; if the situation fits the standards of Business Combinations Under the Same Control, corresponding treatments should be conducted.

For a long-term equity investment for which there is no offer in the active market and of which the fair value cannot be reliably measured, if the investing enterprise has not joint control or significant influence over the invested entity any more as a result of the decrease of investment, the cost method shall be employed in the measurement, and the book value of the long-term equity investment employing the equity method shall be regarded as the initial investment cost to be measured by employing the cost method.

5) Impairment testing method and impairment provision

Please refer to Note 4 (17) for the impairment method of investment on subsidiaries, joint venture and associated enterprises.

The long-term equity investment of the investing enterprise that does not do joint control or does not have significant influences on the invested entity, and has no offer in the active market and its fair value cannot be reliably measured, the impairment method is detailed in Note. 4.6.(6).

6) Disposal of long-term equity investment

When disposing of long-term equity investment, the difference between book value and the actual purchase price is recognised as profit or loss. For long-term equity investment accounted for using equity method, the portion of change in its

appropriate interest in the investee entity that does not arise from the investee entity's net profit or loss, is recognised directly in the owners' equity. Upon disposal of that investment, the corresponding amount that was previously recognised directly in owners' equity shall be transferred to profit or loss

(10). Investment property

Investment property is a property held to earn rentals or for capital appreciation or both, comprising a land use right that is leased out, land use right that is held for transferring when the value increases and a building that is leased out.

The Company's investment property is initially measured at acquisition cost, and is depreciated or amortised on schedule in accordance with the relevant rules of fixed assets or intangible assets.

Refer to note IV, 23 for asset impairment method of investment property subsequently measured using the cost model.

The difference between disposal consideration from sale, transferred, retirement or disposal of investment property and book value plus relevant tax of the investment property should be included into the profit or loss of the current period.

(11). Fixed assets and depreciation

1) Recognition of fixed assets

Fixed assets refer to tangible assets that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and have a useful life of more than one year.

An item of fixed asset should be recognised if, and only if:

- A. it is probable that future economic benefits associated with the asset will flow to the Company, and
- B. the cost of the asset can be measured reliably.

Fixed assets are initially measured at actual costs of acquisition.

2) Classification of fixed assets and depreciation policy

Depreciation of fixed assets is charged based on the straight-line method. Depreciation of a fixed assets starts when the fixed asset reaches the expected usable conditions and ceases when the fixed asset is derecognised or reclassified as non-current asset being held for sale. Without taking into account impairment provision the annual depreciation rates are determined as follows for each category of fixed assets based on their category, expected useful life and estimated residual value:

Category	Useful years	Residual rate %	Annual depreciation rate %
Houses & buildings	20	3-5	4.75-4.85
Machinery & equipment	7-10	0-5	9.50-14.29
Transportation vehicles	3-10	0-5	9.50-33.33
Electronics	3	0-5	31.67-33.33
Office equipments	3-5	3-5	19.00-32.33
Others	4-10	0-5	9.50-24.25

When impairment provision has been made for a fixed asset its depreciation rate should be calculated after deducting the accumulated amount of impairment provision.

- 3) The impairment testing methods and impairment provision methods for fixed assets are stated in Note 4 (17).
- 4) Recognition principles and measurement methods of leased fixed assets

Where a leased fixed asset satisfies one or more of the following criteria, it shall be recognised as finance leased fixed asset:

- (1) The ownership of the leased asset is transferred to the Company when the term of lease expires;
- (2) The Company has the option to buy the leased asset at a price which is expected to be far lower than the fair value of the leased asset at the date when the option becomes exercisable. Thus, on the lease beginning date, it can be reasonably determined that the option will be exercised;
- (3) Even if the ownership of the asset is not transferred, the lease term covers the major part of the use life of the leased asset;
- (4) In the case of the lessee, the present value of the Company's minimum lease payments on the lease beginning date amounts to substantially all of the fair value of the leased asset on the lease beginning date; and
- (5) The leased assets are of a specialised nature that only the Company can use them without making major modifications.

On the lease beginning date, the Company shall record the lower one of the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date as the entering value in an account, recognise the amount of the minimum lease payments as the entering value in an account of long-term account payable, and treat the balance between the recorded amount of the leased asset and the long-term account payable as unrecognised financing charges. The initial direct costs such as commissions, attorney's fees and travelling expenses, stamp duties directly attributable to the leased item incurred during the process of lease negotiating and signing the leasing agreement shall be recorded in the asset value of the current period. The unrecognised financing charge shall be amortised to each period during the lease term, using the effective interest rate method to calculate and recognise the financing charge in the current period.

In calculating the depreciation of a leased asset the lessee should adopt a depreciation policy for leased assets consistent with that for depreciable assets which are owned by the lessee. Fixed assets under finance lease should be depreciated over the remaining useful life if there is reasonable certainty that the Company is to obtain ownership of the leased asset by the end of the lease term. If there is no reasonable certainty that the Company is to obtain ownership of the leased asset by the end of the lease term the asset should be depreciated over the shorter of the lease term and its remaining useful life.

- 5) At each financial year-end the Company reviews the useful lives, estimated net residual value and depreciation methods for fixed assets. The useful life of a fixed asset should be adjusted if expectations differ from previous estimates. The estimated net residual value should be adjusted if expectations differ from previous estimates.
- 6) Overhaul expenditure incurred during regular inspection of fixed assets should be recognised in the carrying amount of the asset when there is clear evidence that it meets the recognition principle requirements of fixed assets. Expenditure that does not meet the recognition principle should be recognised in profit or loss for the current period.

(12). Construction in progress

The cost of construction in progress should be determined at the actual expenditures incurred for the construction including all construction expenditures necessarily incurred during the construction period, borrowing costs that should be capitalised before the construction reaches its expected usable conditions and other related expenses.

Construction in progress should be transferred to fixed assets when it reaches its expected usable conditions.

For provision for impairment of construction in progress, refer to note 4(17).

(13). Borrowing costs

1) Capitalisation of borrowing costs:

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset should be capitalised as part of the cost of the asset. Other borrowing costs should be recognised as an expense in the period in which they are incurred. Borrowing costs should be capitalised only if all of the three conditions are satisfied:

- A. Expenditures for the asset are being incurred, including expenditures incurred in the form of cash disbursement, transfer of non-monetary assets or assuming interest-bearing liabilities for acquisition, construction or production of a qualifying asset;
- B. Borrowing costs are being incurred; and
- C. Acquisition, construction and production activities necessary to prepare the asset for its intended use or sale have commenced.

2) Capitalisation periods of borrowing costs

Capitalisation of borrowing costs should cease when the qualifying asset being acquired, constructed or produced has reached its expected usable or sellable conditions. Borrowing costs incurred after the qualifying asset reaches its expected usable or sellable conditions should be recognised as an expense in the period in which they are incurred.

Capitalisation of borrowing costs should be suspended when the acquisition, construction or production of a qualifying asset is abnormally interrupted for a consecutive period of more than three months. Capitalisation of borrowing costs should continue if the interruption is regarded as normal.

(14). Intangible assets

Intangible assets of the Company include land use rights, intellectual property rights, patents, softwares, non-patent techniques and customer relations etc.

Intangible assets are initially measured at cost. The Company should assess whether the useful life of an intangible asset is finite or indefinite upon acquisition of the asset. An intangible asset with a finite useful life should be amortised over its estimated useful life using an amortisation method that can reflect the expected consumption pattern of the economic benefits associated with the asset, commencing from the time when the intangible asset is available for use. When the expected consumption pattern cannot be determined reliably the asset should be amortised based on a straight-line method. An intangible asset with an indefinite useful life should not be amortised.

At each financial year-end the Company reviews the useful lives of intangible assets with finite useful lives and the amortisation methods thereof. The useful lives and amortisation methods should be changed accordingly if expectations differ from previous estimates and the change should be accounted for as a change in an accounting estimate.

If at period end an intangible asset is no longer expected to be able to generate any future economic benefits that flow to the Company the carrying amount of the intangible asset should be charged completely to profit or loss for the period.

Impairment methods for intangible assets are stated in Note 4 (17).

(15). Research and development expenses

Expenditure on internal research and development projects should be distinguished into expenditure on the research phase and expenditure on the development phase.

Expenditure on the research phase should be recognised as an expense when it is incurred.

Expenditure on the development phase is capitalised only if it meets all of the following criteria.

- A. Technical feasibility – it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- B. Intention to complete – the Company has the intention to complete the intangible asset to use or sell it;
- C. Market feasibility – how the intangible asset will generate future economic benefits. It can be demonstrated that there is a market for the output of the intangible asset or the intangible asset itself. If the intangible asset is to be used internally the usefulness of the intangible asset can be demonstrated;

- D. Financial feasibility – Adequate technical, financial or other resources are available to complete the development of the intangible asset, and the Company has the ability to use or sell the intangible asset; and
- E. Expenditure reliably measured – the expenditure attributable to the intangible asset during the development phase can be measured reliably.

Development expenditure that cannot meet the above criteria should be recognised as expenses for the current period.

The project of the Company can only step into the development phase when the above criteria have been satisfied, and the project has been established after the technical and financial feasibility study.

Expenses on development phase that have been capitalised are presented as R&D expense at the balance sheet, and should be transferred into intangible assets when the project has reached its expected state.

(16). Amortisation of long-term prepaid expense

The long-term prepaid expenses of the Company include the improvement expense, lease fees, remodelling fees and land use charges and etc.

Long-term prepaid expenses of the Company is recorded at actual cost and amortised evenly over their expected beneficial periods. For long-term prepaid expenses that cannot bring benefit to the Company in the subsequent accounting periods the amortised value of the expenses should be charged completely to profits and losses for current period.

(17). Impairment of assets

Impairment of assets other than inventories, investment properties that are measured by adopting the fair value model, deferred tax assets and financial assets, should be determined according to the following.

On each balance sheet date, the Company shall assess whether there is any indication that an asset may be impaired. If and when an asset registers fair or productive value that is lower than the book value, the Company shall estimate the recoverable amount of it and carry out an impairment test. For goodwill acquired in a business combination, be it an intangible asset with an indefinite useful life or one that is beyond repair or does not reach the serviceable condition, assessment for impairment is mandatory in the interests of financial prudence, transparency and better disclosure and the exercise shall be undertaken annually whether or not there is any indication of impairment.

An asset's net fair value less costs of disposal or present value of the expected future cash flows, whichever is higher, shall be considered as the recoverable amount. In other words, recoverable amount is equal to the higher of fair value less costs to sell and value in use. The Company measures the recoverable amount on the basis of an individual asset; when it is difficult to estimate the recoverable amount for such an individual asset, the recoverable amount shall be marked for a cash-generating unit to which the asset belongs. The identification of a cash-generating unit is determined by whether principal cash inflows from an asset or a group of assets are independent of those from other assets or group of assets.

When the recoverable amount of an asset or a cash-generating unit is less than its carrying amount, i.e. as reflected in the account books, the Company will reduce the carrying amount of the asset or unit to its recoverable amount. The depreciated value is duly shown in the profit and loss account and provision for impairment of assets is made accordingly.

For the purpose of impairment testing for goodwill, the carrying amount of goodwill acquired in a business combination shall, from the acquisition date, be allocated on a reasonable basis to each of the related cash-generating units. When it is not possible to do so, the carrying amount of goodwill shall be allocated to the related groups of units. Related units or groups of units are those that are able to benefit from the synergies of the combination and shall not be larger than a reporting segment determined by the Company.

For testing cash-generating units with goodwill for impairment, if any indication of impairment exists for the cash-generating units or groups of units related to the goodwill, firstly impairment test of the related units or groups of units excluding goodwill shall be carried out, recoverable amount shall be calculated and relevant impairment loss shall be recognised. Then impairment test of the related units or groups of units including goodwill shall be carried out, the carrying amount and the recoverable amount shall be compared and impairment loss shall be recognised if the recoverable amount is lower than the carrying amount.

Asset impairment, once recognised, shall not be reversed in subsequent accounting periods.

(18). Employee compensation

Employee compensation refers to remuneration and other related payments offered by the Company for services rendered by employees. It mainly includes wages and salaries, bonuses, allowances, subsidies, social security payments including contributory provident fund, pension and housing schemes, labour union outgo, employee education expenses, non-monetary welfare, severance package and sundry other expenditures related to acquiring services provided by employees.

During the accounting period in which the Company acquires services of the employee, it treats the employee compensation payable as liabilities.

The Company subscribes to the social security system established and regulated by government agencies, covering, among others, basic allowances, medical insurance and housing fund, and the corresponding expenditure will be recorded in the relevant cost of asset or current profits and losses account.

In circumstances when the Company severs the relationship with any employee during the life of the relevant labour contract or introduces any voluntary retirement scheme or compensation proposal for the purpose of encouraging the employee to accept a mutually agreed layoff, and at the same time, for inexplicable reasons it is unable to unilaterally withdraw the scheme on the severance of labour relationship or the layoff proposal, provisions due to compensation for the severance of labour relationship with employees are reflected in the profits and losses account for the current period. For severance package where the payment period lasts longer than one year, it shall be calculated based on the discounted amount.

(19). Bonds payable

The Company conducts initial measurement of the issued bonds based on fair value net of related transaction costs, and subsequently measured at amortised cost using the effective interest method during the maturity date.

Interest expenses are directly recorded into current profit or loss, except in certain situation where they meet the requirements of borrowing expense costs capitalisation.

(20). Foreseeable liabilities

An obligation related to a contingency is recognised as a provision when all of the following conditions are satisfied: (1) the obligation is a present obligation of the Company; (2) it is probable that an outflow of economic benefits will be required to settle the obligation; and (3) the amount of the obligation can be measured reliably.

The estimated debts shall be initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation, considering the risks, uncertainty, time value of money, and other factors pertinent to the contingencies. If the time value of money is of great significance, the best estimate shall be determined after discounting the relevant future outflow of cash. The Company should check the book value of the estimated debts on the balance sheet date. If there is any exact evidence indicating that the book value cannot really reflect the current best estimate, the Company shall adjust the book value in accordance with the current best estimate.

Where all or some of the expenditure required settling a provision is expected to be reimbursed by a third party, the reimbursement is recognised as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognised for the reimbursement does not exceed the carrying amount of the provision.

(21). Revenue recognition

1) Sale of goods

Revenue from the sale of goods should be recognised when all the following conditions have been satisfied:

- A. the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- B. the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- C. Related payments are received or supporting documents for cash collection exist; and
- D. The costs incurred or to be incurred in respect of the transaction can be measured reliably.

2) Rendering of services

When the outcome of a transaction involving the rendering of service can be estimated reliably the service revenue should be recognised based on a percentage-of-completion method at the balance sheet date.

The Company ascertains the schedule of completion under the transaction concerning the providing of labour services by calculating the proportion of the costs incurred against the estimated total costs.

The outcome of a transaction concerning the providing of labour services can be measured in a reliable way, means that the following conditions shall be met simultaneously:

- ① The amount of revenue can be measured in a reliable way;
- ② The relevant economic benefits are likely to flow into the enterprise;
- ③ The schedule of completion under the transaction can be confirmed in a reliable way; and
- ④ The costs incurred or to be incurred in the transaction can be measured in a reliable way.

If the Company cannot, on the date of the balance sheet, measure the result of a transaction concerning the providing of labour services in a reliable way, it shall be conducted in accordance with the following circumstances, respectively:

- ① If the cost of labour services incurred is expected to be compensated, the revenue from the providing of labour services shall be recognised in accordance with the amount of the cost of labour services incurred, and the cost of labour services shall be carried forward at the same amount; and
- ② If the cost of labour services incurred is not expected to compensate, the cost incurred should be included in the current profits and losses, and no revenue from the providing of labour services may be recognised.

3) Alienating the right to use assets

Revenue from use by others of enterprise assets should be recognised when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be measured reliably.

(22). Government grant

A government grant is recognised when the Company complies with the conditions attaching to the grant and when the Company is able to receive the grant.

If a government grant is in the form of a transfer of a monetary asset, the item is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, the item is measured at fair value. Amongst, if there is clear evidence that the Company comply with the regulations of financial support policy and can be predicted to receive the financial support fund, the Company can recognise the receivable amount; otherwise the Company should recognise the actual received amount. If fair value is not reliably determinable, the item is measured at a nominal amount of RMB1.

A government grant related to an asset is recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss over the periods in which the related costs are recognised; if the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the current period. Grants recorded in nominal amount should be directly recorded in the current profits or losses.

If it is necessary to refund any government subsidy which has been recognised, it shall be treated respectively in accordance with the circumstances as follows: a. If there is the deferred income concerned, the book balance of the deferred income shall be offset against, but the excessive part shall be included in the current profits and losses; b. If there is no deferred income concerned to the government subsidy, it shall be directly included in the current profits and losses.

(23). Leases

1). Classification of leases

A finance lease is a lease that transfers in substance all the risks and rewards incident to ownership of an asset. An operating lease is a lease other than a finance lease.

A lease meets one or more of the following criteria should be recognised as a finance lease:

- A. ownership of the asset is transferred to the lessee at the end of the lease term;
- B. the lease contains a bargain purchase option to buy the equipment at less than fair market value;
- C. the lease term is for the major part of the economic life of the asset even if little is not transferred;
- D. at the inception of the lease, the lease present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- E. the leased assets are of a specialised nature such that only the lessee can use them without major modifications being made.

2). The Company as lessee under operating lease

Lease payments under an operating lease are recognised by a lessee on a straight-line basis over the lease term, and either included in the cost of the related asset or charged to profit or loss for the current period.

The initial direct costs of the company charged to profit or loss for the current period.

The contingent rents shall be recorded in the profit or loss of the period in which they actually arise.

3). The Company as lessee under finance lease

For an asset that is held under a finance lease, at the lease commencement, the leased asset is recorded at the lower of its fair value at the lease commencement and the present value of the minimum lease payments, and the minimum lease payment is recorded as the carrying amount of the long-term payables; the difference between the recorded amount of the leased asset and the recorded amount of the payable is accounted for as unrecognized finance charge.

Initial direct costs incurred by the lessee during the process of negotiating and securing the lease agreement, for example commissions, attorney's fees and travelling expenses, stamp duties directly attributable to the leased item shall be added to the amount recognised for the leased asset.

Unrecognized finance charge shall be computed by the effective interest method during the lease term.

The net amount of minimum lease payment deducted by the unrecognized finance shall be separated into long-term liabilities and long-term liability within one year for presentation.

In calculating the depreciation of a leased asset, the lessee should adopt a depreciation policy for leased assets consistent with that for depreciable assets which are owned by the lessee. If it is reasonable to be certain that the lessee will obtain the ownership of the leased asset when the lease term expires, the leased asset shall be fully depreciated over its useful life. If it is not reasonable to be certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter one of the lease term or its useful life.

Contingent rent shall be booked into profit or loss when actually incurred.

4). The Company as lessor under operating lease

Lease income from operating leases shall be recognised by the lessor in profit or loss on a straight-line basis over the lease term.

For large amount of initial direct costs incurred, they shall be capitalised and be distributed within the same basic period as the recognised lease income period; for smaller amounts of initial direct costs, they shall be accounted in the current profit or loss when incurring.

Contingent rents are credited to profit or loss in the period in which they actually arise.

Assets leased out under operating leases included in the balance sheet items according to the nature. The depreciation of fixed assets under operating leases is accordance with the depreciation policies on the similar assets of The Company; If another basis is more systematic and rational, that basis may be used.

(24). Income tax

Income taxes include current income tax and deferred income tax. Income taxes should be recognised as income tax expenses in profit or loss for current period except for

deferred income tax associated with goodwill arising from business combination, or transactions or events that are directly recognised in owners' equity, which should be recorded under owners' equity.

Current income tax is the amount of income tax payable for current period which is calculated based on the taxable income of current period. Taxable income is the amount of before-tax accounting profit of current period, adjusted for various deductions according to tax law provisions.

A deferred income tax asset or liability is recognised based on the temporary differences between the carrying amount of an asset or a liability at the balance sheet date and its tax basis using the balance sheet liability method.

A deferred income tax liability should be recognised for all taxable temporary differences, except to the extent that the deferred income tax liability arises from the following transactions:

A deferred income tax liability should be recognised for all taxable temporary differences arising from the investments in subsidiaries, joint ventures and associates, except to the extent that both of the following conditions are satisfied: A. the Company is able to control the timing of the reversal of the temporary differences; and B. it is probable that the temporary difference will not reverse in the foreseeable future.

In respect of deductible temporary differences, the carry-forward of deductible losses and tax deductions, the Company should recognise deferred tax assets to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, the deductible losses and tax deductions can be utilised, unless the deductible temporary differences arises from the following transactions: 1) The transaction is not business combination and; 2) the time of the transaction, it neither affects accounting profit nor taxable profit.

Deferred tax assets should be recognised for all deductible temporary differences associated with investments in subsidiaries, joint ventures and associates if all of the following conditions are satisfied: it is probable that the deductible temporary difference will reverse in the foreseeable future and it is probable that taxable profit in the future will be available against which the deductible temporary difference can be utilised.

At the balance sheet date deferred income tax assets and liabilities should be measured at tax rates expected to be applied to the period when the asset is recovered or the liability is settled and the measurement of deferred income tax assets and liabilities should reflect the tax consequences that would follow from the manner in which the Company expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

At the balance sheet date, the Company shall exam the carrying amount of the deferred tax assets. If it is very likely that the Company will not obtain sufficient taxable income to offset the benefits of the deferred income tax assets in the following periods, the Company shall deduce the book amount of the deferred income tax assets. And the deduction should be reversed when sufficient taxable income is likely to be gained.

Corporate income tax shall be paid quarterly in advance and make the final settlement at the year-end.

(25). Business combination

1) Business combination under the same control

For business combinations involving enterprises under common control, except for items that are adjusted because the accounting policies applied by the absorbing party are inconsistent with those adopted by the party being absorbed, assets and liabilities that are obtained by the absorbing party in a business combination are measured at their carrying amounts at the combination date as recorded by the party being absorbed. The difference between the carrying amount of the net assets obtained (or the total face value of issued share) and the carrying amount of the consideration paid for the combination (or the aggregate par value of shares issued as consideration) should be adjusted against the capital surplus (capital stock premium/ capital premium). If the capital surplus (capital stock premium/ capital premium). is insufficient for the offset, the retained earnings should be adjusted.

The direct expenses attributable to the combination should be recorded in current profit or loss when incurring.

2) Business combination not under the same control

For business combination not under the same control, the combination costs are the fair value of assets, liabilities and equity securities that the Company paid for obtaining the control on the acquired at the acquisition date. The assets, liabilities and contingent liabilities acquired by the Company should be recognised at fair value at the acquisition date.

The direct cost for the business combination of the combining party shall, including the expenses for audit, assessment and legal services, be recorded into the profits and losses at the current period. The handling fees, commissions and other expenses for assuming liabilities or the issuance of equity securities for the business combination shall be recorded into the amount of initial measurement of the liability securities or the equity securities.

The acquirer shall recognise the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree as goodwill, its subsequent measurement shall be measured on the basis of its costs minus the accumulative impairment provisions. If, after the reexamination, the combination costs are still less than the fair value of the identifiable net assets it obtains from the acquiree, it shall record the balance into the profits and losses of the current period.

In individual financial statements, the combination costs should be the sum of the consideration paid on the date of purchase and the book value of the equity held before the date of purchase. If the shares of the acquiree held prior to the date of purchase were related to other comprehensive income, other comprehensive

income should be converted to current investment income at the date of purchase. In the consolidated financial statements, the combination costs should be the sum of the consideration paid on the date of purchase and the fair value of the equity held before the date of purchase. For the shares of the acquiree held prior to the date of purchase, the Company should re-measure the fair value at the purchase date. The difference between the fair value and book value should be added in investment gains in the current period. If the shares of the acquiree held prior to the date of purchase were related to other comprehensive income, other comprehensive income should be converted to current investment income at the date of purchase.

(26). Consolidated financial statements

A parent company shall incorporate all its subsidiaries into the consolidation scope of consolidated financial statements.

Consolidated financial statements shall be prepared by a parent company on the basis of the financial statements of the parent company and its subsidiaries and in accordance with other relevant data after the long-term equity investments of the subsidiaries are adjusted in accordance with the equity method. A parent company shall unify the accounting policies used by its subsidiaries to make them consistent with the accounting policy used by it. The influence of other internal transactions between a parent company and subsidiaries and between subsidiaries on consolidated balance sheets shall offset.

Where a parent company prepares a consolidated cash flow statement due to increase in subsidiaries caused by the merger of the enterprises under same control within the reporting period, it shall incorporate the cash flows of the subsidiary incurred from the beginning of the period of merger to the end of the accounting period into the consolidated cash flow statement.

Where a parent company prepares a consolidated cash flow statement due to increase in subsidiaries caused by the merger of the enterprises not under same control, it shall incorporate the cash flows of the subsidiary incurred from the date of purchase to the end of the reporting period into the consolidated income statement. Equity shares in subsidiaries' equity which don't belong to the Company should be presented solely as "**minority interests**" in the consolidated balance sheet. The proportion of current net profit or loss of subsidiaries attributed to minority interests should be presented as "**minority profit or loss**" in consolidated income statement. If the loss surpasses the proportion of the minority shareholders' holding at the beginning of the period, the balance should still offset against the "**minority interests**".

For transactions which involve the purchase of minority shares of subsidiaries or the disposal of some equity investments while maintaining the control power of the subsidiary, the Company treats these as equity transactions, adjusting the book value attributed to owner's equity of parent company and minority interests, in order to reflect the change of equity rights in the subsidiary. The difference between the adjusted amount of minority interests and the paid or received transactional fair value shall be recorded into capital surplus, and continue to be recorded in reserve surplus.

When the Company loses its control over the subsidiary due to the disposal of some equity investment or other reasons, the remaining shares should be recalculated according to the fair value at the occurring date; the result of the sum of the

transactional income of equity disposal and the fair value of the remaining shares, deducting the proportion of original shares in subsidiaries' net assets calculated consistently from the date of merger, should be recognised as the profit or loss for investment gains. Other comprehensive income related with the equity investment in the subsidiary should be carried forward into current profit or loss at the time of losing control.

For the package deal which dispose the equity investment of the subsidiary until losing the right of control, according to the disposal price deducting the difference between proportion in the net assets corresponding to the disposed investment, shall be recognised as Other Comprehensive Income in the consolidated statements and transfer into the current profit and loss when losing control.

5. Changes in accounting policies, estimates and error correction

(1). Changes in accounting policies

1. The main business of BAIC Hong Kong Investment Corp., Ltd., which is affiliated to the Company, is using its own intangible assets (SAAB patented technology) to provide technology licensing to Beijing Automobile Co., Ltd. and its subsidiaries and to receive technology royalties. This business is settled in Renminbi. In order to more properly reflect the financial status, operational achievement, and cash flow of the Company, with the approval of the 1st Board of Directors of BAIC Hong Kong in the 5th Interim Board Meeting in 2014, the functional currency for bookkeeping was changed from US dollar to Renminbi.

Retroactive adjustment has been made to the aforementioned changes in the accounting policy. The beginning balance of retained earnings and relevant accounts have been adjusted. The beginning balance of retained earnings of the Company was impacted by RMB 95,416,497.74.

2. In order to properly reflect the essence and substance of business, BAIC Motor Co., Ltd., Ltd., a subsidiary of the Company, changed the method of intangible assets amortisation from the output method to the straight-line method. This adjustment impacted the profit and loss of the previous fiscal year by RMB -11,858,649.42.

(2). The Changes of Accounting Estimates

None

(3). Corrections of accounting errors in prior periods

Main reasons for the rectification of major errors in prior period:

- (1) Beijing Xidan Hotel, a subsidiary of the Company's subsidiary Beijing Automotive Asset Operation and Management Co., Ltd., has contracted its daily business to a specialised hotel management company, and has no longer been aggregated. That was changed at the beginning of this period, resulting in a decrease of RMB4,731,179.61 in the owners' beginning total equity, of which the retained earnings was reduced by RMB4,731,179.61.

- (2) Beijing Kingpeng International Hi-tech Corporation, a subsidiary of the Company, was listed on the New Third Board in 2013, and iteration of financial reports was carried out in accordance with the requirement of the New Third Board. That matter affected the profits and losses for the previous fiscal year by RMB-17,770,946.26.
- (3) According to the usage of long-term loans payable and the results of the final audit of accounts for constructions in progress, BAIC Motor Co., Ltd., a subsidiary of the Company, adjusted the recognition of the interest capitalisation for constructions in progress and the current assets that should be capitalised in previous periods in the amount of pre-transfer to fixed assets. That adjustment impacted the profits and losses for the previous fiscal year by RMB12,650,468.94.
- (4) For the sake of prudence, BAIC Motor Sales Co., Ltd.(北京汽車銷售有限公司), a subsidiary of the Company, recognised the income of the trilateral financial sales business after the pledge certificate was released. That adjustment together with the subsequent unrealized internal profit offset totally impacted the profit and loss for the previous fiscal year by RMB-9,681,807.8.
- (5) In 2010, Beijing Electric Vehicle Co. Ltd, a subsidiary of the Company, was awarded the “**Project of Research and Development of Beijing Blade Electric Vehicles and Key Components and Parts of Blade Electric Vehicles.**” The profit and loss should be recognised during the project period. That adjustment impacted the profits and losses for the previous fiscal year by RMB5,100,000.
- (6) Other adjustments impacted the profits and losses for the previous fiscal year by RMB1,086,714.3.

(4). Accumulated impact on opening owner’s equity

	2013.01.01			
	Capital Reserve	Special Reserve	Surplus Reserve	Retained Earnings
Balance before retroactive adjustment	3,803,025,584.32	—	186,379,136.33	4,205,224,041.78
Retroactive adjustment of accounting policies	—	—	—	83,557,848.32
Retroactive adjustment of correction of accounting errors	-11,680,879.84			-13,346,750.43
Balance after retroactive adjustment	3,791,344,704.48	—	186,379,136.33	4,275,435,139.67

Continued:

	2012.01.01			
	Capital Reserve	Special Reserve	Surplus Reserve	Retained Earnings
Balance before				
retroactive adjustment	3,647,591,540.12	–	392,532,335.49	2,800,013,916.12
Retroactive adjustment of accounting policies	–	–	–	57,392,430.92
Retroactive adjustment of correction of accounting errors	-5,100,000.00	–	–	-6,594,477.51
Balance after retroactive adjustment	3,642,491,540.12	–	392,532,335.49	2,850,811,869.53

6. Taxation

(1) Taxes and tax rates

Taxes	Tax Basis	Tax Rates %
VAT	Income subject to VAT	3-6-13-17
Business tax	Income subject to BT	3-5
Consumption tax	Income subject to CT	3-25
Urban maintenance and construction tax	Subject to turnover tax	1-5-7
Education surcharge (including local education surcharge)	Subject to turnover tax	5
Enterprise income tax	Taxable income	15-20-25

Preferential tax rates and the corresponding approvals

Beijing Automotive Research Institute Co., Ltd. was in 2012 recognised as a Hi-tech Enterprise by the Beijing Municipal Science & Technology Commission, the Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation, and Beijing Local Taxation Bureau and received *High-tech Enterprise Certification, No.GF201211000784*. The certification is effective for three years from the recognition date of 9 July 2012. The company's corporate income tax rate for this period is 15 per cent..

In November 2011, Beijing Electric Vehicle Co. Ltd. received High-tech Enterprise Certification. Its corporate income tax rate for this period is 15 per cent..

(株洲北汽汽車系統科技有限公司) Zhuzhou BAIC Automotive System Technology Co., Ltd., a subsidiary of BAIC Motor Co., Ltd., was recognised as a Small & Low-profit Enterprise. Its corporate income tax for this period is 20 per cent..

Beijing Beinei Engine Parts Co., Ltd., a subsidiary of BAIC Motor Co., Ltd., was recognised as a Hi-tech Enterprise by the Beijing Municipal Science & Technology Commission, the Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation, and Beijing Local Taxation Bureau and on 9 July 2012, received *High-tech Enterprise Certification, No.GF201211000608*, effective for three years. In accordance with the national policy on tax incentives for high-tech enterprises, the company is entitled to enjoy an annual preferential tax rate of 15 per cent. for three years from the date of designation as a High-tech Enterprise.

BAIC Motor Co., Ltd. was recognised as a Hi-tech Enterprise by the Beijing Municipal Science & Technology Commission, the Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation, and Beijing Local Taxation Bureau, and on 13 December 2012, received *High-tech Enterprise Certification, No. GR201211000834*, effective for three years. In accordance with the national policy on tax incentives for high-tech enterprises, the company is entitled to an annual preferential tax rate of 15 per cent. for the three years from the date of designation as a High-tech Enterprise.

Beiqi Foton Motor Co., Ltd. was recognised as a Hi-tech Enterprise by the Beijing Municipal Science & Technology Commission, the Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation, and Beijing Local Taxation Bureau, and on 9 July 2012, received *High-tech Enterprise Certification, No. GR201211000929*, effective for three years. In accordance with the national policy on tax incentives for high-tech enterprises, the company is entitled to enjoy an annual preferential tax rate of 15 per cent. for three years from the date of its designation as a High-tech Enterprise.

Shandong Weifang Foton Mould Co., Ltd., a subsidiary of Beiqi Foton Motor Co., Ltd. received *High-tech Enterprise Certification, No. GF201237000228* on 9 November 2012, entitling the company to enjoy an annual preferential tax rate of 15 per cent. for the three years from 2012.

Changsha Foton Vehicle Technology Co., Ltd., a subsidiary of Beiqi Foton Motor Co., Ltd. received *High-tech Enterprise Certification, No. GF201343000124* on 20 November 2013, entitling the company to enjoy an annual preferential tax rate of 15 per cent. for the three years starting from 2013.

Zhucheng Foton Motors Technology Development Co., Ltd., a subsidiary of Beiqi Foton Motor Co., Ltd. received *High-tech Enterprise Certification, No. GR2011370000391* on 30 November 2011, entitling the company to enjoy an annual preferential tax rate of 15 per cent. for three years from 2011.

Beijing Beinei Equipment Tools Co. Ltd., a subsidiary of Beijing Automotive Asset Operation and Management Co., Ltd., was recognised as a Hi-tech Enterprise on 24 May 2012 and received *High-tech Enterprise Certification, No. GR201211000379*, effective for three years, entitling the company to enjoy the preferential tax policy starting from 1 January 2012, with an annual income tax rate of 15 per cent..

Beijing Beinei Diesel Engine Co., Ltd., a subsidiary of Beijing Automotive Asset Operation and Management Co., Ltd., was recognised as a Hi-tech Enterprise and received *High-tech Enterprise Certification, No. JR201211000922* on 9 July 2012, effective for three years, entitling the company to enjoy the preferential tax policy starting from 1 January 2012, with an annual income tax rate of 15 per cent..

Beijing Gear Works was on 30 November 2011 recognised as a Hi-tech Enterprise by the Beijing Municipal Office of the State Administration of Taxation and received *High-tech Enterprise Certification, No. GR201111001212*, effective for three years. Starting from 1 January 2011, the company is entitled to a corporate income tax rate of 15 per cent..

Beijing Automobile Industry Advanced Technical School is a fully-funded public institution and thereby exempt from corporate income tax; (北京市豐台區興華培訓學校、北京市豐台區匯德迅工貿公司) Beijing Fengtai District Xinghua

Training School and Beijing Fengtai District Hui De Xun Industrial & Trade Co., Ltd. bear a corporate income tax rate of 25 per cent., but since the two companies are categorized as Small & Low-profit companies, the corporate income tax applicable to them is 20 per cent.; the tax payable by Beijing City Automotive Industrial School is collected through the measures of Verification Collection of Enterprise Income Tax, under the terms of which 10 per cent. of revenue shall be taxable income and the corporate income tax rate is 25 per cent..

The products produced and distributed by Beijing Automobile Works Co., Ltd. are provided for in the list of military products under *Cai Shui Zi [1994] No.011* and *Guo Shui Fa [2003] No.104* and the company can enjoy value-added tax rebates as stipulated therein.

According to *Cai Shui Zi [2011] No.110*, the *Notice of the Ministry of Finance & State Administration of Taxation issuing the Pilot Programme for Replacing Business Tax with VAT*, and *Cai Shui Zi [2012] No.71*, the *Notice Concerning Replacing Business Tax with VAT for Some Modern Service Industry in Beijing & Another Seven Provinces & Cities*, the modern services of the company are subject to Value-added Tax payable at the rate of 6 per cent. instead of the former Business Tax payable at the rate of 5 per cent..

On 2 March, 2006, Beijing Agricultural Machinery Corporation, a subsidiary of Beijing Hing Oriental Industrial Co., Ltd., received the *Reply on Agricultural Production Exempt from VAT* issued by Beijing Fengtai State Administration of Taxation. This stipulates that, from 1 January 2006, Beijing Agricultural Machinery Corporation has been exempt from value-added tax on the sales revenue from its agricultural machinery products. Therefore, the separate accounting for agricultural machinery products under the Beijing Agricultural Machinery Corporation are exempt from value-added tax.

7. The preparation of consolidated financial statements

(1) Information of subsidiaries newly added into the scope of consolidated financial statements

NO	Name	Grade	Type of Registration		Business nature	Registered capital (Yuan)	Share holding %	Voting rights%	Investment	
			Enterprise	place					Amount (Yuan)	Merge Method
1	Beijing Automotive Research Institute Co., Ltd.	2	1	Beijing	R&D	11,120,000.00	51	51	5,670,000.00	1
2	Beijing Electric Vehicle Co., Ltd	2	1	Beijing	Manufacturing of new energy car	300,000,000.00	100	100	189,776,309.06	1
3	Beijing General Automotive Research Institute Co., Ltd.	2	1	Beijing	R&D	10,000,000.00	100	100	10,000,000.00	1
4	BAIC News/Newspaper Limited	2	1	Beijing	Media	2,592,700.00	100	100	2,322,400.00	1
5	Beijing Automobile Industry Advanced Technical School	2	4	Beijing	Training technology talents etc.	548,926,132.11	100	100	-	4
6	Beijing Hainachuan Automotive Parts Co.,Ltd.	2	1	Beijing	Auto parts	1,968,084,979.15	60	60	1,180,850,980.15	1
7	Beijing Automotive Asset Operation and Management Co., Ltd.	2	1	Beijing	Asset management	110,000,000.00	100	100	581,369,267.60	1
8	BAIC ROCAR Co., Ltd.	2	1	Beijing	Automobile service trade	583,099,145.12	100	100	573,099,145.12	1
9	Beijing Automobile Industry Import & Export Corporation	2	1	Beijing	Automobile service trade	20,000,000.00	100	100	20,000,000.00	1
10	Beiqi Foton Motor Co., Ltd.	2	1	Beijing	Auto manufacturing	2,809,671,600.00	33.584	33.584	2,626,294,487.88	1
11	Beijing Hing Oriental Industrial Co., Ltd.	2	1	Beijing	Agricultural machinery manufacturing	150,168,264.97	100	100	336,422,937.68	4
12	Beijing Gear Works	2	1	Beijing	Auto parts	130,000,000.00	100	100	130,000,000.00	1
13	BAIC Motor Co., Ltd.	2	1	Beijing	Manufacturing and sales of automobile	6,381,818,182.00	55	55	12,034,173,432.02	1

NO	Name	Grade	Type of Enterprise		Registration place	Business nature	Registered capital (Yuan)	Share holding		Voting rights%	Investment Amount (Yuan)	Merge Method
			Enterprise					%				
14	BAIC Hengsheng Properties Limited	2	1	Beijing	Real estate development, property management	458,000,000.00	100	100	100	491,901,078.49	1	
15	BAIC International Development Limited	2	1	Beijing	Trade and Industry Import and Export	324,000,000.00	100	100	100	324,000,000.00	1	
16	BAIC ROCAR Co, Ltd	2	1	Beijing	Automobile service trade	1,000,000,000.00	50	50	50	503,600,200.00	1	
17	BAIC Education Investment Co., Ltd.	2	1	Beijing	Project investment and investment management etc.	20,000,000.00	100	100	100	20,000,000.00	1	
18	BAIC Motor (Guangzhou) Co., Ltd.	2	1	Beijing	Manufacturing and sales of automobile and engine etc.	980,000,000.00	100	100	100	918,235,000.00	4	
19	Jiangxi Changhe Automobile Co., Ltd.	2	1	Beijing	Manufacturing	900,655,668.48	70	70	70	82,458,864.74	3	
20	BAIC Group Finance Co., Ltd.	2	2	Beijing	Operation of local and foreign currency business	500,000,000.00	56	56	56	280,000,000.00	1	
21	Beijing General Aviation Co., Ltd.	2	1	Beijing	sales of general equipment, transportation equipment	90,000,000.00	90	90	90	90,000,000.00	1	
22	BAIC Group Industry Investment Co., Ltd.	2	1	Beijing	Project investment, asset management, investment management, investment consultation, business management	200,000,000.00	100	100	100	211,826,000.00	1	
23	Beijing Traffic Bus Factory	2	1	Beijing	Manufacturing and sales of BJ90C10 coach	2,131,000.00	100	100	100	651,080.10	1	
24	Beijing Automobile Works Co., Ltd.	2	1	Beijing	Manufacturing and sales of automobile	217,000,000.00	51	51	51	80,342,585.93	3	
25	BAIC Motor (Zhenjiang) Co., Ltd.	2	1	Beijing	Manufacturing	60,000,000.00	85	85	85	51,000,000.00	1	

Note:

Type of Enterprise: 1. Domestic non-financial subsidiary. 2. Domestic financial subsidiary. 3. Overseas subsidiary. 4. Public institutions. 5. Infrastructure Units;

Combination Method: 1. Investment. 2. Business combination under the common control. 3. Business combination not under the common control. 4. Others.

- (2) The parent company has less than half voting rights but have control over investees

<u>NO.</u>	<u>Name</u>	<u>Share holding</u>	<u>Voting rights</u>	<u>Registered capital (Yuan)</u>	<u>Investment Amount</u>	<u>Grade</u>	<u>Reason for being included in consolidation scope</u>
1	Beiqi Foton Motor Co., Ltd.	33.58%	33.58%	280,967.16	262,629.45	2	Have actual control

- (3) For public institutions under the Company, if they are run as companies and over which the Company has control, they are also incorporated in the consolidated financial statements. Public institutions owned by the Company are as follows:

<u>Name</u>	<u>Business nature</u>	<u>Seed capital</u>	<u>Direct investment</u>	<u>Indirect investment</u>
Beijing Automobile Industry Advanced Technical School	Public institutions	20,000,000.00	—	—

- (4) Company-owned nonprofit organisations:

<u>Name</u>	<u>Business nature</u>	<u>Seed capital</u>	<u>Direct investment</u>	<u>Indirect investment</u>
BAIC Economic Research Institute	Social organisation	500,000.00	500,000.00	

- (5) Subsidiary no longer included in the consolidated financial statements this fiscal year

None

- (6) Newly included in the scope of consolidation

<u>Name of the Company</u>	<u>Closing net assets (10,000 Yuan)</u>	<u>The current net profit (10,000 Yuan)</u>
Jiangxi Changhe Automobile Co., Ltd.	2,889.24	-770.27
BAIC Motor (Zhenjiang) Co., Ltd.	5,991.07	-8.93
BAIC International Development Limited	26,517.33	-5,597.98

- (7) Business combination under the common control

None

(8) Business combination not under the common control

Name	Combining date	Net assets of book value	Fair value of identifiable net assets		Transaction price	Goodwill	
			Amount	Method		Amount	Method
Jiangxi Changhe Automobile Co., Ltd.	2013/12/16	30,647,421.56	30,647,421.56	Estimated value	82,458,864.74	61,005,669.64	General estimation
Beijing Benz Automotive Co., Ltd.	2013/11/18	11,896,186,409.00	14,518,861,912.56	Estimated value	8,002,000,000.00	806,788,117.25	General estimation

Note :

- (1) In December 2013, the Company acquired 70 per cent. stake of Jiangxi Changhe Automobile Co., Ltd, obtaining the controlling right. According to an assessment, the fair value of the combination cost was RMB82,458,864.74. Based on the settlement agreement signed by all parties, the combination day was set as 16 December 2013.
- (2) In January 2013, the Company transferred 50 per cent. stake of Beijing Benz Automobile Co., Ltd. it held to BAIC Motor Co., Ltd., a subsidiary of the Company. In November 2013, BAIC Motor Co., Ltd. acquired 51 per cent. stake of Beijing Benz Automobile Co., Ltd. and obtained the controlling right. The combination cost was RMB 216 million in cash and long-term equity investment with a value of RMB 7,619,634,239.90. According to an assessment, the fair value of the combination cost was RMB 8,002,000,000.00. Based on the settlement agreement signed by all parties, the combination day was set as 18 November 2013.

8. Detailed information to the significant items of the financial statements

1. Monetary fund

Items	2013.12.31	2012.12.31	Items	2013.12.31	2012.12.31	Conversion into RMB
	Original currency	Conversion rate		Original currency	Conversion rate	
Cash	—	—	4,492,200.77	—	—	6,706,201.09
Inc.: RMB	4,194,396.37	1.00	4,194,396.37	6,480,359.07	—	6,480,359.07
USD	28,828.10	6.0969	175,762.04	25,231.92	6.2896	158,698.71
KRW	340.35	0.0057	1.94	340.68	0.0059	2.01
EUR	8,921.20	8.4189	75,106.71	5,123.41	8.3299	42,677.48
Others	—	—	46,933.71	—	—	24,463.82
Bank deposits	—	—	25,764,014,217.52	—	—	18,204,936,529.86
Inc.: RMB	24,827,890,060.91	—	24,827,890,060.91	17,311,160,743.97	—	17,311,160,743.97
USD	41,581,952.49	6.0969	253,521,006.12	17,552,811.54	6.2896	110,400,163.46
KRW	—	0.0057	—	—	0.0059	—
EUR	53,490,994.90	8.4189	450,335,336.95	53,646,193.88	8.3299	446,867,430.40
JPY	49,562,425.95	0.0578	2,864,708.22	41,874,911.16	0.0726	3,040,118.55
RUB	136,829,101.40	0.1852	25,340,749.58	145,019,859.44	0.2061	29,888,593.03
Rupee	1,969,385,176.99	0.0978	192,605,870.31	2,308,399,056.98	0.1139	262,926,652.59
Others	11,456,485.43	—	11,456,485.43	—	—	40,652,827.86
Other monetary assets	—	—	2,500,615,735.06	—	—	2,281,914,294.41
Inc.: RMB	2,500,615,735.06	—	2,500,615,735.06	2,253,767,520.37	—	2,253,767,520.37
EUR	—	8.4189	—	3,379,005.03	8.3299	28,146,774.04
USD	—	6.0969	—	—	6.2896	—
Total	—	—	28,269,122,153.35	—	—	20,493,557,025.36

Note: For limited fund please see Note 8 (24) restricted assets.

2. Held-for-trading financial assets

<u>Item</u>	<u>2013.12.31</u>	<u>2012.12.31</u>
交易性權益工具投資		
Held-for-trading equity instruments	288,340.00	378,420.00

<u>Items</u>	<u>2013.12.31</u>	<u>2012.12.31</u>
Other- Monetary funds	160,700,062.90	31,558,126.49

Note :

- (1) The Company's financial assets held for trading are not confronted with any material restrictions on liquidation.
- (2) The Company's held-for-trading equity instruments, measured at fair value with reference to quoted market bid prices and ask prices on 31 December 2013, contributed to an adjustment to current profits and losses amounting to a net loss of RMB90,080.00.

3. Notes receivable

<u>Category</u>	<u>2013.12.31</u>	<u>2012.12.31</u>
Bank acceptance bills	3,812,141,945.78	979,983,572.37
Commercial acceptance bills	18,794,646.80	6,029,216.70
Total	<u>3,830,936,592.58</u>	<u>986,012,789.07</u>

- (1) The amount of unmatured notes endorsed to other parties by the Company totals RMB14,320,432,300. The top five of such notes are as follows:

<u>Drawer</u>	<u>Date of issue</u>	<u>Date of Maturity</u>	<u>Amount</u>
BAIC Pengyuan Automotive Sales & Services Trading Co., Ltd.	2013/7/16-2013/11/29	2014/1/16-2014/5/29	255,290,000.00
Zhucheng Ryugo Water Group Limited	2013.7.10-2013.12.13	2014.1.10-2014.6.13	234,050,000.00
Yunnan Xiaozun Automobile Sales & Service Co., Ltd.	2013/7/18-2013/11/28	2014/1/18-2014/5/28	177,322,080.00
Beijing Lianfa Zhicheng Vehicle Maintenance Services Ltd.	2013/7/26-2013/12/2	2014/1/26-2014/6/2	134,500,000.00
Shanghai Ruizhong Automobile Sales & Service Co., Ltd.	2013/7/24-2013/12/10	2014/1/24-2014/6/10	127,988,400.00
Total			<u>929,150,480.00</u>

- (2) A sum of RMB100,000.00 was accounted for as accounts receivable as a result of non-payment by the accepting bank due to defects in the bill endorsement. Details are as follows:

<u>Drawer</u>	<u>Date of issue</u>	<u>Date of Maturity</u>	<u>Amount</u>
成都經開銀河科技有限公司 Chengdu Jingkai Yinhe Technology Co., Ltd.	2013/5/6	2013/11/6	100,000.00

- (3) The notes receivable pledged at period-end total RMB345.588 million. The top five of such notes are as follows:

<u>Drawer</u>	<u>Date of issue</u>	<u>Date of Maturity</u>	<u>Amount</u>
Shandong Jiuzhou Commercial Group Co., Ltd.	2013/10/11-2013/11/8	2014/1/11-2014/2/8	35,500,000.00
Handan Huacheng Automobile Trade Co., Ltd.	2013/11/28	2014/5/28	18,000,000.00
Xi'an Huapeng Automobile Sales & Service Co., Ltd.	2013/10/9-2013/11/8	2014/1/9-2014/2/8	17,100,000.00
Chongqing Dabo Automobile Sales Co., Ltd.	2013/10/9-2013/11/7	2014/1/9-2014/2/7	10,000,000.00
Puyang Tianfeng Automobile Trading Co., Ltd.	2013/10/11-2013/11/11	2014/1/11-2014/2/11	9,000,000.00
Total			<u>89,600,000.00</u>

4. Accounts receivable

Category

	2013.12.31			
<u>Category</u>	<u>Amount</u>	<u>%</u>	<u>Bad debt provision</u>	<u>%</u>
Accounts receivable that are individually significant and bad debts is provided on an individual basis	87,347,224.03	0.9	82,947,224.03	94.96
Accounts receivable against which bad debts is provided on group basis	9,587,549,902.55	98.25	371,444,981.16	3.87
Inc.: Aging combination 合資品牌業務	6,558,366,197.64	67.21	225,960,998.43	3.45
Joint-venture brands	3,029,183,704.91	31.04	145,483,982.73	4.8
Accounts receivable that are not individually significant but against which bad debts is provided on an individual basis	82,978,271.39	0.85	62,181,479.16	74.94
Total	<u>9,757,875,397.97</u>	<u>100</u>	<u>516,573,684.35</u>	<u>5.29</u>

Continued

	2012.12.31			
<u>Category</u>	<u>Amount</u>	<u>%</u>	<u>Bad debt provision</u>	<u>%</u>
Accounts receivable that are individually significant and bad debts is provided on an individual basis	194,407,501.79	4.20	70,504,655.42	36.27
Accounts receivable against which bad debts is provided on group basis	4,338,179,463.45	93.79	143,551,673.55	3.31
Accounts receivable that are not individually significant but against which bad debts is provided on an individual basis	92,802,459.15	2.01	60,524,496.21	65.22
Total	<u>4,625,389,424.39</u>	<u>100.00</u>	<u>274,580,825.18</u>	<u>5.94</u>

(1) Accounts receivable against which bad debts is provided on group basis

A. Accounts receivable, of which bad debts was provided using aging analysis method

Aging	2013.12.31			2012.12.31		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	%		Amount	%	
Inside 1 year (Including 1 year)	6,047,390,512.26	92.21	50,451,896.13	4,017,571,167.82	92.61	38,567,295.06
1-2 years	257,297,512.40	3.92	19,187,259.99	152,046,701.96	3.50	6,338,115.53
2-3 years	73,600,856.49	1.12	14,590,967.67	39,856,815.79	0.92	6,168,967.87
Over 3 years	180,077,316.49	2.75	141,730,874.64	128,704,777.88	2.97	92,477,295.09
Total	6,558,366,197.64	100	225,960,998.43	4,338,179,463.45	100.00	143,551,673.55

Note: For the amount of accounts with aging over 3 years in current period is more than the total amount of accounts with aging between 2 and 3 years and over 3 years at the beginning of current period, the reason is that the Company acquired two subsidiaries, namely, Jiangxi Changhe Automobile Company Limited and Beijing Benz Automotive Company Limited, in the current fiscal year.

B. Accounts receivable for the joint-venture brands, the measurement of individually recognised bad and doubtful debts provision of individually significant receivables:

Accounts receivable	Accounts Nature	Book balance	Bad debt provision	%	Reason for provision
經分析實際損失率為零的外 部單位款項					
External accounts with no risk of actual loss by analysis	receivable	2,883,699,722.18	—	—	Collectable
Luoyang Electrical Equipment Group Co., Ltd.	receivable	26,467,781.79	26,467,781.79	100.00	Overdue debts
Authorised Dealer of Beijing Jeep in Xi'an	receivable	23,376,297.62	23,376,297.62	100.00	Overdue debts
Jilin Beijing Jeep Sales Co. Ltd	receivable	20,398,341.50	20,398,341.50	100.00	Overdue debts
Harbin BAIC Automotive Sales Co, Ltd	receivable	11,176,168.97	11,176,168.97	100.00	Overdue debts
Beijing Jeep Corporation, Liaoning Distribution Company	receivable	10,808,932.93	10,808,932.93	100.00	Overdue debts
Beijing Jingchida Economic and Trade Co., Ltd.	receivable	8,134,177.50	8,134,177.50	100.00	Overdue debts
Xinjiang Production & Construction Corps Electrical Equipment Corporation	receivable	5,371,113.10	5,371,113.10	100.00	Overdue debts

Accounts receivable	Accounts Nature	Book balance	Bad debt provision	%	Reason for provision
Beijing Jeep					Overdue debts
Heilongjiang Sales Co	receivable	4,324,610.68	4,324,610.68	100.00	
Guizhou Automobile Trading Co., Ltd.	receivable	3,726,977.71	3,726,977.71	100.00	Overdue debts
Beijing Jeep Co., Ltd.					
Shandong Distruction Co Ltd	receivable	3,714,513.75	3,714,513.75	100.00	Overdue debts
Others					Overdue debts
	receivable	27,985,067.18	27,985,067.18	100.00	
Total	-	3,029,183,704.91	145,483,982.73	-	-

(2) Accounts receivable against which bad debts is provided on an individual basis

A. Accounts receivable that are individually significant at year-end and against which bad debts is provided on an individual basis.

Debtors	Book balance	Bad debt provision	Aging	%	Reason for provision
Beijing Shidai					
Chuangjie Car Leasing Co., Ltd.	59,899,171.52	55,499,171.52	Under 2 yrs	92.15	See notes
Shenzhen Zhaofeng Ruitou Investment and Development Co., Ltd.					Payments involved in litigation and having no specific collectible property
	27,448,052.51	27,448,052.51	Over 5 yrs	100.00	
Total	87,347,224.03	82,947,224.03	-	-	-

Note: In the case of the dispute of the contract, for the sale of 344 Mercedes-Benz automobiles, between Beijing Rocar Star Automobile Sales & Service Co., Ltd. and Beijing Shidai Chuangjie Car Leasing Co., Ltd. along with Cheng Guangyu, Beijing Superior People's Court ruled on 31 July 2012 and the Company won the lawsuit. The court seized the asset of both Beijing Shidai Chuangjie and Cheng Guangyu, and the relevant Mercedes-Benz automobiles as well. In 2013, RMB 80 million was recalled and a pending recoverable amount of RMB 4.4 million was identified by the lawyers.

B. Accounts receivable that are not individually significant at year-end but against which bad debts is provided on an individual basis.

<u>Debtors</u>	<u>Bad debt</u>		<u>Aging</u>	<u>%</u>	<u>Reason for provision</u>
	<u>Book balance</u>	<u>provision</u>			
AMS Group in Russia	19,447,755.19	3,351,598.17	Over 3 yrs	15.16	Provision on the collectible amount according to the impairment of book value
BACHARSKHNIEST	8,318,024.80	8,318,024.80	1-2 yrs, 2-3 yrs, 3-4 yrs	10 0	risk of pay back amid political instability
Guilin Mingrui Motor Transport Co., Ltd.	7,960,092.00	7,960,092.00	Under 1 yr	100	involved in litigation and having no specific collectible property
Zhang Mingyu	4,112,679.28	2,000,000.00	Under 1 yr, 1-2 yrs	48.63	involved in litigation, provision on the collectible amount
Hebei Yuanhao Real Estate Development Co., Ltd.	3,940,989.00	3,500,000.00	Under 1 yr	88.81	See note
KKINTERNATIONAL	2,207,935.62	2,207,935.62	4-5 yrs	100	with the aging over 3 years and the contract unable to be traced, uncollectable
Beijing Chemical Industry Group Import and Export Company	1,977,021.31	1,977,021.31	Over 5 yrs	100	certified by law firm
Taiyuan Shida Tire Sales Ltd.	1,930,667.50	1,930,667.50	Over 5 yrs	100	certified by law firm
Yanbian International Trade Building,LLC	1,855,000.00	1,855,000.00	Over 3 yrs	100	overdue
FAHEDABDALKAREEMALKADROEST.	1,839,870.00	1,839,870.00	3-4 yrs	100	risk of payback amid political instability
Sichuan Emeishan Auto Parts Sales Co	1,711,071.00	1,711,071.00	Over 5 yrs	100	certified by law firm
Jilin Automobile Industry Trade Group's domestic auto parts division	1,668,590.54	1,668,590.54	Over 5 yrs	100	certified by law firm
First Automobile Group Haqing Depot	1,667,677.58	1,667,677.58	Over 5 yrs	100	certified by law firm
Beijing Zhongsheng Yongxing Trading Co., Ltd.	1,581,901.97	1,581,901.97	4-5 yrs	100	with the enterprise cancelled, uncollectable
Beijing Zhongshou Logistics Limited	1,500,000.00	1,500,000.00	Over 5 yrs	100	Uncollectable
Shenyang Huanggu Agricultural Machinery Company	1,299,512.43	1,299,512.43	Over 5 yrs	100	certified by law firm
Wuhan Light Automobile Co Ltd	991,261.82	991,261.82	Over 5 yrs	100	certified by law firm

<u>Debtors</u>	<u>Book balance</u>	<u>Bad debt provision</u>	<u>Aging</u>	<u>%</u>	<u>Reason for provision</u>
Zhang Zeming (Jiangsu)	939,377.81	939,377.81	Under 1 yr	100	involved in litigation and having no specific collectible property
Guangxi Longlin Fuel Company	852,247.00	852,247.00	Over 5 yrs	100	certified by law firm
Beijing Wenlushi Water Treatment Equipment Co., Ltd.	743,607.88	371,803.94	4-5 yrs	50	Poor condition
TOKAMS.A	682,900.00	682,900.00	4-5 yrs	100	款項賬齡已3年以上且合同已無法追溯，無法收回 Aging over 3 years and the contract unable to be retroacted, and collected
UNTIEDINTERNATIONALTRADE	634,180.22	634,180.22	3-4 yrs	100	risk of payback amid political instability
STTRADEA.S	480,705.19	480,705.19	4-5 yrs	100	with the aging over 3 years and the contract unable to be enforced, uncollectable
Tianjin Tianhaotong Passenger Transport Co., Ltd.	435,541.78	435,541.78	Under 1 yr	100	Estimated to be uncollectable
Shanghai Gangjie Automobile Trading Co., Ltd.	332,515.88	190,000.00	Under 1 yr, 1-2 yrs	57.14	涉訴款項按可收回金額计提 Payments involved in litigation, provision on the collectible amount
Shanghai Jinlong Taxi Co., Ltd.	293,206.65	150,000.00	Under 1 yr, 1-2 yrs	51.16	回款存在風險,按可回收金額计提
Beijing Jiayuan Chaoyang Technology Deng Ziwei	268,561.90	–	Over 5 yrs	–	Risk of repayment, provision on the collectible amount
Blue Arrow Automobile Factory	254,380.00	254,380.00	Over 5 yrs	100	Unsettled
Harbin Dongan Automotive Engine Manufacturing Co., Ltd.	215,912.04	215,912.04	Over	100	Estimated to be uncollectable
	210,227.28	210,227.28	10 yrs	100	Unlikely to be collected
Shijiazhuang Shuanghuan Automobile Co., Ltd.	201,412.94	201,412.94	1-2 yrs	100	The loan is unlikely to be collected
Others	12,423,444.78	11,202,566.22	1-5 yrs, over 5 yrs	90.17	The balance payment is unlikely to be recovered
Total	82,978,271.39	62,181,479.16	–	–	–

(3) Derecognized receivables

<u>Items</u>	<u>Derecognized amount</u>
PT FOTON MOBILINDO CO. LT	2,180,000.00
SOCIEDAD ANONIMA COMERCIAL INDUSTRI	2,057,684.90
KOBALT KCASI ENTERPRUSE	1,673,227.31
AUMAN SA	1,242,396.00
Global Cars N.V	486,720.00
ALB VEICULOS ESP	319,264.00
DELTA AUTO & EQUIPMENT LTD	264,320.00
MOTORMARKET S.A	223,006.00
Total	8,446,618.21

Note: The Company had the non-recourse export business of Rong Xin Da ECA Finance. As of 31 December 2013, the financed sum was RMB 8,446,618.21, and, at the same time, accounts receivables with a carrying value of RMB 8,446,618.21 to be recognised were terminated. The net carrying amount was RMB 8,446,618.21 and the aging of the accounts receivable was within one year.

- (4) At the end of the period, for guaranteed accounts receivable please refer to Note eight (25) short-term loan and (6) guaranteed loan.

5. Advance to suppliers

- (1) Presented by aging

<u>Aging</u>	<u>2013.12.31</u>			<u>2012.12.31</u>		
	<u>Book balance</u>		<u>Bad debts</u>	<u>Book balance</u>		<u>Bad debts</u>
	<u>Amount</u>	<u>%</u>		<u>Amount</u>	<u>%</u>	
Inside 1 year						
(Including						
1 year)	1,412,313,061.75	84.05	5,988,420.72	1,549,327,947.91	82.28	4,428,146.58
1-2 years	98,201,377.62	5.84	2,736,814.91	237,953,197.04	12.64	10,754,307.50
2-3 years	121,084,046.20	7.21	10,414,284.70	24,558,732.86	1.30	404,123.83
Over 3 years	48,732,133.37	2.9	18,474,283.47	71,095,434.78	3.78	58,110,336.32
Total	1,680,330,618.94	100	37,613,803.80	1,882,935,312.59	100.00	73,696,914.23

(2) Advance of big amount

<u>Creditors</u>	<u>Debtors</u>	<u>Closing balance</u>	<u>Aging</u>	<u>Reasons for unsettlement</u>
Beiqi Foton Motor Co., Ltd.	Beijing Foton Cummins Engine Co., Ltd.	203,236,457.38	Under 3 yrs	Advance payment for procurement
Beiqi Foton Motor Co., Ltd.	Hunan Tongxin Industrial Co., Ltd.	59,572,538.42	Under 1 yr	Advance payment for procurement
Beiqi Foton Motor Co., Ltd.	Shenzhen Allison Industrial Co., Ltd.	46,541,148.96	Under 1 yr	Advance payment for procurement
Beiqi Foton Motor Co., Ltd.	Fiat Powertrain Technologies Management (Shanghai) Co., Ltd.	34,493,070.00	Under 1 yr	Advance payment for procurement
Beiqi Foton Motor Co., Ltd.	Shanghai Dongfeng Automobile Import & Export Co., Ltd.	34,437,000.00	Under 1 yr	Advance payment for procurement
BAIC Motor Co., Ltd.	Beijing KaiSheng'ao Import and Export Co., Ltd.	28,089,136.51	Under 1 yr	undue
Total		<u>406,369,351.27</u>		- -

6. Interest receivable

<u>Items</u>	<u>2013.12.31</u>	<u>2012.12.31</u>
Interest receivable on bank deposit and margin deposits	24,007,560.55	4,497,036.35

7. Dividend receivable

<u>Items</u>	<u>2013.01.01</u>	<u>Current year increase</u>	<u>Current year decrease</u>	<u>2013.12.31</u>	<u>Reason</u>	<u>Impairment or not?</u>
Dividend Receivable with aging within 1 yr						
Visteon Automotive Air Conditioner (Beijing) Co., Ltd.		10,195,196.85	10,195,196.85	-	-	No
Beijing Beiqi Guanghua Auto Parts Co., Ltd.		1,600,000.00		1,600,000.00	-	No
Beijing Xiyi Hayward Auto Parts Co., Ltd.	1,364,588.20		1,364,588.20	-	-	No
Beijing Johnson Control Automotive Parts Co., Ltd.	34,489,678.64	53,484,433.86	34,489,678.64	53,484,433.86	-	No
Beijing Hanyi Automotive Trim Parts Co., Ltd.		21,361,763.93	1,361,763.93	20,000,000.00	-	No
北京亞新科天緯 油泵油嘴股份有限公司						
Beijing Asimco Tianwei Oil Pump and Oil Nozzle Holdings Co., Ltd.		6,978,330.45		6,978,330.45	-	No
Yanfeng Visteon (Beijing) Automotive Trim Systems Co., Ltd.		10,195,196.85	10,195,196.85	-	-	No

Items	2013.01.01	Current year increase	Current year decrease	2013.12.31	Reason	Impairment or not?
Beijing Borg Warner Automotive Actuators Ltd.		26,400,000.00	10,000,000.00	16,400,000.00	—	No
Beijing Hyundai Motor Co., Ltd	—	3,392,480,148.63	3,392,480,148.63	—	—	No
Beijing Li Erdai Moss Automotive Systems Co., Ltd.	—	23,343,366.05	23,343,366.05	—	—	No
Beijing Beiqi Dashi Automotive Systems Co., Ltd.	—	7,680,000.00	7,680,000.00	—	—	No
BAIC Group Finance Co., Ltd.	—	2,325,300.61	2,325,300.61	—	—	No
Beijing Shiji Beiguang Advertising Company	12,252,312.48	—	12,252,312.48	—	—	No
Dividend						
Receivable with aging over 1 yr						
Beijing Beiqi Guanghua Auto Parts Co., Ltd.	1,200,000.00			1,200,000.00	—	No
Total	49,306,579.32	3,556,043,737.23	3,505,687,552.24	99,662,764.31	—	—

8. Other receivables

By category

Category	2013.12.31			
	Amount	%	Bad debts provision	%
Other receivables that are individually significant and bad debts is provided on an individual basis	409,058,577.59	12.56	171,623,242.29	41.96
Other receivables against which bad debts is provided on group basis	2,793,618,116.65	85.78	361,162,908.28	12.93
Incl: Aging combination 合資品牌業務	2,695,005,060.06	82.75	351,036,552.74	13.03
Joint-venture brands	98,613,056.59	3.03	10,126,355.54	10.27
Other receivables that are not individually significant but against which bad debts is provided on an individual basis	54,068,455.02	1.66	24,370,170.06	45.07
Total	3,256,745,149.26	100	557,156,320.63	17.11

(Continued:)

Category	2012.12.31			
	Amount	%	Bad debts provision	%
Other receivables that are individually significant and bad debts is provided on an individual basis	487,364,395.82	10.35	108,051,607.51	22.17
Other receivables against which bad debts is provided on group basis	4,118,059,437.38	87.42	429,398,022.54	10.43
Other receivables that are not individually significant but against which bad debts is provided on an individual basis	105,104,563.78	2.23	25,887,703.27	24.63
Bad debts	<u>4,710,528,396.98</u>	<u>100.00</u>	<u>563,337,333.32</u>	<u>11.96</u>

(1) Other receivables against which bad debts was provided on group basis

A. other receivables, of which bad debts was provided using aging analysis method

Aging	2013.12.31			2012.12.31		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	%		Amount	%	
Inside 1 year (Including 1 year)	1,751,733,969.67	65.00	6,605,933.00	3,310,177,694.39	80.45	25,838,642.37
1-2 years	440,437,613.09	16.34	67,789,147.53	326,860,157.19	7.91	14,997,259.30
2-3 years	53,410,264.38	1.98	12,687,718.65	72,921,623.69	1.76	9,080,697.34
Over 3 years	449,423,212.92	16.68	263,953,753.56	408,099,962.11	9.88	379,481,423.53
Total	<u>2,695,005,060.06</u>	<u>100</u>	<u>351,036,552.74</u>	<u>4,118,059,437.38</u>	<u>100.00</u>	<u>429,398,022.54</u>

B. For other receivables at the joint-venture brands, the measurement of individually recognised bad and doubtful debts provision of individually significant receivables:

Name	Nature	Book balance	Bad debt provision	%	Reason for provision
經分析實際損失率為零的外 部單位款項 External accounts with no risk of actual loss by analysis	Other current accounts	88,486,701.05	—	—	Collectable
Jiangsu Weiye Construction Group Co., Ltd.	Parts sales	10,126,355.54	10,126,355.54	100.00	Long-term debts
Total	—	<u>98,613,056.59</u>	<u>10,126,355.54</u>	<u>—</u>	<u>—</u>

(2) Other receivable against which bad debts is provided on an individually analyzed basis

A. Other receivables that are individually significant at year-end and against which bad debts is provided on an individually analyzed basis

Debtors	Book balance	Bad debt provision	Aging	%	Reason for provision
Hebei Longdi Shouchuang Tyre Co., Ltd.	223,319,661.62	66,916,928.04	4-5 years	30	closure 破產準備金預計不可收回
Beijing Gear Factory Bankruptcy Administrator	45,520,113.47	45,520,113.47	1-2 years	100	The bankruptcy reserve is estimated to be uncollectable
Beijing Uni-Construction Real Estate Development Co., Ltd.	43,720,000.00	2,186,000.00	4-5 years	5	In the process of relocation compensation
North China Grid Company Limited Beijing Branch	35,000,000.00	13,261,800.78	Over 5 years	37.89	Individually significant and having the risk of impairment
Beijing auto and motorcycle joint manufacturing company insolvency administrator	26,253,400.00	26,253,400.00	2-3 years	–	破產準備金預計不可收回 The bankruptcy reserve is estimated to be uncollectable
People's Government of Caiyu Town, Daxing District	17,760,402.50		– Over 5 years	–	No impairment
Beijing Beichi Hongyuan Trading Company	17,485,000.00	17,485,000.00	–	100	In the bankruptcy proceeding, insolvent
Total	409,058,577.59	171,623,242.29	–	–	–

B. Other receivables that are not individually significant at year-end but against which bad debts is provided on an individual basis

Debtors	Book balance	Bad debt provision	Aging	%	Reason for provision
Beijing Gear Factory	8,822,044.67	8,822,044.67	2-3 years	100	Full provision for the debtor's bankruptcy
Beijing Square Engineering & Technology Co., Ltd	7,836,486.66	—	1-3 years	—	關聯方預計可收回 Estimated to be recoverable by related parties
Beijing Huanchi Axle Plant	5,570,800.00	—	—	—	關聯方預計可收回 Estimated to be recoverable by related parties
Beinei Group Corporation	4,448,280.00	4,448,280.00	2-3 years	100	In the bankruptcy proceeding, insolvent
北京北方達義置業有限公司 Beijing North Fangdayi Properties Limited	3,207,519.52	—	Over 3 years	—	No provision for land
北京市汽車方向盤廠 Beijing Automobile Steering Wheel Factory	2,669,033.00	2,669,033.00	Over 3 years	100	In the bankruptcy proceeding, insolvent
Beijing Jinglun Industry Company Haidian Transportation Team	2,330,357.86	2,330,357.86	4-5 years	100	Closure
北京市汽車起動機廠 Beijing Automotive Starter Plant	2,166,844.00	—	—	—	關聯方預計可收回 Estimated to be recoverable by related parties
Beijing Zhongji Xunshi Communication Technology Co., Ltd.	2,093,701.70	2,093,701.70	Over 5 years	100	Long-term equity investment transferred to other receivables after being ruled void by court
Beijing Municipal Bureau of Finance	1,863,373.90	—	2-3 years	—	—
Beijing Xinlian Automobile Decoration Corporation	1,776,802.04	—	Over 3 years	—	關聯方預計可收回 Estimated to be recoverable by related parties
State Grid Beijing Company	1,650,000.00	—	Over 3 years	—	No provision for electricity
Beijing Sida Wagon Company	1,638,000.00	—	1-2 years	—	關聯方預計可收回 Estimated to be recoverable by related parties
Property Management Company	1,092,252.81	1,092,252.81	3-5 years	100	Closure
Beijing Youlikai Property Management, LLC	1,000,000.00	1,000,000.00	2-3 years	100	Uncollected
Beijing Xianglong Taxi Transport Co., Ltd.	1,000,000.00	—	Over 5 years	—	No provision for deposit
Others	8,110,478.38	1,914,500.02			
Total	54,068,455.02	24,370,170.06	—	—	—

9. Inventories

(1) The information of inventories

Items	2013.12.31			2012.12.31		
	Book balance	Impairment	Book value	Book balance	Impairment	Book value
Raw materials	2,970,239,818.24	147,033,122.39	2,823,206,695.85	1,866,572,267.92	25,292,267.48	1,841,280,000.44
Semi-manufactured products and unfinished products	982,014,778.30	608,040.90	981,406,737.40	550,192,466.41	7,505,365.22	542,687,101.19
Inventories in stock	7,963,226,880.63	419,293,561.83	7,543,933,318.80	3,745,732,188.35	207,157,919.91	3,538,574,268.44
Turnover materials	38,674,464.47	603,383.04	38,071,081.43	33,445,252.69	603,383.04	32,841,869.65
Engineering construction	17,856,297.49	—	17,856,297.49	8,705,879.88	—	8,705,879.88
Consigned goods in processing	2,653,901.51	—	2,653,901.51	7,864,252.23	—	7,864,252.23
Goods sold in instalment	440,752,472.41	1,604,271.64	439,148,200.77	868,327,474.96	2,851.28	868,324,623.68
Goods in transit	1,681,805,371.71	—	1,681,805,371.71	—	—	—
Expenditure for real estate development	115,461,805.35	—	115,461,805.35	91,025,395.75	—	91,025,395.75
Delivered goods	883,645.50	—	883,645.50	519,936.12	—	519,936.12
Others	33,903,126.74	12,460,417.26	21,442,709.48	72,623,985.92	—	72,623,985.92
Total	14,247,472,562.35	581,602,797.06	13,665,869,765.29	7,245,009,100.23	240,561,786.93	7,004,447,313.30

(2) Provision for decline in value of inventories

Items	Current year		Current year decrease		2013.12.31
	2013.01.01	increase	Reversed	Written off	
Raw materials	25,292,267.48	129,640,611.67	947,642.32	6,952,114.44	147,033,122.39
Semi-manufactured products and unfinished products	7,505,365.22	4,064,355.06	—	10,961,679.38	608,040.90
Inventories (finished products)	207,157,919.91	301,285,192.74	6,200,323.87	82,949,226.95	419,293,561.83
Turnover materials	603,383.04	—	—	—	603,383.04
Delivered goods	2,851.28	1,604,271.64	—	2,851.28	1,604,271.64
Others	—	12,460,417.26	—	—	12,460,417.26
Total	240,561,786.93	449,054,848.37	7,147,966.19	100,865,872.05	581,602,797.06

Note: Net realizable value is confirmed by the estimated selling price less estimated costs to completion, the amount of fees and taxes.

10. Other current assets

<u>Items</u>	<u>2013.12.31</u>	<u>2012.12.31</u>
Bank wealth management products	33,000,000.00	21,248,784.27
Advance payment of income tax	32,434,333.18	6,754,455.10
待抵扣增值税進項稅 Pending deduct VAT on purchase	1,158,496,912.34	811,042,561.76
Tax to be rebated	–	2,704,556.72
Deferred and prepaid expenses	16,268,786.34	66,553.64
Prepaid consumption tax	657,869,938.09	–
Foreign exchange forward contracts	3,230,225.22	–
Total	<u>1,901,300,195.17</u>	<u>841,816,911.49</u>

11. Available-for-sale financial assets

<u>Items</u>	<u>2013.12.31</u>	<u>2012.12.31</u>
Available-for-sale equity instrument	103,150,075.54	105,673,105.45
Others	250,200.00	250,200.00
Total	<u>103,400,275.54</u>	<u>105,923,305.45</u>

Note: The year-end fair value of the available-for-sale financial assets was determined by the closing price on 31 December 2013.

12. Long-term receivables

<u>Items</u>	<u>2013.12.31</u>	<u>2012.12.31</u>
Financing lease	1,732,851,507.67	443,684,484.18
Goods sold in instalments	587,780,758.95	386,714,178.07
Subtotal	<u>2,320,632,266.62</u>	<u>830,398,662.25</u>
Less: bad debts provision	82,257,277.05	28,265,647.78
Less: Long-term receivables due within one year	1,024,996,355.67	89,788,802.77
Total	<u>1,213,378,633.90</u>	<u>712,344,211.70</u>

13. Long-term equity investment

(1) Long term equity investment classification

<u>Items</u>	<u>2013.01.01</u>	<u>Current year increase</u>	<u>Current year decrease</u>	<u>2013.12.31</u>
Investment to joint venture	15,934,673,160.34	5,873,752,777.09	8,071,001,223.45	13,737,424,713.98
Investment to affiliated business	1,940,751,414.84	804,347,335.24	314,547,622.41	2,430,551,127.67
Investment to other enterprises	613,934,981.97	197,750,636.18	288,161,173.16	523,524,444.99
Subtotal	<u>18,489,359,557.15</u>	<u>6,875,850,748.51</u>	<u>8,673,710,019.02</u>	<u>16,691,500,286.64</u>
Less: Provision for long-term equity investment depreciation	328,487,418.03	71,987,595.83	187,066,694.68	213,408,319.18
Total	<u>18,160,872,139.12</u>	<u>6,803,863,152.68</u>	<u>8,486,643,324.34</u>	<u>16,478,091,967.46</u>

(2) Significant long-term equity investment

Investees	Accounting method	Investment cost	2013.01.01	Change	2013.12.31	Share holding (%)	Impairment	Current year provision for impairment	Current year cash dividend
(1) joint venture									
Beijing Hyundai Motor Company	Equity method	4,060,238,801.92	9,768,587,798.13	2,007,123,485.73	11,775,711,283.86	50.00	—	—	—
Beijing Foton Cummins Engine Co., Ltd.	Equity method	844,000,000.00	669,231,613.84	47,615,014.12	716,846,627.96	50.00	—	—	—
Beijing Foton Daimler Automotive Co., Ltd.	Equity method	2,800,000,000.00	356,629,268.27	267,051,125.28	623,680,393.55	50.00	—	—	—
Beijing Hyundai Mobis Automotive Parts Co., Ltd.	Equity method	693,587,850.00	292,365,686.21	-2,455,783.20	289,909,903.01	50.00	—	—	93,583,305.74
Beijing Beiqi Lear Automotive Electronics Co., Ltd.	Equity method	209,912,900.00	94,221,444.35	59,922,410.87	154,143,855.22	50.00	22,454,995.42	15,850,585.00	22,121,750.00
Beijing Beiqi Zhongyun Automobile Trading Co., Ltd.	Equity method	26,022,559.90	33,683,002.46	3,270,730.47	36,953,732.93	50.00	—	—	—
Inalfa Sunroof System (America) Co., Ltd.	Equity method	19,110,279.33	12,483,389.29	-2,215,577.67	10,267,811.62	50.00	—	—	—
Beijing Hainachuan Henglong Automotive Systems Co., Ltd.	Equity method	20,500,000.00	30,327,148.15	1,488,244.18	31,815,392.33	50.00	—	—	—
Beijing Hainachuan Xiezhong Automotive Air Conditioner Co., Ltd.	Equity method	21,007,613.54	30,802,534.44	859,670.18	31,662,204.62	50.00	—	—	—
Beijing Zhongdu Geluo Weishi Logistics Limited	Equity method	—	—	30,937,737.76	30,937,737.76	50.00	—	—	—
Beijing Hainachuan Hangsheng Automotive Electronics Co., Ltd.	Equity method	18,000,000.00	23,758,327.46	1,005,259.39	24,763,586.85	50.00	—	—	—
Hunan Guanghua Rongchang Automotive Parts Co., Ltd.	Equity method	13,000,000.00	9,009,445.22	1,722,739.05	10,732,184.27	50.00	—	—	—
Beijing Benz Automotive Co., Ltd.	Equity method	4,613,573,502.52	4,613,573,502.52	-4,613,573,502.52	—	—	—	—	—
Subtotal		13,338,953,507.21	15,934,673,160.34	-2,197,248,446.36	13,737,424,713.98		22,454,995.42	15,850,585.00	3,508,185,204.37
(2) affiliated business									
Beijing Autoliv Automotive Safety System Co., Ltd.	Equity method	12,007,781.34	59,759,758.89	-27,593,310.35	32,166,448.54	49.00	—	—	37,278,757.08
Beijing Hainachuan Beichi Axle Co., Ltd.	Equity method	49,000,000.00	48,983,354.08	887.67	48,984,241.75	49.00	—	—	—
Beijing Mercedes-Benz Sales & Service Co., Ltd.	Equity method	50,000,000.00	—	65,737,539.41	65,737,539.41	49.00	—	—	—
Beijing Innocoan Beiguang Advertising Co., Ltd.	Equity method	—	—	28,391,201.28	28,391,201.28	49.00	—	—	27,536,245.52
Beiqi Dayang Electric Machinery Technology Co., Ltd.	Equity method	29,400,000.00	27,261,594.69	-605,267.35	26,656,327.34	49.00	—	—	—
北汽租賃有限公司 Shouqi Automobile Leasing Co., Ltd.	Equity method	88,338,469.01	102,112,089.31	993,892.51	103,105,981.82	49.00	—	—	7,336,255.59

Investees	Accounting method	Investment cost	2013.01.01	Change	2013.12.31	Share holding (%)	Impairment	Current year provision for impairment	Current year cash dividend
Tenneco (Beijing) Exhaust System Co., Ltd.	Equity method	6,749,894.11	13,640,728.03	-1,364,055.75	12,276,672.28	49.00	-	-	6,860,000.00
Beijing Jia Yuan Yi-Run Technology Development Co., Ltd.	Equity method	16,264,992.00	16,264,992.00	-	16,264,992.00	48.24	-	-	-
Beijing Beiqi Dashi Automotive Systems Co., Ltd.	Equity method	27,660,345.60	47,680,032.34	55,230,666.18	102,910,698.52	48.00	-	-	7,680,000.00
Shougang Penglong Steel Co., Ltd.	Equity method	60,395,661.24	61,562,373.28	3,286,538.50	64,848,911.78	48.00	-	-	-
Qinghai Foton Equipment Manufacturing Co., Ltd.	Equity method	19,000,000.00	10,286,646.08	-9,164,882.90	1,121,763.18	47.50	-	-	-
Zhongfalian (Beijing) Technology Investment Co., Ltd.	Equity method	9,000,000.00	-	9,000,000.00	9,000,000.00	45.00	-	-	-
Sichuan Changhe Lantian Automobile Sales & Service Co., Ltd.	Equity method	2,800,000.00	-	4,178,807.75	4,178,807.75	43.00	-	-	775,440.00
AMS Group in Russia	Equity method	53,174,780.00	53,174,780.00	-	53,174,780.00	42.00	-	-	-
Jiangxi Changhe Suzuki Automobile Co., Ltd.	Equity method	1,066,180,126.31	-	141,798,110.01	141,798,110.01	41.00	-	-	-
Beijing Asimco Tianwei Oil Pump and Oil Nozzle Holdings Co., Ltd.	Equity method	134,639,093.13	201,714,893.31	-7,758,022.26	193,956,871.05	40.14	-	-	9,077,076.45
Beijing Dalin Wanda Automobile Parts Co., Ltd.	Equity method	132,778,656.86	112,862,076.73	-4,409,151.70	108,452,925.03	40.00	2,973,583.33	2,099,000.00	11,200,000.00
Beijing Shiji Beiguang Advertising Company	Equity method	24,353,900.00	33,068,359.06	-33,068,359.06	-	40.00	-	-	12,666,711.86
Beijing Xiyi Hayward Auto Parts Co., Ltd.	Equity method	8,000,000.00	9,330,448.31	2,470,676.18	11,801,124.49	40.00	-	-	1,364,588.20
Beijing Hyundai Top-selection U-Car Co., Ltd.	Equity method	26,906,400.00	28,532,234.61	5,760,449.85	34,292,684.46	40.00	-	-	-
Inergy Automotive Systems Co., Ltd.	Equity method	27,691,680.00	38,149,000.60	25,641,980.92	63,790,981.52	40.00	-	-	-
Xinjiang Foton Guanghui Special Vehicle Co., Ltd.	Equity method	26,000,000.00	14,525,342.55	4,105.07	14,529,447.62	39.82	-	-	-
中油福田(北京)石油销售有限公司									
CNPC Foton (Beijing) Oil Sales Co., Ltd Marketing Co., Ltd.	Equity method	11,700,000.00	11,630,519.71	469,857.30	12,100,377.01	39.00	-	-	-
Beijing Johnson Control Automotive Parts Co., Ltd.	Equity method	27,069,288.63	117,136,011.20	10,785,112.19	127,921,123.39	39.00	-	-	34,489,678.64
Beijing Automotive Shock Absorber plant	Equity method	990,006.56	720,266.93	-71,441.95	648,824.98	35.21	-	-	-
Guangdong Changhe Automobile Sales & Service Co., Ltd.	Equity method	1,750,000.00	-	4,775,622.69	4,775,622.69	35.00	-	-	-
Tenneco (Beijing) Automotive Shock Absorber Co., Ltd.	Equity method	51,288,114.74	33,682,393.89	37,491,562.88	71,173,956.77	35.00	-	-	26,250,000.00
Beijing Beiqi Changsheng Auto Accessories Co., Ltd.	Equity method	22,458,439.86	2,711,305.48	-192,727.22	2,518,578.26	34.00	-	-	-
Beijing Pride New Energy Battery Technology Co., Ltd.	Equity method	22,443,422.21	22,443,422.21	-2,267,564.20	20,175,858.01	34.00	-	-	-
Beiqi Huanghua Axle Co., Ltd.	Equity method	17,000,000.00	-	16,902,356.32	16,902,356.32	34.00	-	-	-

Investees	Accounting method	Investment cost	2013.01.01	Change	2013.12.31	Share holding (%)	Impairment	Current year provision for impairment	Current year cash dividend
Beijing Hanyi Automotive Trim Parts Co., Ltd.	Equity method	175,015,277.47	67,924,447.68	7,980,441.62	75,904,889.30	33.33	12,331,175.93	8,704,359.48	1,361,763.93
Beijing Beiqi Changsheng Automobile Co., Ltd.	Equity method	17,000,000.00	2,036,191.77	-2,036,191.77	-	33.30	-	-	-
Beijing Hyundai Motor Finance Co., Ltd.	Equity method	330,000,000.00	184,261,370.63	132,930,979.10	317,192,349.73	33.00	-	-	-
Beijing Zhongli Foton Axle Co., Ltd.	Equity method	59,776,204.23	56,527,461.61	-4,956,888.11	51,570,573.50	31.50	-	-	-
Anhui Ankai Foton Shuguang Axle Co., Ltd.	Equity method	25,800,000.00	51,934,220.16	6,496,538.97	58,430,759.13	30.00	-	-	-
Beijing Hongdaxing Electric Minibus Rental Ltd.	Equity method	1,500,000.00	1,070,916.65	583,146.91	1,654,063.56	30.00	-	-	-
Beijing Huaixingwang Electric Minibus Rental Ltd.	Equity method	1,500,000.00	1,340,592.30	-1,110,022.20	230,570.10	30.00	-	-	-
Beijing Guichuan Taxi Co., Ltd.	Equity method	1,500,000.00	989,881.39	-162,371.15	827,510.24	30.00	-	-	-
Beijing Beiyou Industry and Trade Company	Equity method	1,506,853.06	1,225,433.30	-436,993.68	788,439.62	27.33	-	-	-
Beijing Beideng Automotive Lighting Co., Ltd.	Equity method	9,102,423.98	8,210,313.26	433.04	8,210,746.30	27.23	-	-	-
Beiqi Yinxiang Automobile Co., Ltd.	Equity method	5,108,701.26	5,108,701.26	35,766,827.95	40,875,529.21	26.00	-	-	-
Sichuan Tengzhong Foton Special Vehicle Co., Ltd.	Equity method	20,000,000.00	15,485,422.57	-2,020,236.17	13,465,186.40	25.00	-	-	-
Shanxi Water Technology Co., Ltd.	Equity method	1,867,663.99	1,867,663.99	-	1,867,663.99	25.00	-	-	-
Yanfeng Visteon (Beijing) Automotive Trim Systems Co., Ltd.	Equity method	20,795,521.57	49,275,156.24	-661,563.16	48,613,593.08	25.00	-	-	18,765,285.00
Beijing Beiqi Guanghua Jietong Auto Parts Co., Ltd.	Equity method	2,362,325.94	2,968,380.34	-2,541,714.78	426,665.56	23.00	-	-	-
New Century Kindergarten in Chaoyang District, Beijing	Equity method	621,638.77	661,667.84	10,802.80	672,470.64	23.00	-	-	-
Beijing Green Valley Electric Minibus Rental Ltd.	Equity method	1,000,000.00	621,836.12	-621,836.12	-	22.20	-	-	-
Beijing Beiqi Guanghua Auto Parts Co., Ltd.	Equity method	4,608,474.77	18,524,434.04	2,152,539.53	20,676,973.57	20.00	-	-	-
Beijing Borg Warner Automotive Actuators Ltd.	Equity method	7,950,506.25	52,714,625.40	7,836,638.04	60,551,263.44	20.00	-	-	-
Beijing Jinyang Electric Passenger Car Rental Ltd.	Equity method	1,000,000.00	705,013.06	-705,013.06	-	20.00	-	-	-
Beijing Li Erdai Moss Automotive Systems Co., Ltd.	Equity method	10,593,920.00	42,911,751.75	3,977,217.05	46,888,968.80	20.00	-	-	23,343,366.05
北京首鋼冷軋薄板有限公司	Equity method	520,000,000.00	146,117,260.21	-75,443,756.05	70,673,504.16	20.00	-	-	-
Beijing Shougang Cold-rolled Sheet Co., Ltd.	Equity method	10,000,000.00	9,993,762.34	240,518.32	10,234,280.66	20.00	-	-	-
Beijing Songzhi Foton Automobile Air Conditioner Co., Ltd.	Equity method	28,894,363.39	130,198,171.14	64,865,216.22	195,063,387.36	20.00	-	-	-
Visteon Automotive Air Conditioner (Beijing) Co., Ltd.	Equity method								

Investees	Accounting method	Investment cost	2013.01.01	Change	2013.12.31	Share holding (%)	Impairment	Current year provision for impairment	Current year cash dividend
Zhuzhou Shoupeng Huilong Steel Processing and Distribution Co., Ltd.	Equity method	12,000,000.00	11,988,171.81	-580,276.46	11,407,895.35	20.00	-	-	-
Beijing Beiqi Sanhuan Transport Co., Ltd.	Equity method	666,636.71	-	666,636.71	666,636.71	-	-	-	-
Beijing China-Korea Joint Crane Co., Ltd.	Equity method	8,964,000.00	7,655,944.69	-7,655,944.69	-	-	-	-	-
Beiqi Northwest Sales Center	Equity method	1,200,000.00	1,200,000.00	-1,200,000.00	-	-	-	-	-
Subtotal		3,305,375,562.99	1,940,751,414.84	489,799,712.83	2,430,551,127.67		15,304,759.26	10,803,359.48	225,985,168.32
(3) other enterprises									
Beiqi Luchi (Huanghua) Automobile Sales Co., Ltd.	Cost method	10,000,000.00	-	10,000,000.00	10,000,000.00	100.00	-	-	-
Beijing Gear Factory	Cost method	74,340,000.00	74,340,000.00	-	74,340,000.00	100.00	74,340,000.00	-	-
BAIC Economic Research Institute	Cost method	500,000.00	500,000.00	-	500,000.00	100.00	-	-	-
Beijing Rongchang Auto Shop	Cost method	856,897.66	856,897.66	-	856,897.66	100.00	-	-	-
Beijing Machinery Equipment Factory	Cost method	6,902,514.68	6,902,514.68	-6,902,514.68	-	100.00	-	-	-
Beijing Tianwei Fuxing Industrial Company	Cost method	1,293,035.98	-	1,293,035.98	1,293,035.98	100.00	-	-	-
Beijing Xinyulian Asset Management Co., Ltd.	Cost method	500,000.00	-	500,000.00	500,000.00	100.00	-	-	-
Beijing Bam Company Ltd.	Cost method	1,251,840.92	906,311.02	-	906,311.02	100.00	-	-	-
BAIC Security Technology and Environmental Development Company	Cost method	249,562.53	249,562.53	-	249,562.53	100.00	249,562.53	-	-
Shanghai Beijing Automobile Industry and Trade Co., Ltd.	Cost method	13,034,756.39	12,677,856.92	-0.01	12,677,856.91	100.00	-	-	-
Beijing Shouchuang Jindian Building Materials Technology Co., Ltd.	Cost method	5,503,872.73	5,503,872.73	-	5,503,872.73	75.00	5,503,872.73	4,168,556.71	-
Beiqi Yunnan Ruili Automobile Co., Ltd.	Cost method	35,000,000.00	-	35,000,000.00	35,000,000.00	70.00	-	-	-
Beijing Tianwei Jianmin Property Management Ltd.	Cost method	400,000.00	389,253.56	-389,253.56	0	-	-	-	-
Beijing Jingong Real Estate Corporation	Cost method	2,200,000.00	2,200,000.00	-	2,200,000.00	61.54	2,200,000.00	-	-
Hongshun Branch	Cost method	11,256,156.70	11,256,156.70	-	11,256,156.70	55.00	11,256,156.70	-	-
Beijing Zhaolongg Trading Company	Cost method	2,512,000.00	2,512,000.00	-	2,512,000.00	45.00	2,512,000.00	-	-
Hainan Yanhai Company	Cost method	8,633,215.91	8,633,215.91	-	8,633,215.91	-	8,633,215.91	-	-
Beijing Automobile Steering Wheel Factory	Cost method	1,000,000.00	1,000,000.00	-	1,000,000.00	20.00	1,000,000.00	-	-
BAIC Motor Anhui Co Ltd	Cost method	20,000,000.00	-	20,000,000.00	20,000,000.00	40.00	-	-	-
Beijing Benyuan Jinghong Capital Management Centre (Limited Partnership)	Cost method	16,980,000.00	16,980,000.00	-	16,980,000.00	20.00	-	-	-
Beijing Beiqi Properties Limited	Cost method	10,000,000.00	10,000,000.00	-	10,000,000.00	20.00	10,000,000.00	-	-
Beijing Light Automobile Co., Ltd.	Cost method	33,250,000.00	-	33,250,000.00	33,250,000.00	19.00	-	-	-
Beijing Electronics SK Technology Co., Ltd	Cost method								

Investees	Accounting method	Investment cost	2013.01.01	Change	2013.12.31	Share holding (%)	Impairment	Current year provision for impairment	Current year cash dividend
Beijing Ketuo Shichuang Technology Development Co., Ltd	Cost method	1,000,000.00	1,000,000.00	-	1,000,000.00	16.67	-	-	-
MCM in Mongolia	Cost method	745,031.82	745,031.82	-	745,031.82	16.00	745,031.82	-	-
Shandong Lufeng Special Vehicle Co., Ltd.	Cost method	8,800,000.00	8,800,000.00	-	8,800,000.00	14.07	-	-	-
Beijing Foton Dynamical Machine Holdings Co., Ltd.	Cost method	73,485,854.00	74,208,272.30	-	74,208,272.30	14.06	-	-	-
Beijing Beiqi Feichi Auto Electric Co., Ltd.	Cost method	1,000,000.00	1,000,000.00	-	1,000,000.00	12.22	-	-	-
Taihang Changqing Automotive Safety Equipment Company	Cost method	78,880,000.00	34,220,000.00	44,731,847.90	78,951,847.90	10.03	-	-	-
Anhui Star Auto Sales & Service Co., Ltd.	Cost method	3,600,000.00	3,600,000.00	-3,600,000.00	-	10.00	-	-	-
Weiyue Automotive Dynamic Machine Co., Ltd.	Cost method	40,815,094.64	-	40,815,094.64	40,815,094.64	10.00	40,815,094.64	-	-
Beijing Automotive Starter Plant	Cost method	1,060,000.00	1,060,000.00	-	1,060,000.00	8.51	-	-	-
Chunyu Kindergarten in Chaoyang District, Beijing	Cost method	203,245.50	214,812.75	-	214,812.75	8.00	-	-	-
俄羅斯BAW汽車(北京)汽車輕量化技術研究院有限公司	Cost method	9,964,529.60	-	9,964,529.60	9,964,529.60	8.00	-	-	-
Beijing Xingyixing Electric Minibus Rental Ltd.	Cost method	3,000,000.00	3,000,000.00	-	3,000,000.00	6.90	-	-	-
Beijing Capital Investment Co., Ltd.	Cost method	1,000,000.00	1,000,000.00	-	1,000,000.00	5.00	-	-	-
Guangdong Foday Automobile Co., Ltd.	Cost method	2,736,128.06	1,000,000.00	736,128.06	1,736,128.06	4.42	-	-	-
Beijing Automobile Investment Co., Ltd.	Cost method	450,000.00	450,000.00	-	450,000.00	2.50	-	-	-
Zhongfalian Investment Co., Ltd.	Cost method	94,878,000.00	94,878,000.00	-94,878,000.00	-	2.33	-	-	10,469,004.63
Sanhe Infac Automotive Parts Co., Ltd	Cost method	4,500,000.00	4,500,000.00	-	4,500,000.00	2.22	-	-	-
Cinda Property Insurance Company	Cost method	1,153,597.78	1,153,597.78	-	1,153,597.78	1.40	-	-	151,200.00
Foton Heavy Machinery Co., Ltd.	Cost method	20,124,595.09	10,826,000.00	-1,527,404.91	9,298,595.09	1.33	-	-	-
Shenzhen Benyuan Jinghong Fund Management Limited	Cost method	7,017,200.00	7,017,200.00	-	7,017,200.00	1.24	-	-	-
Sanhe Infac Automotive Parts Co., Ltd	Cost method	110,000.00	-	110,000.00	110,000.00	1.09	-	-	-
Zhonglian Automotive Electronic Co., Ltd.	Cost method	596,042.16	961,888.25	-	961,888.25	1.05	-	-	113,400.00
Shenzhen North Silver Company	Cost method	9,920,396.86	9,920,396.86	-	9,920,396.86	1.00	-	-	5,489,318.74
Beijing Yanke Technical Corporation	Cost method	2,000,000.00	2,000,000.00	-	2,000,000.00	0.90	2,000,000.00	-	-
Shenzhen Benyuan Jinghong Equity Investment Fund (limited partnership)	Cost method	51,548.33	51,548.33	-	51,548.33	0.50	-	-	-
Beijing Foton Building Material Machinery Co., Ltd.	Cost method	1,000,000.00	-	1,000,000.00	1,000,000.00	0.03	-	-	-
Beijing Haihua Tricyclic Automotive Chassis Systems Ltd.	Cost method	300,000.00	300,000.00	-	300,000.00	-	300,000.00	-	-
	Cost method	3,864,000.00	3,864,000.00	-3,864,000.00	-	-	-	-	-

Investees	Accounting method	Investment cost	2013.01.01	Change	2013.12.31	Share holding (%)	Impairment	Current year provision for impairment	Current year cash dividend
Beijing Heshibi New Materials Technology and Trade Co., Ltd.	Cost method	12,962.00	12,962.00	-	12,962.00	-	-	-	-
Beijing Jinglun Property Company	Cost method	14,443,630.17	14,093,630.17	350,000.00	14,443,630.17	-	14,443,630.17	350,000.00	-
Beijing Automobile and Motorcycle Joint Investment and Manufacturing Company	Cost method	176,000,000.00	176,000,000.00	-176,000,000.00	-	-	-	-	-
Beijing Wanda Aluminum Co. Ltd.	Cost method	650,000.00	650,000.00	-	650,000.00	-	650,000.00	-	-
Beijing Zhenhua Agricultural Tire Company	Cost method	1,000,000.00	1,000,000.00	-	1,000,000.00	-	1,000,000.00	-	-
Liaoning, Beijing Automobile	Cost method	1,000,000.00	1,000,000.00	-1,000,000.00	-	-	-	-	-
Beijing Gear Works Tangshan Machinery Manufacturing Co., Ltd.	Cost method	9,740,000.00	-	-	-	60.00	-	-	-
Vantone Industrial Co., Ltd.	Cost method	500,000.00	500,000.00	-	500,000.00	-	-	-	28,600.00
Subtotal		831,265,709.51	613,934,981.97	-90,410,536.98	523,524,444.99		175,648,564.50	4,518,556.71	16,251,523.37
Total		17,475,594,779.71	18,489,359,557.15	-1,797,859,270.51	16,691,500,286.64		- 213,408,319.18	31,172,501.19	3,750,421,896.06

(3) Investment to significant joint venture and affiliated business

Investees	Share holding (%)	Voting rights (%)	Total assets at year-end	Total liabilities at year-end	Total net assets at year-end	Total operating income	Net profit
Joint venture							
Beijing Hainachuan Hangsheng Automotive Electronics Co., Ltd.	50.00	50.00	148,694,398.22	99,197,688.40	49,496,709.82	140,098,087.96	2,010,518.78
Beijing Hainachuan Henglong Automotive Systems Co., Ltd.	50.00	50.00	117,251,871.80	53,621,087.14	63,630,784.66	172,982,537.37	2,976,488.37
Beijing Beiqi Lear Automotive Electronics Co., Ltd.	50.00	50.00	653,648,062.83	321,323,588.86	332,324,473.97	897,793,433.10	145,907,287.00
Hunan Guanghua Rongchang Automotive Parts Co., Ltd.	50.00	50.00	86,444,271.23	64,979,902.70	21,464,368.53	89,748,063.45	-2,554,521.90
Beijing Hainachuan Xiezhong Automotive Air Conditioner Co., Ltd.	50.00	50.00	154,073,449.19	90,902,949.08	63,170,500.11	311,783,262.10	1,758,310.44
Inalfa Sunroof System (America) Co., Ltd.	50.00	50.00	22,152,030.06	1,616,406.83	20,535,623.23	24,472,544.80	262,822.47
Beijing Foton Cummins Engine Co., Ltd.	50.00	50.00	4,179,877,875.89	2,744,547,891.88	1,435,329,984.01	2,739,505,123.51	95,230,028.24
Beijing Foton Daimler Automotive Co., Ltd.	50.00	50.00	14,370,103,757.93	8,985,382,114.55	5,384,721,643.38	24,188,609,266.82	39,987,898.28
Beijing Hyundai Motor Company	50.00	50.00	53,746,813,566.45	30,195,390,998.73	23,551,422,567.72	109,110,619,190.12	10,874,595,716.48
Beijing Hyundai Mobis Automotive Parts Co., Ltd.	50.00	50.00	1,287,098,086.14	606,110,881.74	680,987,204.40	2,614,595,287.62	439,019,089.63
北京中都格羅唯視物流有限公司	50.00	50.00	214,239,258.57	152,363,783.00	61,875,475.57	1,312,481,811.07	51,875,475.53
Beijing Beiqi Zhongyun Automobile Trading Co., Ltd.	50.00	50.00	88,079,423.30	14,171,952.46	73,907,470.84	25,338,279.69	8,268,719.97
Affiliated business							
Beijing Mercedes-Benz Sales & Service Co., Ltd.	49.00	49.00	634,383,366.05	500,225,122.88	134,158,243.17	917,664,631.37	32,117,426.17
BAIC Dayang Electronics Technology Co., Ltd.	49.00	49.00	69,294,337.52	14,893,669.47	54,400,668.05	21,263,286.71	-1,025,109.24
Beijing Autoliv Automotive Safety System Co., Ltd.	49.00	49.00	168,733,922.07	105,822,534.56	62,911,387.51	228,386,596.08	20,514,814.01
Tenneco (Beijing) Exhaust System Co., Ltd.	49.00	49.00	85,398,720.22	60,453,433.76	24,945,286.46	174,678,281.32	11,484,113.29
Shouqi Automobile Leasing Co., Ltd.	49.00	49.00	735,948,383.92	545,349,154.35	190,599,229.57	377,273,048.58	17,000,302.25
Beijing Innocean Beiguang Advertising Co., Ltd.	49.00	49.00	192,498,706.14	134,614,153.80	57,884,552.34	1,156,645,949.07	37,987,807.74
Beijing Hainachuan Beichi Axle Co., Ltd.	49.00	49.00	99,968,331.12	490.81	99,967,840.31	-	1,811.58

Investees	Share holding (%)	Voting rights (%)	Total assets at year-end	Total liabilities at year-end	Total net assets at year-end	Total operating income	Net profit
Beijing Jia Yuan Yi-Run Technology Development Co., Ltd.	48.24	—	75,327,493.43	46,565,968.99	28,761,524.44	—	-219,061.35
Beijing Beiqi Dashi Automotive Systems Co., Ltd.	48.00	48.00	721,083,376.43	506,686,087.84	214,397,288.59	1,900,299,506.95	122,455,414.71
Shougang Penglong Steel Co., Ltd.	48.00	48.00	179,022,527.80	43,920,628.25	135,101,899.55	514,690,692.77	4,953,012.68
Qinghai Foton Equipment Manufacturing Co., Ltd.	47.50	47.50	395,219,352.75	390,464,699.98	4,754,652.77	239,627,769.69	-19,694,490.32
Zhongfalian (Beijing) Technology Investment Co., Ltd.	45.00	45.00	20,000,000.00	—	20,000,000.00	—	—
Sichuan Changhe Lantian Automobile Sales & Service Co., Ltd.	43.00	43.00	30,325,409.60	20,692,879.65	9,632,529.95	56,750,724.62	532,392.89
AMS Group in Russia	42.00	42.00	—	—	—	—	—
Jiangxi Changhe Suzuki Automobile Co., Ltd.	41.00	41.00	3,003,518,174.93	2,657,669,126.11	345,849,048.82	3,016,717,542.67	-146,157,976.52
Beijing Xiyi Hayward Auto Parts Co., Ltd.	40.00	40.00	57,127,318.68	27,684,337.76	29,442,980.92	120,480,461.77	6,176,690.44
Beijing Dalin Wanda Automobile Parts Co., Ltd.	40.00	40.00	676,297,003.58	381,173,730.87	295,123,272.71	556,806,949.07	37,163,898.59
Inergy Automotive Systems Co., Ltd.	40.00	40.00	507,734,779.09	342,160,204.08	165,574,575.01	645,062,805.25	68,904,426.78
Beijing Fuyan Auto Accessories Technology Center Co., Ltd.	40.00	40.00	6,860,456.87	321,307.23	6,539,149.64	—	-777,475.94
Beijing Hyundai Top-selection U-Car Co., Ltd.	40.00	40.00	94,988,107.50	9,256,396.35	85,731,711.15	119,968,475.49	14,401,124.62
Xinjiang Foton Guanghui Special Vehicle Co., Ltd.	39.82	39.82	126,537,395.52	86,449,581.29	40,087,814.23	600,938,590.21	10,309.07
Beijing Johnson Automotive Parts Co., Ltd.	39.00	39.00	1,735,016,391.65	1,452,326,721.03	282,689,670.62	2,923,106,267.47	166,846,626.45
中油福田(北京)石油销售有限公司	39.00	39.00	31,530,414.38	503,806.66	31,026,607.72	48,296,935.36	1,204,762.32
CNPC Foton (Beijing) Oil Sales Co., Ltd	35.21	35.21	2,471,685.06	628,720.21	1,842,964.85	—	-202,928.38
北京市汽車減震器廠	35.00	35.00	495,080,725.38	270,566,216.40	224,514,508.98	806,451,529.52	114,401,693.44
Beijing Automotive Shock Absorber Plant Tenneco (Beijing) Automotive Shock Absorber Co., Ltd.	35.00	35.00	28,502,242.94	27,323,852.71	1,178,390.23	45,705,861.93	1,235,107.67
Guangdong Changhe Automobile Sales & Service Co., Ltd.	34.89	34.89	904,580,287.48	418,751,194.66	485,829,092.82	589,418,381.14	34,180,226.40
Beijing Asimco Tianwei Oil Pump and Oil Nozzle Holdings Co., Ltd.	34.00	34.00	141,898,948.55	134,342,458.12	7,556,490.43	123,373,194.18	-578,239.47
Beijing Beiqi Changsheng Auto Accessories Co., Ltd.	34.00	34.00	62,023,789.34	12,310,976.63	49,712,812.71	18,499,291.43	-287,187.29
Beiqi Huanghua Axle Co., Ltd.	33.33	33.33	690,694,083.20	451,267,283.45	239,426,799.75	1,741,469,001.65	93,602,444.12
Beijing Hanyi Automotive Trim Parts Co., Ltd.	33.30	33.30	136,061,993.29	164,375,464.93	-28,313,471.64	547,552,459.12	-34,302,270.97
Beiqi Changsheng Automobile Co., Ltd.	33.00	33.00	5,017,287,268.98	4,056,098,330.41	961,188,938.57	146,815,867.14	535,512.00
Beijing Hyundai Motor Finance Co., Ltd.							

Investees	Share holding (%)	Voting rights (%)	Total assets at year-end	Total liabilities at year-end	Total net assets at year-end	Total operating income	Net profit
Anhui Ankai Foton Shuguang Axle Co., Ltd.	30.00	30.00	1,059,726,839.01	864,960,941.94	194,765,897.07	1,863,149,836.16	21,655,129.90
Beijing Guichuan Taxi Co., Ltd.	30.00	30.00	43,283,779.16	40,525,411.68	2,758,367.48	3,822,380.00	-541,237.17
Beijing Hongdaxing Electric Minibus Rental Ltd.	30.00	30.00	40,151,109.47	34,637,564.28	5,513,545.19	2,845,892.23	1,943,823.03
Beijing Huaixingwang Electric Minibus Rental Ltd.	30.00	30.00	20,699,892.81	19,931,325.81	768,567.00	2,318,582.54	-3,700,074.01
Beijing Beiyu Industry and Trade Company 北京市北煜汽車燈具有限公司	27.33	27.33	9,008,572.01	5,929,411.79	3,079,160.22	8,551,831.94	-1,598,852.07
Beijing Beideng Automotive Lighting Co., Ltd.	27.23	27.23	33,985,007.54	8,277,288.27	25,707,719.27	2,936,928.51	1,590.22
Beijing Zhongli Foton Axle Co., Ltd.	26.50	26.50	301,515,485.02	144,878,025.32	156,637,459.70	203,535,878.70	-3,901,004.27
Beiqi Yinxiang Automobile Co., Ltd.	26.00	26.00	3,559,355,357.07	2,978,150,698.17	581,204,658.90	1,510,720,577.08	-62,435,277.12
Yanfeng Visteon (Beijing) Automotive Trim Systems Co., Ltd.	25.00	25.00	736,238,925.27	560,902,448.00	175,336,477.27	1,056,668,273.69	75,281,981.03
Sichuan Tengzhong Foton Special Vehicle Co., Ltd.	25.00	25.00	423,699,932.95	361,839,187.32	61,860,745.63	146,472,944.93	-9,080,944.68
Shanxi Water Technology Co., Ltd.	25.00	-	17,956,629.89	9,928,946.38	8,027,683.51	16,804,626.23	328,370.36
Beijing Pride New Energy Battery Technology Co., Ltd.	24.00	24.00	322,831,107.94	278,294,011.17	44,537,096.77	191,846,190.86	-9,448,184.15
Beijing Beiqi Guanghua Jietong Auto Parts Co., Ltd.	23.00	23.00	10,206,234.55	8,458,252.16	1,747,982.39	18,353,235.95	-11,024,162.52
New Century Kindergarten in Chaoyang District, Beijing	23.00	23.00	2,970,926.49	61,732.54	2,909,193.95	9,275,080.29	46,968.68
Beijing Green Valley Electric Minibus Rental Ltd.	22.20	22.20	11,770,810.55	13,517,732.00	-1746921.45	2,000,240.00	-4,543,480.56
Beijing Jinyuyang Electric Minibus Rental Ltd	20.00	20.00	7,317,919.09	7,399,060.99	-81,141.90	1,954,352.05	-3,606,207.19
Visteon Automotive Air Conditioner (Beijing) Co., Ltd.	20.00	20.00	1,628,044,824.54	719,006,854.46	909,037,970.08	3,392,988,039.34	340,895,822.78
Beijing Borg Warner Automotive Actuators Ltd.	20.00	20.00	514,127,772.47	219,338,667.34	294,789,105.13	583,810,476.00	172,916,587.10
Beijing Beiqi Guanghua Auto Parts Co., Ltd.	20.00	20.00	142,616,337.00	45,945,269.71	96,671,067.29	10,037,548.94	14,990,492.96
Taihang Changqing Automotive Safety Equipment Company	20.00	20.00	303,399,718.07	101,099,481.11	202,300,236.96	81,932,609.61	1,374,337.87
Beijing Songzhi Foton Automobile Air Conditioner Co., Ltd.	20.00	20.00	51,826,743.07	655,339.78	51,171,403.29	-	1,202,591.59
Beijing Li Erdai Moss Automotive Systems Co., Ltd.	20.00	20.00	796,463,996.65	562,019,152.65	234,444,844.00	1,841,751,789.66	136,602,915.44
Beijing Shougang Cold-rolled Sheet Co., Ltd.	20.00	20.00	7,328,055,657.35	6,974,688,136.55	353,367,520.80	8,785,537,219.70	-377,218,780.25
Zhuzhou Shoupeng Huilong Steel Processing and Distribution Co., Ltd.	20	20	68,323,046.78	11,283,570.04	57,039,476.74	3,460,174.31	-2,901,382.32

14. Investment property

Investment property measured by costs.

Items	2013.01.01	Current year Increase		Current year Decrease		2013.12.31
		Purchase or provision	Private real estate or inventory transfer	Disposal	Transfer to self-use real estate	
Total original cost	1,184,220,885.17	320,873,651.10	161,760,409.03	1,237,175.17	–	1,665,617,770.13
1.Houses and Buildings	952,438,149.04	264,480,762.18	124,701,311.55	1,237,175.17	–	1,340,383,047.60
2.Land use right	231,782,736.13	56,392,888.92	37,059,097.48	–	–	325,234,722.53
Total accumulated depreciation (amortisation)	136,633,112.17	36,240,917.33	29,790,424.41	160,723.27	–	202,503,730.64
1.Houses and Buildings	115,193,865.57	27,878,364.03	27,566,878.49	160,723.27	–	170,478,384.82
2.Land use right	21,439,246.60	8,362,553.30	2,223,545.92	–	–	32,025,345.82
Total net book value	1,047,587,773.00	–	–	–	–	1,463,114,039.49
1.Houses and Buildings	837,244,283.47	–	–	–	–	1,169,904,662.78
2.Land use right	210,343,489.53	–	–	–	–	293,209,376.71
Total accumulated provision	–	–	–	–	–	–
1.Houses and Buildings	–	–	–	–	–	–
2.Land use right	–	–	–	–	–	–
Total book value	1,047,587,773.00	–	–	–	–	1,463,114,039.49
1.Houses and Buildings	837,244,283.47	–	–	–	–	1,169,904,662.78
2.Land use right	210,343,489.53	–	–	–	–	293,209,376.71

Note: The current depreciation totalled RMB 36,240,917.330.

15. Fixed assets

(1) Category

Items	2013.01.01	current year Increase	current year Decrease	2013.12.31
Original cost				
Inc.: Land	30,563,588.50	—	1,709,150.00	28,854,438.50
Houses and Buildings	7,825,447,855.99	8,663,460,211.08	145,902,795.98	16,343,005,271.09
Machinery	8,497,718,743.66	10,290,122,997.26	399,651,778.82	18,388,189,962.10
Vehicles	549,653,196.43	526,177,775.73	146,983,251.21	928,847,720.95
Office equipments and Others	963,222,374.18	2,867,385,907.75	220,972,946.06	3,609,635,335.87
Subtotal	17,866,605,758.76	22,347,146,891.82	915,219,922.07	39,298,532,728.51
Total accumulated depreciation				
Inc.: Land	—	—	—	—
Houses and Buildings	885,742,784.02	717,350,287.61	107,712,685.16	1,495,380,386.47
Machinery	2,945,084,417.86	2,619,838,692.02	317,740,123.40	5,247,182,986.48
Vehicles	210,602,917.85	228,623,819.81	94,002,488.28	345,224,249.38
Office equipments and Others	404,545,100.03	1,294,124,446.42	207,791,783.87	1,490,877,762.58
Subtotal	4,445,975,219.76	4,859,937,245.86	727,247,080.71	8,578,665,384.91
Total net book value				
Inc.: Land	30,563,588.50			28,854,438.50
Houses and Buildings	6,939,705,071.97			14,847,624,884.62
Machinery	5,552,634,325.80			13,141,006,975.62
Vehicles	339,050,278.58			583,623,471.57
Office equipments and Others	558,677,274.15			2,118,757,573.29
Subtotal	13,420,630,539.00	—	—	30,719,867,343.60
Total accumulated provision				
Inc.: Land	—	—	—	—
Houses and Buildings	1,403,595.47	53,103,819.90	100,713.45	54,406,701.92
Machinery	351,607,404.62	980,581,613.89	51,155,760.94	1,281,033,257.57
Vehicles	819,695.94	13,877,960.90	1,153,933.92	13,543,722.92
Office equipments and Others	53,560.45	19,562,865.84	776,011.79	18,840,414.50
Subtotal	353,884,256.48	1,067,126,260.53	53,186,420.10	1,367,824,096.91
Book value				
Inc.: Land	30,563,588.50	—	—	28,854,438.50
Houses and Buildings	6,938,301,476.50	—	—	14,793,218,182.70
Machinery	5,201,026,921.18	—	—	11,859,973,718.05
Vehicles	338,230,582.64	—	—	570,079,748.65
Office equipments and Others	558,623,713.70	—	—	2,099,917,158.79
Total book value	13,066,746,282.52	—	—	29,352,043,246.69

16. Construction in progress

(1) Presented by items

Items	Budget amount	2013.01.01	Current year increase	Transferred into fixed assets	Other decrease	% of budget	Project progress	Total capitalised interest	Incl: current capitalised interest	Current rate of capitalised interest (%)	Fund source	2013.12.31
MRA project-IV	9,502,500,000.00	-	2,444,379,598.34	333,420,672.09	2,606,410.22	42.00	42.00	-	-	-	Internally-financed	2,108,352,516.03
MRAII project-IV	11,853,200,000.00	-	1,865,924,236.72	201,324.78	-	16.00	16.00	-	-	-	Internally-financed -	1,865,722,911.94
Huairou heavy machinery project	2,134,510,000.00	273,367,373.00	593,198,042.30	164,962,880.00	-	45.00	50.00	-	-	-	Fund-raising and loans	701,602,535.30
Weifang vehicle plant construction project	1,220,520,000.00	455,779,275.79	478,357,990.22	371,485,923.24	-	80.00	85.00	108,726,017.80	28,058,076.22	5.94	Internally-financed and loans	562,651,342.77
NGCC project-IV	5,790,800,000.00	-	448,774,113.58	-	-	19.00	19.00	-	-	-	Internally-financed	448,774,113.58
WEIGL	426,220,000.00	320,219,306.44	98,997,407.32	-	-	98.36	98.00	15,421,789.40	8,399,430.10	5.76	Internally financed and loans	419,216,713.76
Technology upgrading project for off-road vehicle	679,000,000.00	-	386,143,315.43	-	-	56.06	40.00	-	-	-	Internally-financed -	386,143,315.43
Powertrain R&D facilities	490,210,000.00	68,000,000.00	299,547,208.36	-	-	74.98	75.00	-	-	-	Internally-financed and loans	367,547,208.36
Miyu vehicle plant construction project	2,960,340,000.00	39,296,686.88	350,534,278.64	77,755,715.11	-	87.00	87.00	32,929,433.03	10,908,855.49	5.94	Fund-raising and loan	312,075,250.41
Beijing Benz R&D project	858,900,000.00	-	327,203,480.05	16,920,245.06	-	47.00	47.00	-	-	-	Internally-financed and loans	310,283,234.99
Others	-	7,688,635,477.14	-	-	-	-	-	-	-	-	-	6,327,079,314.11
Total		- 8,845,298,119.25										- 13,809,448,456.68

(2) Provision for impairment

Items	2013.01.01	Current year increase	Current year decrease	2013.12.31	Reason for provision
Villa Development Zone	2,792,546.53	–	–	2,792,546.53	Changes in project
Clubhouse	31,366.09	–	–	31,366.09	Changes in project
Light Automobile Co relocation project	–	27,809,933.79	–	27,809,933.79	Physically damaged
Total	2,823,912.62	27,809,933.79	–	30,633,846.41	–

17. Disposal of fixed assets

Items	2013.12.31	2012.12.31	Reason
Land and building in Xiaohongmen Town	3,900,133.25		Land purchased by government as reserve
Others	65,592.85	2,716.67	
Total	3,965,726.10	2,716.67	–

18. Intangible assets

(1) Original value

Items	2013.01.01	Current year increase	Current year decrease	2013.12.31
Land-use rights	5,282,321,637.52	4,629,505,337.49	166,214,185.33	9,745,612,789.68
R&D project	912,925,267.90	415,755,549.26	8,973,615.41	1,319,707,201.75
Software	361,029,607.38	211,979,138.16	14,685,284.57	558,323,460.97
Patent right	361,722,629.35	4,432,129.77	–	366,154,759.12
Non-patented technology	316,273,584.97	724,784,364.62	59,337,932.35	981,720,017.24
Customer relationship	304,149,777.05	3,753,088.57	–	307,902,865.62
Saab's intellectual property rights	–	492,076,572.46	–	492,076,572.46
Others	2,553,942.51	–	–	2,553,942.51
Total	7,540,976,446.68	6,482,286,180.33	249,211,017.66	13,774,051,609.35

(2) Accumulated amortisation

Items	2013.01.01	Current year increase	Current year decrease	2013.12.31
Land-use rights	248,208,345.50	160,376,915.23	16,083,962.71	392,501,298.02
R&D project	295,071,033.89	171,612,786.52	1,558,333.34	465,125,487.07
Software	198,849,274.74	109,749,514.69	8,299,052.12	300,299,737.31
Patent right	51,240,716.06	36,788,491.34	–	88,029,207.40
Non-patented technology	86,126,218.46	142,125,293.49	7,347,233.76	220,904,278.19
Customer relationship	21,544,391.96	15,660,537.63	–	37,204,929.59
SAAB's intellectual property rights	–	41,006,381.04	–	41,006,381.04
Others	1,759,642.39	179,100.00	–	1,938,742.39
Total	902,799,623.00	677,499,019.94	33,288,581.93	1,547,010,061.01

(3) Book value

Items	2013.01.01	Current year		2013.12.31
		increase	decrease	
Land-use rights	5,034,113,292.02	—	—	9,353,111,491.66
R&D project	617,854,234.01			854,581,714.68
Software	162,180,332.64	—	—	258,023,723.66
Patent right	310,481,913.29	—	—	278,125,551.72
Non-patented technology	230,147,366.51	—	—	760,815,739.05
Customer relationship	282,605,385.09	—	—	270,697,936.03
SAAB's intellectual property rights	—			451,070,191.42
Others	794,300.12	—	—	615,200.12
Total	6,638,176,823.68	—	—	12,227,041,548.34

19. Development expenditure

Items	2013.01.01	Current year increase	Current year decrease		2013.12.31
			Recorded into current profit or loss	Transferred into intangible assets	
Research expenditure	—	460,699,112.41	460,699,112.41	—	—
Development expenditure	4,615,900,290.31	3,081,512,308.13	212,325,499.70	1,603,183,308.61	5,881,903,790.13
Total	4,615,900,290.31	3,542,211,420.54	673,024,612.11	1,603,183,308.61	5,881,903,790.13

20. Goodwill

Investee	Initial amount	Initial impairment provision	Current year Increase	Current year Decrease	Amount at year-end	Impairment provision at year-end
Beijing Automotive Assets Heyuan Co., Ltd	18,503,866.26	—	—	—	18,503,866.26	—
Beijing Shunyuan Yongkang Asset Management Ltd.	5,573,758.33	—	—	—	5,573,758.33	—
Beijing Shiji Beiguang Advertising Company	—	—	32,602,120.51	—	32,602,120.51	—
Inalfa Sunroof System Group	824,776,437.42	—	10,153,008.98	—	834,929,446.40	—
Beijing Penghao Jiye Technology Development Co., Ltd.	1,814,174.54	—	—	—	1,814,174.54	—
Beijing Benz Automotive Co., Ltd.	—	—	806,788,117.25	—	806,788,117.25	—
Beiqi Foton Motor Co., Ltd.	192,946,654.37	—	—	—	192,946,654.37	—
Jiangxi Changhe Automobile Co., Ltd.	—	—	61,005,669.64	—	61,005,669.64	—
Total	1,043,614,890.92	—	910,548,916.38	—	1,954,163,807.30	—

21. Long-term deferred expense

Category	2013.01.01	Current year increase	Current amortisation	Other Decrease	2013.12.31	Reason
Renovation of mould and sales centre	255,126,680.71	203,453,727.60	141,825,115.01	–	316,755,293.30	–
Renovation costs	114,915,856.29	147,811,065.88	85,974,467.17	948,038.68	175,804,416.32	–
Rental fees	2,721,165.39	2,332,864.00	2,135,385.02	–	2,918,644.37	–
Others	4,042,614.40	8,715,949.04	6,303,711.76	62,034.87	6,392,816.81	–
Land use fees	5,769,162.67	–	–	–	5,769,162.67	–
Total	382,575,479.46	362,313,606.52	236,238,678.96	1,010,073.55	507,640,333.47	–

22. Deferred income tax assets and liabilities

A. Recognised deferred income tax assets and liabilities

Items	2013.12.31		2012.12.31	
	Deferred income tax assets/ liabilities	Deductible temporary differences	Deferred income tax assets/ liabilities	Deductible temporary differences
Deferred income tax assets				
Provision for impairment of assets	299,435,760.29	1,197,743,041.16	84,330,310.75	337,321,243.00
Bad debt provision for accounts receivable	46,152,805.07	184,611,220.28	1,798,140.42	7,192,561.68
Accrued expenses	2,524,755,792.44	10,099,023,169.76	147,682,967.94	590,731,871.76
Foreseeable liabilities and other payables	16,303,764.73	65,215,058.92	19,089.90	76,359.60
未彌補虧損 Accumulated losses	131,799,727.10	527,198,908.40	86,189,438.03	344,757,752.12
抵消的未實現內部銷售損益 offset the unrealized gains and losses from inter-company sales	320,024,056.93	1,280,096,227.72	364,623,171.98	1,458,492,687.92
Reserve for stock depreciation	49,420,125.49	197,680,501.96	83,332.53	333,330.12
預收賬款納稅調增 Tax increase for advance from customers	199,569,491.37	798,277,965.48	10,141,701.51	40,566,806.04
Interest on financial leases	–	–	311,126.13	1,244,504.52
Undeclared disposal of assets etc.	32,319,909.56	129,279,638.24	131,529,947.35	526,119,789.40
Total	3,619,781,432.98	14,479,125,731.92	826,709,226.54	3,306,836,906.16
Deferred income tax liabilities				
Fixed asset differences between the assessed value and cost	875,033,127.28	3,500,132,509.12	848,223.57	3,392,894.28
Long term equity investment	151,885,731.35	607,542,925.40	166,033,303.77	664,133,215.08
Changes in fair value of available-for-sale financial assets included in capital reserve	8,421,290.42	33,685,161.68	8,891,206.43	35,564,825.72

Items	2013.12.31		2012.12.31	
	Deferred income tax assets/liabilities	Deductible temporary differences	Deferred income tax assets/liabilities	Deductible temporary differences
Capitalised development expenditure deductible when occurs	27,107,685.07	108,430,740.28	14,909,262.16	59,637,048.64
Unrealized internal sales inventory			9,355,382.82	—
available-for-sale financial assets	834,073.16	3,336,292.64	834,073.16	3,336,292.64
Total	1,063,281,907.28	4,253,127,629.12	200,871,451.91	766,064,276.36

23. Other non-current assets

Items	2013.12.31	2012.12.31
Renovation costs	8,112,626.68	—
Prepayment on construction	218,034,079.00	—
Prepayment on equipment	770,830,882.68	41,839,595.06
Prepayment on land	87,514,696.32	332,264,696.32
Prepayment on buildings	202,978,600.00	—
unrecognized financing fees	1,628,474.49	8,025,571.77
Others	—	526,711.27
Total	1,289,099,359.17	382,656,574.42

24. Limited-ownership assets

Limited-ownership Assets	2013.01.01	Current year increase	Current year decrease	2013.12.31
Assets for Guarantee				
Inventory	165,687,661.92	1,033,760,376.49	117,296,225.12	1,082,151,813.29
monetary capital	139,146,822.31	1,855,202,860.46	—	1,994,349,682.77
Land-use right	433,645,037.17	165,788,780.92	322,968,878.46	276,464,939.63
Accounts receivable	323,784,467.28	128,455,877.73	—	452,240,345.01
Fix assets	478,699,426.58	85,980,876.21	—	564,680,302.79
Net value of buildings	690,116,682.80	—	98,204,368.13	591,912,314.67
Net value of equipment	205,003,125.12	—	34,611,096.62	170,392,028.50
Quality guarantee 電費保函	327,000.00	—	—	327,000.00
Guarantee for electricity charge 信用證保證金	4,000,000.00	70,500,000.00	70,000,000.00	4,500,000.00
Guarantee for Letter of Credit	—	4,614,214.34	—	4,614,214.34
Net value of long-term receivables	—	427,791,038.00	—	427,791,038.00
Equity in Beijing Hainachuan Auto Parts Co., Ltd.	1,180,850,980.15	—	1,180,850,980.15	—

Limited-ownership Assets	2013.01.01	Current year increase	Current year decrease	2013.12.31
Equity in BAIC Motor Co., Ltd.	2,565,674,774.27	–	2,565,674,774.27	–
Subtotal	6,186,935,977.60	3,772,094,024.15	4,389,606,322.75	5,569,423,679.00
Limited-ownership Assets Caused by Other Reasons				
guarantee for notes receivable	2,044,387,631.38	4,854,055,817.00	4,589,367,949.53	2,309,075,498.85
Subtotal	21,780,000.00	172,188,000.00	6,780,000.00	187,188,000.00
Subtotal	2,066,167,631.38	5,026,243,817.00	4,596,147,949.53	2,496,263,498.85
Total	8,253,103,608.98	8,798,337,841.15	8,985,754,272.28	8,065,687,177.85

Note

- (1) The certificate for the automobile inventory of the Company was used as collateral in dealing with bank acceptance bill and trilateral financial businesses.
- (2) Part of the bank deposits of the subsidiaries of the Company were deposited as reserve in the central bank, so that their usage was limited.
- (3) Part of the plants, lands, and properties of Beiqi Foton Motor Co. Ltd., a subsidiary of the Company, were mortgaged due to counter-guarantee for the Company (the guarantor) in order to issue corporate bonds.
- (4) The letter of quality guarantee was due to the following case: Beijing Electric Vehicle Co. Ltd, a subsidiary of the Company, participated in the bidding for the Beijing *Commercial Committee Blade Electric Vehicles Demonstration Operation Procurement Project*, and won the bidding of 30 pure electric vans with an amount of RMB 6.54 million. Letter of guarantee for the contract guarantee period should be provided to the enterprise. The amount was 5 per cent. of the total contract amount.
- (5) Long-term accounts receivable were pledged as Beijing Zhongche Xinrong Automobile Leasing Co., Ltd., a subsidiary of the Company, sought to obtain financing through factoring of rent receivables with the bank.
- (6) According to the signed borrowing contract and the contract for starting a bank acceptance bills credit business, Beijing Automobile Works Co., Ltd., which is affiliated to the Company, pledged part of its lands, plants and properties to the bank as collateral. The pledge period was from 16 June 2008 to 30 September 2015.
- (7) Part of the Company's bank loans were guaranteed by state-owned assets management companies. The Company and Beijing State-owned Assets Operation and Management Center signed the *Equity Pledge Agreement*, using part of its long-term equity investments to provide counter-guarantee.
- (8) Part of the Company's other monetary funds were of limited usage in order to accept guarantee deposit, mortgage deposit and letter of guarantee deposit.
- (9) The bills receivable with limited usage were bank acceptance bills pledged in order to obtain loans and bank acceptance bills.
- (10) Beijing Automotive Asset Operation and Management Co., Ltd., a subsidiary of the Company, offered part of its investments in real estate and land use rights to the bank as collateral in order to obtain short-term loans for its subsidiary Beijing Capital Tire Co., Ltd.
- (11) Beijing Hing Oriental Industrial Co., Ltd., a subsidiary of the Company, offered part of its investments in real estate and land use rights to the bank as collateral in order to obtain short-term loans for its subsidiary Beijing Square Engineering and Technology Joint Stock Co., Ltd.
- (12) Beijing Hing Oriental Industrial Co., Ltd., a subsidiary of the Company, offered part of its investments in real estate and land use rights to the bank as collateral in order to obtain short-term loans for its subsidiary Beijing Agricultural Machinery Company.

25. Short-term loans

(1) Category

Category	2013.12.31	2012.12.31
Credit loan	6,337,251,692.61	5,488,198,657.84
Mortgage loan	379,908,261.09	301,278,068.37
Pledged loan	177,750,000.00	24,000,000.00
Guaranteed loan	1,543,571,880.36	1,032,502,149.14
Total	8,438,481,834.06	6,845,978,875.35

(2) Short-term loans due yet outstanding

Debtor	Amount	Interest rate(%)	Type	Purpose	Overdue period (day)	Outstanding reason	Estimated repayment time
Beijing Penghao Technology Development Co., Ltd.	750,000.00	5.94	互助會 Mutual Association	operation	4,568.00	資金困 Financial difficulties	undertermined
Beijing Xidan Hotel	12,040,000.00	5.58	流動資金 Liquid fund	借新還舊 Borrowing for repaying	2,555.00	資金緊張 Financial strain	未確定 undetermined
Total	12,790,000.00	-	-	-	-	-	-

(3) Foreign currency loans

Category	Currency	2013.12.31		2012.12.31	
		Original currency	Converted into RMB	Original currency	Converted into RMB
Credit loan	EUR	413,124,602.30	3,477,479,817.35	-	-
Guaranteed loan	USD	10,000,000.00	60,969,000.00	-	-
Total	-	-	3,538,448,817.35	-	-

Note: The guaranteed loan was US\$10,000,000.00 that BAIC Hong Kong Investment Corp., Ltd, a subsidiary of BAIC Motor Co., Ltd., borrowed from ICBC Abu Dhabi Branch. This loan was guaranteed by BAIC Motor Co., Ltd.

(4) Pledged loan

Debtor	Closing balance	Pledged / Mortgaged assets
Beijing Rocar Star Automobile Sales & Service Co., Ltd	93,100,000.00	Vehicle certificate 2084 萬元定期存單質押
Shandong Haihua Auto Parts Co., Ltd.	20,000,000.00	Certificate of RMB20,840,000 time deposit pledged 應收賬款質押
Taian Qicheng Wheel Manufacturing Co., Ltd.	20,000,000.00	Accounts receivable pledged 1800 萬元承兌匯票質押
Shandong Haihua Auto Parts Co., Ltd.	16,200,000.00	18,000,000 yuan acceptance bill pledged
Zhejiang Penglong Mercedes-Benz Automobile sales Co., Ltd.	13,050,000.00	Vehicle certificate
Shandong Haihua Auto Parts Co., Ltd.	10,000,000.00	原材料質押 Raw materials pledged 600 萬元承兌匯票質押
Shandong Haihua Auto Parts Co., Ltd.	5,400,000.00	6,000,000 yuan acceptance bill pledged
Total	<u>177,750,000.00</u>	—

(5) Mortgage loan

Debtor	Closing balance	Pledged /Mortgaged assets
Beijing Capital Tyre Co., Ltd.	210,000,000.00	Real estate
Beijing Hainachuan Automotive Parts Co., Ltd.	50,000,000.00	Land use rights
Inalfa Sunroof System (Korea) Co., Ltd.	39,908,261.09	Fixed assets
Shandong Haihua Auto Parts Co., Ltd.	30,000,000.00	Land, building
Beijing Square Engineering & Technology Co., Ltd	27,000,000.00	Buildings
Beijing Asia-Pacific Automotive Chassis Systems Co., Ltd.	20,000,000.00	Land use rights
Beijing Agricultural Supplies Ltd.	2,000,000.00	Individual shareholder's property
Beijing Agricultural Machinery Company	1,000,000.00	property, land
Total	<u>379,908,261.09</u>	—

(6) Guaranteed loan

Debtor	Closing balance	Guarantor
Jiangxi Changhe Automobile Co., Ltd.	380,000,000.00	Jiangxi Province State-owned Enterprise Assets Operation (Holdings) Co., Ltd.
Beijing Beiqi Mould & Plastic Technology Co., Ltd.	240,000,000.00	Beijing Hainachuan Automotive Parts Co., Ltd., Jiangyin Mould & Plastic Group Co., Ltd.
Beijing Capital Tyre Co., Ltd.	160,000,000.00	BAIC Motor Co., Ltd
Beijing Capital Tyre Co., Ltd.	150,000,000.00	Beijing Automotive Group Co., Ltd
	117,500,000.00	Beijing Penglongxing Automobile Trading Co., Ltd.
Beijing Capital Tyre Co., Ltd.	90,000,000.00	Beijing Automotive Group Co., Ltd 應收賬款保理
Beijing Penglong Tianchuang Material Trading Co., Ltd.	63,312,822.48	Accounts receivable factoring
BAIC Hong Kong Investment Corp. Limited	60,969,000.00	BAIC Motor Co., Ltd
Beijing Capital Tyre Co., Ltd.	60,000,000.00	BAIC Motor Co., Ltd
Beijing Capital Tyre Co., Ltd.	40,000,000.00	BAIC Motor Co., Ltd
Shandong Haihua Auto Parts Co., Ltd.	30,000,000.00	Shandong Tiancheng Biological Technology Co., Ltd.
Guizhou Rocar Chenxi Auto Sales & Service Co., Ltd.	29,000,000.00	BAIC ROCAR Co., Ltd.
Shandong Haihua Auto Parts Co., Ltd.	20,000,000.00	Shandong Hongtai Technology Co., Ltd.
Zhejiang Penglong Mercedes-Benz Automobile sales Co., Ltd.	19,000,000.00	BAIC ROCAR Co., Ltd.
Shandong Haihua Auto Parts Co., Ltd.	16,919,710.04	China Continent Insurance
Beijing Xidan Hotel	12,040,000.00	Beijing Sanxing Industry and Trade Company
Shandong Haihua Auto Parts Co., Ltd.	10,000,000.00	Zibo Haizhou Powder Metallurgy Co., Ltd., Beijing Beiqi Xinghua Spring Co., Ltd.
Foton Engineering Machinery Co., Ltd. (Germany)	8,418,900.00	Beiqi Foton Motor Co., Ltd.
Beijing Jingpeng Huanyu Animal Husbandry Science and Technology Co., Ltd.	8,000,000.00	Beijing Agricultural Machinery Institute
Foton Motor Co., Ltd. (Russia)	6,061,447.84	Beiqi Foton Motor Co., Ltd.
Beijing Jingpeng Huanyu Animal Husbandry Science and Technology Co., Ltd.	5,000,000.00	Shandong Hongtai Technology Co., Ltd. and Zibo Haizhou Powder Metallurgy Co., Ltd.
Beijing Jingpeng Huanyu Animal Husbandry Science and Technology Co., Ltd.	5,000,000.00	Beijing Agricultural Machinery Institute
Shandong Haihua Auto Parts Co., Ltd.	5,000,000.00	Beijing Agricultural Machinery Institute
Shandong Haihua Auto Parts Co., Ltd.	4,800,000.00	Zibo Wanshan Machinery and Zobo Fushi Calcium
Shandong Haihua Auto Parts Co., Ltd.	1,800,000.00	Bank of China, Boshan Sub-branch
Beijing Penghao Jiye Technology Development Co., Ltd.	750,000.00	BAIC Motor Co., Ltd
Total	<u>1,543,571,880.36</u>	–

26. Trading financial liabilities

<u>Items</u>	<u>2013.12.31</u>	<u>2012.12.31</u>
Derivative financial liabilities		1,680,545.91
Hedging instruments	11,493,022.31	8,407,553.94
Total	<u>11,493,022.31</u>	<u>10,088,099.85</u>

27. Notes payable

<u>Category</u>	<u>2013.12.31</u>	<u>2012.12.31</u>
Bank acceptance bills	4,714,712,772.65	3,484,380,862.41
Commercial acceptance bills	35,000,000.00	—
Total	<u>4,749,712,772.65</u>	<u>3,484,380,862.41</u>

28. Accounts payable

<u>Aging</u>	<u>2013.12.31</u>	<u>2012.12.31</u>
Within 1 year (including 1 year)	20,083,131,180.86	9,456,785,882.36
1-2 years (including 2 years)	1,070,303,626.67	604,929,202.75
2-3 years (including 3 years)	63,020,376.58	39,065,412.80
Over 3 years	114,967,530.49	95,980,137.83
Total	<u>21,331,422,714.60</u>	<u>10,196,760,635.74</u>

Large amount accounts payable with aging over 1 year:

<u>Creditors</u>	<u>Amount owed</u>	<u>Aging</u>	<u>Outstanding reason</u>
Beijing YTYH Intelli-Technology Co., Ltd.	28,147,570.86	1-2 yrs	unsettled
Beijing Urban Construction Tianyu Service Co., Ltd.	21,941,866.03	1-2 yrs	unsettled
Jingdezhen Changfei Industry Co., Ltd.	20,468,222.40	1-3 yrs	unsettled
Beijing Huaqing Rongyi Equipment Installation Engineering Co., Ltd.	14,991,830.13	1-2 yrs	unsettled
Danyang City Shunxiang Metal Trading Company	13,382,638.37	1-2 yrs	unsettled
Standard military vehicles project arrears	12,238,722.40	4-5 yrs	unsettled
Beijing Construction Engineering Group Co., Ltd.	11,963,631.27	1-2 yrs	unsettled
Total	<u>123,134,481.46</u>		

29. Advance from customers

<u>Aging</u>	<u>2013.12.31</u>	<u>2012.12.31</u>
Within 1 year (including 1 year)	4,520,173,726.52	2,549,584,122.57
Over 1 year	296,210,368.53	167,815,405.32
Total	<u>4,816,384,095.05</u>	<u>2,717,399,527.89</u>

Note: Big items of advance from customers with aging over 1 year were those from dealers for the purchase of cars.

30. Employees benefits payable

Items	2013.01.01	Current year increase	Current year decrease	2013.12.31
Wages, bonuses, allowances and subsidies	694,056,023.32	5,757,513,755.45	5,306,040,527.45	1,145,529,251.32
Welfare expenses	1,233,499.91	344,511,374.35	337,943,865.92	7,801,008.34
Incl: Non-monetary benefits	—	1,401,043.78	1,401,043.78	—
Social insurances	54,128,296.60	1,015,363,663.84	988,069,828.16	81,422,132.28
Incl: Basic medical insurance premium	14,361,232.99	360,539,309.50	350,461,565.57	24,438,976.92
Supplementary medical insurance	—	—	—	—
Basic endowment insurance	36,361,068.55	571,439,658.64	555,284,110.65	52,516,616.54
Annuity payment (Supplementary endowment insurance)	1,988,032.98	9,061,914.98	10,739,213.85	310,734.11
Unemployment insurance	466,371.24	28,994,497.92	28,046,106.67	1,414,762.49
Work injury insurance	519,740.31	24,217,954.11	23,000,888.51	1,736,805.91
Maternity insurance	431,850.53	21,110,328.69	20,537,942.91	1,004,236.31
Housing accumulation fund	2,403,880.64	309,868,068.87	308,141,077.50	4,130,872.01
Labour union expenditure and employee education expenses	58,221,736.15	174,625,147.62	134,111,976.37	98,734,907.40
The dismissal and early retirement compensation	2,570,218.33	55,478,322.70	17,896,088.90	40,152,452.13
Incl: Compensations for the cancellation of the labour relationship	2,570,218.33	55,478,322.70	17,896,088.90	40,152,452.13
Expected early retirement expenditure	—	—	—	—
Others	1,569,588.64	21,019,868.65	21,021,920.88	1,567,536.41
Incl: Cash-settled share-based payment	—	—	—	—
Total	814,183,243.59	7,678,380,201.48	7,113,225,285.18	1,379,338,159.89

31. Taxes payable

Items	2013.01.01	Payable in current year	Payment in current year	2013.12.31
VAT	16,504,040.83	1,544,090,013.22	1,558,890,769.11	1,703,284.94
Consumption tax	37,954,842.64	353,619,186.83	339,840,852.01	51,733,177.46
Business tax	17,148,437.99	60,450,347.30	66,785,747.40	10,813,037.89
Income tax	335,484,995.88	1,086,537,276.71	430,886,753.39	991,135,519.20
City construction tax	8,647,793.77	173,094,815.32	142,343,231.30	39,399,377.79
Property tax	13,062,802.76	111,237,397.79	88,800,747.05	35,499,453.50
Land use tax	9,186,634.77	44,368,967.09	42,895,973.20	10,659,628.66
Personal income tax	24,707,567.69	338,712,557.58	325,833,546.81	37,586,578.46
Additional education fee	6,384,528.40	137,752,290.07	113,499,516.03	30,637,302.44
Other taxes	8,450,913.89	230,692,143.63	228,666,064.77	10,476,992.75
Total	477,532,558.62	4,080,554,995.54	3,338,443,201.07	1,219,644,353.09

32. Interest payable

<u>Items</u>	<u>2013.12.31</u>	<u>2012.12.31</u>
Long-term loan interest that interest paid in instalments and principal repaid when it is due	19,995,375.21	68,202,734.72
Debenture interest	346,570,072.94	256,312,601.09
Short-term loan interest payable 企業間借款應付利息	42,271,835.27	22,229,995.11
Interest payable for inter-company borrowings	798,300.50	7,073,994.89
Interest on deposit	8,008,458.61	950,034.29
Total	<u>417,644,042.53</u>	<u>354,769,360.10</u>

33. Dividend payable

<u>Names</u>	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>reasons for unpaid amount more than 1 year</u>
Dividend payable	1,784,671,103.77	14,677,223.63	None

34. Other payables

<u>Aging</u>	<u>2013.12.31</u>	<u>2012.12.31</u>
Under 1 year (including 1 year)	17,184,152,234.38	3,035,065,900.00
1-2 years (including 2 years)	836,616,297.99	2,091,174,546.26
2-3 years (including 3 years)	1,140,667,766.75	316,296,648.15
Over 3 years	1,658,535,713.63	1,321,959,151.35
Total	<u>20,819,972,012.75</u>	<u>6,764,496,245.76</u>

35. Non-current liabilities due within one year

<u>Items</u>	<u>2013.12.31</u>	<u>2012.12.31</u>
Long-term loans due within one year	1,653,522,384.44	3,229,968,858.16
Bond payable due within one year	997,697,700.00	—
Long-term payables due within one year	11,804,994.45	15,616,745.13
Other long-term liabilities due within one year	334,413,065.79	—
Total	<u>2,997,438,144.68</u>	<u>3,245,585,603.29</u>

(1) Long-term loans due within one year

<u>Category</u>	<u>2013.12.31</u>	<u>2012.12.31</u>
Pledged loan	223,587,567.00	1,700,000,000.00
Mortgage loan	48,677,986.69	53,830,693.79
Guaranteed loan	321,160,000.00	9,720,000.00
Credit loan	1,060,096,830.75	1,466,418,164.37
Total	<u>1,653,522,384.44</u>	<u>3,229,968,858.16</u>

(2) Long-term payables due within one year

<u>Items</u>	<u>2013.12.31</u>	<u>2012.12.31</u>
Financial lease	11,804,994.45	4,921,521.21
Long-term payables due within one year	—	10,695,223.92
Total	<u>11,804,994.45</u>	<u>15,616,745.13</u>

(3) Bond payable due within one year

					Interest payable at the beginning of the current year	Interest accrued at the current period	Interest paid at the current period	Interest payable at the end of the current year	Balance at current year end	
Bond		Par value	Date of issue	Bond period	Amount					
2009 Beiqi Foton Motor Co., Ltd. Bond	Par value	1,000,000,000.00	2009/9/23	5 yrs	1,000,000,000.00	14,200,000.00	56,800,000.00	56,800,000.00	14,200,000.00	1,000,000,000.00
	Interest adjustment				-14,000,000.00	-5,301,900.00	2,999,600.00	-	-	-2,302,300.00
Total		1,000,000,000.00			986,000,000.00	8,898,100.00	59,799,600.00	56,800,000.00	14,200,000.00	997,697,700.00

Note: As approved by the China Securities Regulatory Commission (CSRC) Zheng Jian Fa Xing Zi [2009] No. 18, the Company publicly issued 10,000,000 corporate bonds on 29 September 2009 with a par value of RMB 100. The total amount of the issuance was RMB 1 billion. The duration of the bond was five years. The paid-in amount was RMB 986 million, with RMB 14 million of the underwriting and other fees deducted. This part of the deducted fees, as the interest adjustment fee, was amortised using the real interest rate.

The nominal interest rate of the corporate bonds issued by the Company was 5.68 per cent.. The interest value date was the first day of the bond issuance, or 23 September 2009. The interest of the corporate bonds was to be paid once annually beginning on the interest value date. From 2010 to 2014, each 23 September would be the payment date of the previous interest accrual period (to be postponed in case of holidays, similarly hereinafter). The expiry date of the corporate bond would be 23 September 2014. The principal and the interest for the last period would be paid at that time.

(4) Overdue loans among long-term loans due within one year

Debtor	Amount	Overdue time	Interest rate%	Use of fund	Reasons for overdue	Expected repayment time
State-owned Asset Management Committee of Nanhai District, Foshan City	1,397,764.37	2009/4/6	-	Used for the payment of the land-transferring fees of the Pingzhou Linyue Industrial Park in Nanhai District	The debts was agreed to be repaid with the tax rebate given by the Nihai District Government, the actual returned amount did not reach the full amount to be repaid.	until the extended deadline

Note:

For guaranteed loan and pledged please see Note 8 (37).

36. Other current liabilities

Items	2013.12.31	2012.12.31
subsidy for mould	101,319,798.50	112,058,332.84
Product quality guarantee	287,793.00	41,015,675.91
Guarantee compensation reserve	38,845,617.21	11,254,513.75
Undue liability reserve	11,740,315.60	9,600,522.14
Others	171,228.00	112,568.00
Total	152,364,752.31	174,041,612.64

37. Long-term loans

(1) Category

<u>Category</u>	<u>2013.12.31</u>	<u>2012.12.31</u>
Pledged loan	414,126,063.43	1,700,000,000.00
Mortgage loan	808,056,226.71	3,009,013,376.20
Guaranteed loan	8,828,826,058.67	1,948,261,969.60
Credit loan	6,458,631,673.55	6,150,218,281.50
Total	16,509,640,022.36	12,807,493,627.30
Less: Long-term loans due within one year	1,653,522,384.44	3,229,968,858.16
Total	14,856,117,637.92	9,577,524,769.14

(2) Foreign currency loans

<u>Category</u>	<u>Currency</u>	<u>2013.12.31</u>		<u>2012.12.31</u>	
		<u>Original currency</u>	<u>Converted into RMB</u>	<u>Original currency</u>	<u>Converted into RMB</u>
Guaranteed loan	USD	235,000,000.00	1,414,335,861.90	235,000,000.00	1,477,092,500.00

Note: The guarantee loan was US\$ 235 million that BAIC Hong Kong Investment Co., Ltd., a subsidiary of Beijing Automobile Ltd., borrowed. Beijing Automobile Ltd. was the guarantor for the US\$ 235 million dual currency syndicated loan that Beiqi Hong Kong Investment Co., Ltd. borrowed. The loan duration was from 7 June 2012 to 6 June 2015. This guarantee would continue to be effective until all of the guaranteed liabilities were paid in full or paid off unconditionally and irrevocably.

(3) Pledged loan

<u>Debtors</u>	<u>Closing balance</u>	<u>Mortgage / Pledged assets</u>
Bank of Communications, Beijing East Third Ring Branch	82,094,040.20	Net value of rentals receivable RMB111,128,844.00
Bank of Communications, Beijing East Third Ring Sub-branch	76,419,402.26	Net value of rentals receivable RMB108,298,961.00
Bank of Communications, Beijing East Third Ring Sub-branch	69,724,742.70	Net value of rentals receivable RMB108,298,961.00
Bank of Communications, Beijing East Third Ring Sub-branch	44,903,070.37	Net value of rentals receivable RMB71,973,940.00
Industrial Bank Co., Ltd., Beijing Dongwai Branch	41,436,531.64	Net value of rentals receivable RMB50,309,882.00
Bank of Communications, Beijing East Third Ring Sub-branch	40,028,457.11	Net value of rentals receivable RMB51,950,838.00
Industrial Bank Co., Ltd., Beijing Dongwai Sub-branch	35,487,408.27	Net value of rentals receivable RMB37,324,196.000
Bank of Communications, Beijing East Third Ring Sub-branch	24,032,410.88	Net value of rentals receivable RMB38,141,172.00
Total	414,126,063.43	—

(4) Mortgage loan

Debtors	Closing balance	Mortgage / Pledged assets
Deutsche Bank	649,706,226.71	Monetary fund, fixed asset
Bank of China, Chengde Branch	60,000,000.00	Land use rights
Bank of China, Chengde Branch	50,000,000.00	Land use rights
Bank of China, Chengde Branch	48,350,000.00	Land use rights
Total	808,056,226.71	–

(5) Guaranteed loan

Debtors	Closing balance	Guarantor
Wing Lung Bank	2,633,640,196.77	Beijing Hainachuan Auto Parts Co., Ltd.
Industrial and Commercial Bank of China, Beijing Shunyi Sub-branch	1,499,000,000.00	Beijing Motor Investment Co., Ltd
Bank of China (Hong Kong) (Loan Correspondent bank)	1,414,335,861.90	BAIC Motor Co., Ltd.
China Fortune International Trust Co., Ltd.	1,000,000,000.00	Beijing Automotive Group Co. Ltd
China Citic Bank, Operations Management office of the Head Quarter	1,000,000,000.00	Beijing Motor Investment Co., Ltd
Bank of China, Cangzhou Branch	300,000,000.00	Beijing Automobile Works Co., Ltd.
China Construction Bank, Zengcheng Sub-branch	197,000,000.00	Beijing Automotive Group Co. Ltd
China Construction Bank, Zengcheng Sub-branch	192,000,000.00	Beijing Automotive Group Co. Ltd
Chia Development Bank Corporation	130,000,000.00	Beijing Automotive Group Co. Ltd
Bank of China, Guangzhou Development Zone Branch	98,000,000.00	Beijing Automotive Group Co. Ltd
China Everbright Bank, Beijing Taipingzhuang Sub-branch	90,000,000.00	Beijing Motor Investment Co., Ltd and Beijing Beinei Co., Ltd.
China Development Bank	78,000,000.00	Beijing Automotive Group Co. Ltd
Bank of Beijing, Tianqiao Sub-branch	50,000,000.00	Asia Electrics Group Co., Ltd.
BAIC Motor Finance Co., Ltd	50,000,000.00	Beijing Automotive Group Co. Ltd
Bank of Communications, Guangzhou Xintang Sub- branch	38,000,000.00	Beijing Automotive Group Co. Ltd
Industrial and Commercial Bank of China, Xingfu Sub-branch	30,000,000.00	Beijing Automotive Group Co. Ltd
China Construction Bank, Beijing Tongzhou Sub- branch	14,000,000.00	Beijing Motor Investment Co., Ltd and Beijing Beinei Co., Ltd.
Bank of Beijing, Jinyun Sub- branch	12,000,000.00	Beijing Automotive Group Co. Ltd
Localization fund	2,850,000.00	Beijing Automotive Group Co. Ltd
Total	8,828,826,058.67	–

38. Bonds payable

Bond name	Par value	Date of issue	Bond maturity	Issue amount	Interest payable at the beginning of the year	The accrued interest	The annual interest paid	Interest payable at the end of the year	Closing balance
2010 BAIC Motor Investment Co., Ltd. Bond	1,500,000,000.00	2010/2/4	7yrs	1,500,000,000.00	71,225,000.00	77,700,000.00	77,700,000.00	71,225,000.00	1,500,000,000.00
Interest Adjustment				-9,000,000.00	-	-	-	-	-4,363,340.81
BAIC Motor Co., Ltd. 2012 the first tranche of non-public non-public directional equity instrument	1,000,000,000.00	2012/2/13	3yrs	1,000,000,000.00	50,770,491.80	56,982,932.86	57,000,000.00	50,753,424.66	1,000,000,000.00
Interest Adjustment				-11,000,000.00	-	-	-	-	-4,287,581.58
BAIC Motor Co., Ltd. 2012 the Par value second tranche of non-public directional equity instrument	1,500,000,000.00	2012/8/14	3yrs	1,500,000,000.00	30,142,602.74	75,000,000.00	75,000,000.00	30,142,602.74	1,500,000,000.00
Interest Adjustment				-7,550,000.00	-	-	-	-	-6,301,716.95
BAIC Motor Co., Ltd. 2013 the Par value first tranche of non-public directional equity instrument	1,500,000,000.00	2013/4/10	3yrs	1,500,000,000.00	-	-	-	-	-6,301,716.95
Interest Adjustment				-1,350,000.00	-	-	-	-	-1,401,589.55
2009 Beiqi Foton Motor Co., Ltd. Bond	1,000,000,000.00	2009/9/23	5yrs	1,000,000,000.00	14,200,000.00	56,800,000.00	56,800,000.00	14,200,000.00	1,000,000,000.00
Interest Adjustment				-14,000,000.00	-	-	-	-	-2,302,300.00
Beijing Automotive Group Co., Ltd. 2011 the first tranche of medium-term notes	400,000,000.00	2011/1/26	5yrs	400,000,000.00	20,191,600.00	-	20,191,600.00	-	400,000,000.00
Interest Adjustment				-4,000,000.00	-	-	-	-	-3,205,732.13
Beijing Automotive Group Co., Ltd. 2011 the second tranche of medium-term notes	400,000,000.00	2011/4/27	5yrs	400,000,000.00	14,199,300.00	-	14,199,300.00	-	400,000,000.00
Interest Adjustment				-4,000,000.00	-	-	-	-	-3,215,828.67
Beijing Automotive Group Co., Ltd. 2012 the first tranche of medium-term notes	1,500,000,000.00	2012/10/18	7yrs	1,500,000,000.00	15,467,213.11	-	15,467,213.11	-	1,500,000,000.00
Interest Adjustment				-18,760,000.00	-	-	-	-	-16,250,347.73
Beijing Automotive Group Co., Ltd. 2012 the second tranche of medium-term notes	1,000,000,000.00	2012/11/15	7yrs	1,000,000,000.00	6,497,814.21	-	6,497,814.21	-	1,000,000,000.00
Interest Adjustment				-14,000,000.00	-	-	-	-	-12,039,436.96
Beijing Automotive Group Co., Ltd. Bond	1,600,000,000.00	2012/7/25	7yrs	1,600,000,000.00	31,405,464.48	-	31,405,464.48	-	1,600,000,000.00
Interest Adjustment				-12,000,000.00	-	-	-	-	-10,125,391.19

Bond name	Par value	Date of issue	Bond maturity	Issue amount	Interest payable at the beginning of the year	The accrued interest	The annual interest paid	Interest payable at the end of the year	Closing balance
Beijing Automotive Group Co., Ltd. 2012 the first tranche of non-public directional debt financing instruments	1,000,000,000.00	2012/12/17	3 yrs	1,000,000,000.00	2,213,114.75		2,213,114.75	–	1,000,000,000.00
Interest Adjustment	–	–	–	-3,000,000.00	–	–	–	–	-2,012,334.84
2012 年度民生銀行私募中票第二期									
Medium-term notes No.2 by Min Sheng Bank private placement in the year 2012	1,000,000,000.00	2013/4/15	3 yrs	1,000,000,000.00	–	–	–	–	1,000,000,000.00
Interest Adjustment				-9,000,000.00		–		–	-6,828,606.08
興業銀行私募中票									
Industrial Bank the second tranche of Medium-term notes by Industrial Bank private placement in the year 2012	10,000,000.00	2013/12/9	3 yrs	10,000,000.00	–	–	–	–	10,000,000.00
Interest Adjustment				-60,000.00		–		–	-73,508.08
Subtotal	–	–	–	-13,302,280,000.00	256,312,601.09	331,085,020.89	356,474,506.55	221,272,808.22	13,337,592,285.43
Less: Bond payable due within one year									
2009 Beiqi Foton Motor Co., Ltd. Bond	1,000,000,000.00	2009/9/23	5 yrs	1,000,000,000.00	14,200,000.00	56,800,000.00	56,800,000.00	14,200,000.00	1,000,000,000.00
Interest Adjustment				-14,000,000.00		–		–	-2,302,300.00
Total	–	–	–	–	-242,112,601.09	274,285,020.89	299,674,506.55	207,072,808.22	12,339,894,585.43

Note:

- (1) In 2011, the Company acquired a registration quota of RMB 800 million for issuance of medium-term notes (MTN), effective for two years, through registration with China's Inter-bank Market Dealers Association (*Zhong Shi Xie Zhu [2010] MTN No. 124*).
- A. On 26 January 2011, the Company publicly issued 4,000,000 corporate bonds, with a par value of RMB100 per bond. The total amount of issuance was RMB 400 million, with maturity of five years and a paid-in capital of RMB 400 million. The coupon rate for the corporate bonds issued by the Company was 5.45 per cent.. The interest value date was 28 January 2011. The interest for the corporate bonds was to be paid annually beginning on the interest value date. From 2012 to 2016, each 28 January would be the payment date for the previous interest accrual period (if the payment day were a holiday, the payment day would be the following work date). The maturity date for the corporate bonds would be 26 January 2016. The principal and the interest for the last period would be paid at maturity.
- B. On 27 April 2011, the Company publicly issued 4,000,000 corporate bonds, with a par value of RMB100 per bond. The total amount of issuance was RMB 400 million, with maturity of five years and a paid-in capital of RMB 400 million. The coupon rate for the corporate bonds issued by the Company was 5.26 per cent.. The interest value date was 29 April 2011. The interest for the corporate bonds was to be paid annually beginning on the interest value date. From 2012 to 2016, each 29 April would be the payment date for the previous interest accrual period (if the payment day were a holiday, the payment day would be the following work date). The maturity date for the corporate bonds would be 27 April 2016. The principal and the interest for the last period would be paid at maturity.
- (2) In 2012, the Company acquired a registration quota of RMB 1.5 billion for issuance of medium-term notes (MTN), valid for two years, through registration with China's Inter-bank Market Dealers Association (*Zhong Shi Xie Zhu [2012] MTN No. 311*). On 18 October 2012, the Company publicly issued 15,000,000 corporate bonds, with a par value of RMB100 per bond. The total amount of issuance was RMB 1.5 billion, with a term of seven years. The coupon rate for the corporate bonds issued by the Company was 5.1 per cent.. The interest value date was 19 October 2012. The interest for the corporate bonds was to be paid annually beginning on the interest value date. From 2013 to 2019, each 19 October would be the payment date for the previous interest accrual period (if the payment day were a holiday, the payment day would be the following work date). The maturity date for the corporate bonds would be 18 October 2019. The principal and the interest for the last period would be paid at maturity.
- (3) In 2012, the Company acquired a registration quota of RMB 1.8 billion for issuance of medium-term notes (MTN), valid for two years, through registration with China's Inter-bank Market Dealers Association (*Zhong Shi Xie Zhu [2012] MTN No. 317*). On 15 October 2012, the Company publicly issued 10,000,000 corporate bonds, with a par value of RMB100 per bond. The total amount of issuance was RMB 1 billion, with a term of seven years. The coupon rate for the corporate bonds issued by the Company was 5.16 per cent.. The interest value date was 16 November 2012. The interest for the corporate bonds was to be paid annually beginning on the interest value date. From 2013 to 2019, each 16 November would be the payment date for the previous interest accrual period (if the payment day were a holiday, the payment day would be the following work date). The maturity date for the corporate bonds would be 16 November 2019. The principal and the interest for the last period would be paid at maturity.
- (4) In 2012, the Company publicly issued corporate bonds, with the approval of NDRC in the document of *Fa Gai Cai Jin [2012] No. 2018*. On 25 July 2012, the Company publicly issued 16,000,000 corporate bonds, with a par value of RMB100 per bond. The total amount of issuance was RMB 1.6 billion, with a term of seven years. The coupon rate for the corporate bonds issued by the Company was 4.49 per cent.. The interest value date was 25 July 2012. The interest for the corporate bonds was to be paid annually beginning on the interest value date. From 2013 to 2019, each 25 July would be the payment date for the previous interest accrual period (if the payment day were a holiday, the payment day would be the following work date). If investors exercised the sell back option, the payment date for the bonds sold back would be each 25 July from 2013 to 2019 (if the payment day were a holiday, the payment day would be the following work date). The maturity date for the corporate bonds would be 25 July 2019 (if the payment day were a holiday, the payment day would be the following work date). The principal and the interest for the last period would be paid at maturity. If investors exercised the sell back option, the payment date for the bonds sold back would be 25 July 2019 (if the payment day were a holiday, the payment day would be the following work date).
- (5) In 2012, the Company acquired a registration quota of RMB 2 billion for issuance of debt financing instruments of non-financial enterprise, valid for two years, through registration with China's Inter-bank Market Dealers

Association (Zhong Shi Xie Zhu [2012] PNN No. 22). On 17 December 2012, the Company issued 10,000,000 corporate bonds, with a par value of RMB100 per bond. The total amount of issuance was RMB 1 billion. The coupon rate for the non-public directional equity instrument issued by the Company was 5.4 per cent.. The interest value date was 17 December 2012. The interest for the corporate bonds was to be paid annually beginning on the interest value date. From 2013 to 2015, each 17 December would be the payment date for the previous interest accrual period (if the payment day were a holiday, the payment day would be the following work date). The maturity date for the corporate bonds would be 17 December 2015 (if the maturity day were a holiday, the payment day would be the following work date).

- (6) On 23 September 2009, with the approval of CSRC in the document *Zheng Jian Fa Xing Zi* [2009] No. 918, Beiqi Foton Motor Co., Ltd., a subsidiary of the Company, publicly issued 10,000,000 corporate bonds, with a par value of RMB100 per bond. The total amount of issuance was RMB 1 billion, with a term of five years. The coupon rate for the corporate bonds issued by the Company was 5.68 per cent.. The interest value date was the first day of the issuance, which was 23 September 2009. The interest for the corporate bonds was to be paid annually beginning on the interest value date. From 2010 to 2014, each 23 September would be the payment date for the previous interest accrual period (if the payment day were a holiday, the payment day would be the following work date). The maturity date for the corporate bonds would be 23 September 2014. The principal and the interest for the last period would be paid at maturity.
- (7) On 4 February 2010, with NDRC Fa Gai Cai Jin [2010] No. 106, The Reply On The Approval of Beijing Motor Investment Co., Ltd. 2010 Corporation Bond Issuance, Beijing Automobile Investment Co., Ltd., a subsidiary of the Company, publicly issued a total of RMB 1.5 billion of corporate bonds, with a par value of RMB100 per bond and a term of seven years.
- (8) On 13 February 2012, with an agreement on issuing non-public and directional debt financing instruments of BAIC Motor Co., Ltd., a subsidiary of the Company, in 2011: pursuant to Bei Qi Gu Fen Dong Zi [2011] No.39, The Resolution on Approval of the Plan for Issuing Non-public and Directional Debt Financing Instruments of Beijing Automobile Co., Ltd., the Company issued RMB 1 billion of corporate bonds, with a par value of RMB100 per bond and a term of three years.
- (9) On 14 August 2012, with an agreement on issuing non-public and directional debt financing instruments of BAIC Motor Co., Ltd., a subsidiary of the Company, in 2012: pursuant to Bei Qi Gu Fen Dong Zi [2011] No.63, The Resolution on Approval of the Plan for Issuing Non-public and Directional Debt Financing Instruments of Beijing Automobile Co., Ltd., the Company issued RMB 1.5 billion of corporate bonds, with a par value of RMB100 per bond and a term of three years.
- (10) In 2013, the Company acquired a registration quota of RMB 2 billion for issuance of debt financing instruments of non-financial enterprise, valid for two years, through registration with China's Inter-bank Market Dealers Association (Zhong Shi Xie Zhu [2012] PNN No. 202). On 15 April 2013, the Company issued 10,000,000 corporate bonds, with a par value of RMB100 per bond. The total amount of issuance was RMB1 billion. The coupon rate for the non-public directional equity instrument issued by the Company was 4.95 per cent.. The interest value date was 15 April 2013. The interest for the corporate bonds was to be paid annually beginning on the interest value date. From 2014 to 2016, each 15 April would be the payment date for the previous interest accrual period (if the payment day were a holiday, the payment day would be the following work date). If investors exercised the repurchase option, the payment date for the bonds sold back would be each April 25 from 2013 to 2016 (if the payment day were a holiday, the payment day would be the following work date). The maturity date for the corporate bonds would be 15 April 2016 (if the maturity day were a holiday, the maturity day would be the following work date). The principal and the interest for the last period would be paid at maturity. If investors exercised the sell back option (the same as put option?), the payment date for the bonds sold back would be 15 April 2016 (if the payment day were a holiday, the payment day would be the following work date).
- (11) In 2013, the Company issued the second tranche of non-public and directional debt financing instruments, and bonds, after registration with the National Association of Financial Market Institutional Investors (NAFMII) (Zhong Shi Xie Zhu [2013] No. PPN157), and secured a registered amount of RMB 1 billion of non-public and directed debt financing instruments. The Company issued RMB 11 million of bonds, with a term of three years. The interest value date was 9 December 2013. The issued price was RMB100 per share and the coupon rate was 6.7 per cent.. The directed instrument code was 031390414, the issue date was 6 December 2013, and the interest would be calculated at a fixed rate and paid annually. The maturity date would be 9 December 2016. The first interest payment date would be 9 December 2014 and the interest would be paid every 12 months.

39. Long-term accounts payable

<u>Items</u>	<u>2013.12.31</u>	<u>2012.12.31</u>
Financing lease	586,109,771.88	642,103,838.07
Localization fund	31,800,000.00	31,566,000.00
工行委託貸款		
ICBC entrusted loans		3,000,000.00
國債轉貸資金		
Relending of funds from treasury bonds		2,500,000.00
Others	452,904.41	452,904.41
Total	618,362,676.29	679,622,742.48
Less: Long-term accounts payable due within one year	11,804,994.45	15,616,745.13
Total	606,557,681.84	664,005,997.35

40. Special accounts payable

<u>Items</u>	<u>2013.01.01</u>	<u>Current year increase</u>	<u>Current year decrease</u>	<u>2013.12.31</u>
Custodian fee for redundant personnel in Beinei Group	290,199,935.24	–	12,040,042.30	278,159,892.94
撥入基建款 Allocated infrastructure funds	4,842,000.00	158,000.00	5,000,000.00	–
Scholarship	647,950.00	967,890.00	637,870.00	977,970.00
School scholarship	515,725.70	228,587.50	145,064.50	599,248.70
Others	1,170,054.16	29,263,697.78	22,122,586.60	8,311,165.34
Total	297,375,665.10	30,618,175.28	39,945,563.40	288,048,276.98

41. Provisions

<u>Items</u>	<u>2013.01.01</u>	<u>Increase in current year</u>	<u>Decrease in current year</u>	<u>2013.12.31</u>
Product quality assurance	52,548,892.42	1,200,563,014.14	451,151,112.99	801,960,793.57
超額虧損導致預計負債				
Provisions resulting from excessive loss	68,452,329.46	0	25,811,656.00	42,640,673.46
Others	360,000.00	360,000.00	0	720,000.00
Total	121,361,221.88	1,200,923,014.14	476,962,768.99	845,321,467.03

42. Other Non-current Liabilities

<u>Items</u>	<u>2013.01.01</u>	<u>Increase in current year</u>	<u>Decrease in current year</u>	<u>2013.12.31</u>
Government grants related to assets	1,713,509,144.97	501,796,963.92	145,822,618.33	2,069,483,490.56
Government grants related to income	542,908,830.96	229,435,306.80	261,638,852.99	510,705,284.77
Trademark use fees	3,520,000.00	–	880,000.00	2,640,000.00
Mould [subsidy]	91,059,624.36	84,102,953.93	–	175,162,578.29
Land transfer	55,010,000.00	–	–	55,010,000.00
Total	2,406,007,600.29	815,335,224.65	408,341,471.32	2,813,001,353.62

Note: A total of RMB407,461,471.32 government grants were recognised as the current income.

43. Paid-in Capital

<u>Investor</u>	<u>2013.01.01</u>		<u>Increase</u>	<u>Decrease</u>	<u>2013.12.31</u>	
	<u>Amount</u>	<u>Ratio (%)</u>			<u>Amount</u>	<u>Ratio (%)</u>
Beijing State-owned Capital Operation and Management Center	7,947,548,335.00	100.00	2,129,360,000.00	–	10,076,908,335.00	100.00

Note:

- (1) Pursuant to the *Notification on Appropriation of 2013 Budget Fund for State Owned Capital Operation* issued by Beijing SASAC, Beijing Municipal Bureau of Finance vide letter (Jing Guo Zi [2014] No. 52), on *Issuance of Budget Fund for State Owned Capital Operation of Projects such as setting up of Dedicated Integrated Circuit for Yandong High-speed Data Transmission of Beijing Electric Holdings Co., approved* allocation of RMB78 million to the Company from 2013 state owned capital operation budget to increase the state owned capital of the Company.
- (2) Beijing Municipal Development and Reform Commission issued (*Jing Qi Ji Zheng Gui Zi [2013] No. 415*) (*Jing Fa Gai [2013] No. 1347*) *Application for Addition of Capital Fund to Key Industrialisation Projects of Beijing Automotive Group of Bureau of Finance*, arranged RMB600 million from municipal fixed investments, of which RMB300 million has been received in this period to increase the state owned capital of the Company.
- (3) Beijing SASAC issued (Jing Cai Qi Zhi [2013] No. 817) the *Notification on Appropriation of 2013 Budget Fund for State Owned Capital Operation* to the Company according to (Jing Guo Zi [2013] No. 171) *Letter of Beijing Municipal Bureau of Finance on Issuance of Budget Fund for State Owned Capital Operation of Projects as 2013 Scientific and Technological Innovations etc.* of Beijing Municipal Bureau of Finance, allocating RMB40 million to the Company from 2013 state owned capital operation budget to increase the state owned capital of the Company.
- (4) Beijing SASAC issued (Jing Cai Qi Zhi [2013] No. 1569) the *Notification on Allocation of 2013 Budget Fund for State Owned Capital Operation* to the Company according to (Jing Guo Zi [2013] No. 243) *Letter of Beijing Municipal Bureau of Finance on Issuance of 2013 Budget Fund for Stated Owned Capital Operation of Projects as Construction of Black Pig Farm (Nankou)* of Beijing Capital Agribusiness Group Co., Ltd. Following this, a sum of RMB500,000 was allocated to the Company from 2013 state owned capital operation budget to increase the state owned capital of the Company.
- (5) Beijing Municipal Development and Reform Commission issued *Reply on Arrangement of Capital Fund for Beijing Automotive Group Co. Ltd to the Company according to* (Jing Guo Zi [2012] No. 1992) *Application for Addition of Capital Fund to Key Industrialisation Projects of Beijing Automotive Group Co Ltd* (Jing Qi Ji Zheng Gui Zi [2012] No. 692) of Bureau of Finance, and arranged RMB500 million RMB from municipal fixed investments, to increase the state owned capital of the Company.

- (6) Beijing SASAC issued the *Notification on Appropriation of 2012 Budget Fund for State Owned Capital Operation* to the Company according to (Jing Cai Qi Zhi [2012] No. 2365) *Letter of Beijing Municipal Bureau of Finance on Issuance of 2012 Added Capital Budget of Beijing Automotive Group of Industrialisation Project of Key Scientific and Technological Achievements* of Beijing Municipal Bureau of Finance, to allocate RMB79,190,000 from 2012 state owned capital operation budget to increase the state owned capital of the Company.
- (7) According to the notice issued by Beijing Municipal Science & Technology Commission, ***“Industrialisation on full automatic-ternary system power battery pack”***, the Company received science and technology allocation of RMB31,670,000 on 2 December 2013.
- (8) Beijing SASAC issued the *Notification on Appropriation of 2013 Budget Fund for State Owned Capital Operation* to the Company according to (Jing Guo Zi [2014] No. 26) *Letter of Beijing Municipal Bureau of Finance on Issuance of 2013 Added Capital Budget of Beijing Automotive Group of Industrialisation Project of Key Scientific and Technological Achievements* (Jing Cai Qi Zhi [2013] No. 1289) of Beijing Municipal Bureau of Finance, to allocate RMB 217 million to the Company from 2013 state owned capital operation budget to increase the state owned capital of the Company.
- (9) Beijing SASAC issued the (Jing Cai Qi Zhi [2013] No. 979) *Notification on Appropriation of 2013 Budget Fund for State Owned Capital Operation to the Company* according to (Jing Guo Zi [2013] No. 220) *Letter of Beijing Municipal Bureau of Finance on Issuance of 2013 Budget Fund for Stated Owned Capital Operation of Projects as Construction of Daxing Grain & Oil Industrial Park of Beijing Grain Group Co., Ltd. etc.* of Beijing Municipal Bureau of Finance, allocating RMB 400 million to the Company from budget to increase the state owned capital of the Company.
- (10) According to the notice issued by Beijing Municipal Science & Technology Commission on allocation of ***“Addition of state owned capital fund for Beijing Automotive Group”***, we received science and technology allocation of RMB200 million on 2 August 2013.

The Company has not completed the registration formalities yet, and its registered capital remains unchanged at RMB4,549,332,035.

44. Capital Reserves

Items	2013.01.01	Increase in current year	Decrease in current year	2013.12.31	Reasons and basis for the changes
Capital premium	28,420,860.51	190,102,782.60	119,941.57	218,403,701.54	
Other capital reserves	1,675,470,685.48	12,990,211.36	13,699,811.99	1,674,761,084.85	
(1) 被投資單位其他權益 變動 Changes in investee's other equity	1,189,701,512.26	270,370.61	3,037,447.93	1,186,934,434.94	
(2) 未行權的股份支付 Share-based payment unexercised	—	—	—	—	
(3) Changes in fair value of available-for-sale financial assets	—	—	—	—	
(4) Investment property conversion differences resulting from changes in fair value	—	—	—	—	
(5) Gains or losses of cash flow hedge	—	—	55,148.50	-55,148.50	
(6) 境外經營淨投資套期利 得或損失 Hedging gains or losses from overseas net investment	—	—	—	—	
(7) Income tax effects related to items included in equity	—	—	—	—	
(8) Others	485,769,173.22	12,719,840.75	10,607,215.56	487,881,798.41	
Old standards capital surplus transferred	2,087,453,158.49	—	1,060,962,705.43	1,026,490,453.06	
Total	3,791,344,704.48	203,092,993.96	1,074,782,458.99	2,919,655,239.45	

45. Surplus Reserves

Items	2013.01.01	Increase in current year	Decrease in current year	2013.12.31	Reasons and basis for the changes
Statutory surplus reserve	186,379,136.33	219,544,087.50		405,923,223.83	

Note: RMB 163,384,513.88 surpluses were drawn on the basis of 10 per cent. of the net profit this year. For the acquisition of Beijing Automobile Works Co., Ltd., an adjustment of RMB 64,432,577.52 was made to the profit and loss during the transition period.

46. Undistributed Profit

Items	2013	2012
Opening balance of current year	4,275,435,139.67	2,850,811,869.53
Increase in current year	2,253,814,779.64	2,149,969,411.89
Inc.: Net profit transfer in this year	2,253,814,779.64	2,175,212,480.62
Other adjustment factor		-25,243,068.73
Decrease in current year	543,155,409.98	725,346,141.75
Inc.: Accrued surplus reserves	155,111,509.98	153,295,141.75
Accrued general risk provisions		—
Cash dividends distributed	388,043,900.00	572,051,000.00
轉增資本		
Transferred paid-in capital		—
Other decrease		—
Closing balance of current year	<u>5,986,094,509.33</u>	<u>4,275,435,139.67</u>

47. Operating Income and Operating Cost

Items	2013		2012	
	Income	Cost	Income	Cost
1. main operations				
Steel sales revenue	1,041,909,000.92	897,617,674.01	846,359,279.43	792,744,801.92
Sales of automobile and parts	57,052,522,848.76	52,118,066,793.13	51,755,559,446.44	47,269,089,204.80
Others	2,174,722,234.01	722,335,887.37	3,636,136,795.73	3,091,396,829.45
Rendering of service	740,612,440.92	1,283,218,791.60	24,079,109.25	13,455,532.13
設施農業 Facility agriculture	217,721,474.01	150,003,570.42	655,404,604.65	531,165,308.71
Subtotal of main operations	61,227,487,998.62	55,171,242,716.53	56,917,539,235.50	51,697,851,677.01
Net interest income	254,257,245.25	4,595,364.52	113,887,699.38	9,184,223.86
2. other operations	2,384,890,944.37	1,602,820,032.01	2,098,209,171.27	1,097,717,069.83
Subtotal of other operations	2,384,890,944.37	1,602,820,032.01	2,098,209,171.27	1,097,717,069.83
Total	63,866,636,188.24	56,778,658,113.06	59,129,636,106.15	52,804,752,970.70

48. Impairment of Assets

Items	2013	2012
Bad debts	205,097,145.98	70,742,308.37
The impairment of inventories	317,604,748.37	146,734,419.51
長期股權投資減值損失		
The impairment of long-term equity investment	31,172,501.19	12,004,931.61
The impairment of fixed assets	15,418,198.49	8,546,944.08
The impairment of construction in process	27,809,933.79	
Others	29,730,896.92	35,047,835.89
Total	626,833,424.74	273,076,439.46

49. Income from Changes in Fair Value

Items	2013	2012
Trading financial assets	-90,080.00	-3,638.00
Trading financial liabilities	-3,085,468.37	-4,930,244.04
Inc.: 衍生金融工具產生的公允價值變動收益		
Inc: Income from changes in fair value of derivative financial instruments	-3,085,468.37	-4,930,244.04
Total	-3,175,548.37	-4,933,882.04

50. Investment Income

<u>Items</u>	<u>2013</u>	<u>2012</u>
Long-term equity investment income accounted using cost-method	18,621,710.37	154,842,305.58
Long-term equity investment income accounted using equity-method	6,668,455,937.01	5,009,722,940.50
Investment Income from disposal of long-term equity investment	322,882,168.47	198,760,956.05
Investment income obtained during the holding period of trading financial assets		19,143.45
Investment income obtained during the holding period of held to maturity investments		
Investment income obtained during the holding period of available-for-sale financial assets		669,946.50
Investment Income from disposal of trading financial assets	459,220.89	78,955.03
Investment Income from disposal of held to maturity investments		
Investment Income from disposal of available-for-sale financial assets	498,937.80	
Other	2,352,407,789.60	141,197,509.22
Total	<u>9,363,325,764.14</u>	<u>5,505,291,756.33</u>

Note: Others were mainly investment profits generated by recognising the fair value of the step-by-step combination of Beijing Benz Automobile Co., Ltd. by the Company.

51. Non-operating Income

<u>Items</u>	<u>2013</u>	<u>2012</u>
Gains on disposal of non-current assets	103,102,684.26	2,383,237,176.30
Including: Gains on disposal of fixed assets	29,824,934.90	753,407,395.64
Gains on disposal of intangible assets	73,268,236.86	1,629,703,881.97
Gains on debt restructuring		20,000.00
Government subsidies	714,882,484.54	1,093,353,399.73
Inventory gains		
違約賠償收入		
Compensation due to default	13,176,237.27	17,073,999.38
Tax rebate		—
Payables unable to be paid	47,810,232.17	5,405,616.13
Relocation compensation		93,757,477.13
Others	167,531,860.03	22,723,916.33
Total	<u>1,046,503,498.27</u>	<u>3,615,571,585.00</u>

52. Non-operating Expense

<u>Items</u>	<u>2013</u>	<u>2012</u>
Loss on disposal of non-current assets	59,528,132.87	25,288,795.51
Including: Loss on disposal of fixed assets	58,775,848.83	25,288,795.51
Loss on disposal of intangible assets	720,315.08	—
Loss on debt restructuring	—	57,665.16
Losses incurred from exchange of non-monetary assets	—	88,315.50
Donations Contributed	14,378,308.32	12,367,553.36
Expenditure for compensation, liquidated damages and fine	291,621,247.45	3,709,250.42
Other expenses	4,870,260.52	2,643,399.43
Relocation compensation expenditure	—	6,574,913.95
Abnormal loss	8,280,225.80	18,960,811.03
Inventory loss	—	109,839.00
Asset use fees	—	84,590,621.94
Total	<u>378,678,174.96</u>	<u>154,391,165.30</u>

Note: The expenditure of compensation funds of the Company for the current period was mainly due to the payment of the compensation funds for the reconciliation agreement signed between the Company and Beijing Qianbo Investment Co., Ltd. along with other parties. Through reconciliation, each party signed the reconciliation agreement, agreeing that each party recognised that The Cooperation Agreement, The Contract of Equity Transfer and The Memorandum were no longer valid. The 60 million equity shares of Beijing Automobile Investment Co., Ltd. involved in this case and the equity generated after share capital increase should ultimately be attributed to the Company. The Company paid RMB 295 million as compensation for this case to Beijing Qianbo Investment Co., Ltd. along with other parties. After deducting the equity transferee fee and other fees disbursed by the Company for Beijing Qianbo Co., Ltd., the expenditure of compensation funds recorded in the profit and loss for the current period was RMB 28 million.

53. Income Tax

<u>Items</u>	<u>2013</u>	<u>2012</u>
Current income tax	797,945,758.12	1,011,493,605.63
Adjustment of deferred income tax expenses	-105,030,368.97	-503,646,099.92
Others	-269,250.01	—
Total	<u>692,646,139.14</u>	<u>507,847,505.71</u>

54. Other Comprehensive Income

Items	2013	2012
1. Gain (or loss) from available for sale financial assets	-2,523,029.91	-29,068,469.27
Less: Tax affected by available for sale financial assets	-378,454.49	-4,363,712.88
Net value transferred from others prior record in other comprehensive income		
Subtotal	-2,144,575.42	-24,704,756.39
2. Accordance with the equity method of accounting units in other comprehensive income by invested companies		400,000.00
減：按照權益法核算的在被投資單位其他綜合收益中所享有的份額產生的所得稅影響		
Less: tax effects from shares of other comprehensive income of investee accounted by equity method		
Net value transferred from others prior record in other comprehensive income		3,028,141.31
Subtotal	-	-2,628,141.31
3. Gains or losses on cash flow hedging		
Less: Tax affected by cash flow hedging		
Net value transferred from others prior record in other comprehensive income		
轉為被套期項目初始確認金額的調整額		
Transfer to adjusted amounts of initial recognised amounts of hedged item		
Subtotal		
4. Foreign exchange differences	-6,543,254.10	9,524,638.12
Less: 處置境外經營當期轉入損益的淨額		
Less: net profit from disposal of overseas business in current period transfer to gain or loss		
Subtotal	-6,543,254.10	9,524,638.12
5. Others		
Less: 與其他計入其他綜合收益相關的所得稅影響		
Less: income tax effects on other comprehensive income		
Net value transferred from others prior record in other comprehensive income		
Subtotal	-	-
Total	-8,687,829.52	-17,808,259.58

55. Borrowing Cost

The capitalised borrowing cost of the Company for the current period was RMB 420,882,932.81 in total, of which RMB 399,532,709.60 was the capitalised borrowing cost of construction in progress and RMB 21,350,223.21 was the capitalised borrowing cost of development expenditure.

56. Foreign Currency Translation

Note: Foreign exchange differences of RMB 104,507,318.19 arising from foreign currency transactions were recognised in current profits and losses.

57. Lease

(1) Operating leased assets

<u>Category</u>	<u>2013.12.31</u>	<u>2012.12.31</u>
1. Houses and buildings	725,722,916.69	686,123,459.12
2. Land use right	56,392,888.92	136,310,335.53
3. Transportation	19,191,332.99	—
Total	<u>801,307,138.60</u>	<u>822,433,794.65</u>

(2) Finance leased fixed assets

<u>Category</u>	<u>2013.12.31</u>	<u>2012.12.31</u>
1. Original price		
1) Machine equipments	30,830,543.44	21,266,267.22
2) Transportation	—	85,741,413.00
3) Office equipments	2,052,050.12	18,084,958.60
Total	<u>32,882,593.56</u>	<u>125,092,638.82</u>
2. Accumulated depreciation		
1) Machine equipments	5,812,569.93	1,356,371.89
2) Transportation	—	76,906,382.66
3) Office equipments	1,881,046.44	3,123,765.58
Total	<u>7,693,616.37</u>	<u>81,386,520.13</u>
3. Accumulated impairment provision		
1) Machine equipments	—	—
2) Transportation	—	—
3) Office equipments	—	—
Total	<u>—</u>	<u>—</u>

Minimum lease receipts will be paid for subsequent years:

<u>Remaining lease period</u>	<u>Minimum lease receipts</u>
Inside 1 year (Including 1 year)	12,324,414.21
1-2 years (Including 2 years)	12,866,688.43
2-3 years (Including 3 years)	11,774,192.55
Over 3 years	4,070,045.07
Total	<u>41,035,340.26</u>

(3) 經營租入資產 Leased out fixed assets

<u>Remaining lease period</u>	<u>Minimum lease receipts</u>
Inside 1 year (Including 1 year)	66,217,162.98
1-2 years (Including 2 years)	63,249,766.67
2-3 years (Including 3 years)	62,733,172.00
Over 3 years	318,146,742.83
Total	<u>510,346,844.48</u>

58. Consolidated Cash Flow Statements

(1) Supplemental Information of Cash Flow Statements

Items	2013	2012
I. Reconciliation of net profit to cash flows from operating activities:	—	—
Net profit	4,209,066,307.94	4,962,924,775.90
Add: provision for impairment loss of assets	626,833,424.74	273,076,439.46
Depreciation of fixed assets	4,896,178,163.19	1,064,769,204.55
Amortisation of intangible assets	677,499,019.94	514,223,169.90
Amortisation of long-term deferred expenses	256,571,364.81	223,523,344.95
Losses on disposal of fixed assets, intangible assets and other long-term assets(deduct: gains)	-43,584,063.89	-2,357,927,093.63
Losses on scrapping of fixed assets	—	-21,287.16
Loss of fair value variation (deduct: gains)	3,175,548.37	4,933,882.04
Financial expenses (deduct: gains)	1,189,089,166.36	1,234,728,373.42
Losses from investments (deduct: gains)	-9,363,325,764.14	-5,505,291,756.33
Decrease in deferred tax assets (deduct: increase)	-2,793,072,206.44	-478,320,903.55
Increase in deferred tax liabilities (deduct: decrease)	862,410,455.37	-39,306,636.67
Decrease in inventories (deduct: increase)	-6,661,422,451.99	1,153,673,390.43
Decrease in operating receivables (deduct: increase)	-5,997,458,170.12	-3,385,505,778.01
Increase in operating payables (deduct: decrease)	10,207,438,273.80	1,538,020,619.87
Others	—	-479,703,021.42
Net cash flows from operating activities	-1,930,600,932.06	-1,276,203,276.25
II. Investing and financing activities that do not affect cash receipt and payment	—	—
Liabilities converted capital	—	—
Reclassify convertible bonds to be expired within one year as current liability	—	—
Fixed assets subject to finance leases	—	—
III. Net increase in cash and cash equivalents:	—	—
Cash at the end of the period	23,956,255,757.39	17,606,029,360.13
Less: cash at the beginning of the period	17,606,029,360.13	10,562,160,131.38
Add: cash equivalents at the end of the period	—	—
Less: cash equivalents at the beginning of the period	—	—
Net increase in cash and cash equivalents	6,350,226,397.26	7,043,869,228.75

(2) Cash and Cash Equivalent

<u>Items</u>	<u>2013</u>	<u>2012</u>
I. Cash	23,956,255,757.39	17,600,345,738.66
Inc.: Cash on hand	4,492,200.77	6,334,458.79
Cash in bank which can be paid for at anytime	23,951,763,556.62	17,476,097,748.21
Other cash monetary fund paid for at any time	—	117,913,531.66
Due from banks	—	—
Call loans to banks	—	—
II. Cash equivalent	—	—
Inc.: Bond investments due within three months	—	—
III. Balance of cash and cash equivalent at the year ended	23,956,255,757.39	17,600,345,738.66
Inc.: restricted cash or cash equivalents within the parent company or subsidiaries in the Group	—	—

9. Contingent events

1. Notes receivable endorsed and transferred

The amount of notes receivable endorsed and transferred to other parties by the Company totalled RMB1,432,043.23. as at 31 December 2013.

<u>Category</u>	<u>Date of Maturity</u>	<u>Amount</u> <u>(10,000 Yuan)</u>
Bank acceptance bills	1 January 2014 – 30 June 2014	1,469,692.00
Commercial acceptance bills	1 January 2014 – 30 June 2014	7,975.00

Recourse may be sought against the Company if holders of the above notes are not able to get paid on maturity.

2. Contingent liabilities formed by pending litigation, arbitration

<u>Case</u>	<u>Subject amount</u> <u>(10,000 Yuan)</u>	<u>Litigation status</u>
Equity transfer of Beijing Beiqi Zhongyun Automobile Trading Co., Ltd.	2,954.86	Pending trial of the second instance
Total		

(1) The subsidiary, Beijing BAIC Rocar Co., Ltd is party to the following disputes:

The (2010) Yi Zhong Min Chu Zi No. 12377 Civil Judgment was delivered by Beijing No. 1 Intermediate People's Court on the disputes of Tianjin BAIC Jiali International Trading Co., Ltd's long term investment to Beijing BAIC Zhongyun Auto Trading Co., Ltd in which the subsidiary of the Company, Beijing BAIC Rocar Co., Ltd is

involved, confirming that Tianjin BAIC Jiali International Trading Co., Ltd is the actual promoter of Beijing BAIC Zhongyun Auto Trading Co., Ltd and that the equity transfer contract concluded between Beijing Automotive Industry Imp. & Exp. Corp. and Beijing BAIC Rocar Co., Ltd on 18 July 2008 is null and void. Beijing Automotive Industry Imp. & Exp. Corp. and Beijing BAIC Rocar Co., Ltd have already appealed.

As at 31 December 2013, this case is still under second instance of Beijing High People's Court and the first instance judgment is also pending.

3. Guarantees outside the Company

- (1) As of 31 December 2013, the amount of external guarantees made by the Company and its subsidiaries totalled RMB1,482,036.00, €4,400,000.00 , US\$1,000,000.00

Guarantee Company	Actual amount guaranteed (RMB10,000)	Guarantee style (mortgage, pledge. guarantee)	Guarantee type	Maturity	Guarantee object status quo
Within the consolidation scope of Beijing Automotive Group Co., Ltd					
Icl.: Beijing Beiqi Mould & Plastic Technology Co., Ltd.	6,630.00	guarantee	Credit Guarantee	2014	Good
Beijing Asia-Pacific Automotive Chassis Systems Co., Ltd.	2,550.00	guarantee	Credit Guarantee	2014	Good
BAIC Motor Co., Ltd.	100,000.00	guarantee	Credit Guarantee	2017	Good
BAIC Motor Co., Ltd.	257,000.00	guarantee	Credit Guarantee	2020	Good
BAIC Motor Co., Ltd.	150,000.00	guarantee	Credit Guarantee	2020	Good
BAIC Hong Kong Investment Corp. Limited	23,500.00	guarantee	Credit Guarantee	2015	Good
BAIC Hong Kong Investment Corp. Limited	USD10 million	guarantee	Credit Guarantee	2014	Good
Beijing Beinei Engine Parts Co., Ltd.	9,000.00	guarantee	Credit Guarantee	2019	Good
Beijing Beinei Engine Parts Co., Ltd.	3,000.00	guarantee	Credit Guarantee	2017	Good
Foton Motor Co., Ltd. (Russia)	120,000.00	guarantee	Credit Guarantee	2013	Good
Foton Engineering Machinery Co., Ltd. (Germany)	Euro4.4 million	guarantee	Credit Guarantee	2017	Good
Foton Motor Co., Ltd. (Russia)	700.00	guarantee	Credit Guarantee	2016	Good

Guarantee Company	Actual amount guaranteed (RMB10,000)	Guarantee style (mortgage, pledge, guarantee)	Guarantee type	Maturity	Guarantee object status quo
Beijing Foton International Trade Co., Ltd.	96,000.00	guarantee	Credit Guarantee	Two years upon the maturity of the principal creditor's rights	Good
Beiqi Foton Motor Co., Ltd.	100,000.00	guarantee	Credit Guarantee	2014	Good
Beijing Automobile Industry Import & Export Corporation	3,000.00	guarantee	Credit Guarantee	2014	Good
Beijing Automobile Industry Import & Export Corporation	7,000.00	guarantee	Credit Guarantee	2014	Good
Beijing Automobile Industry Advanced Technical School	2,000.00	guarantee	Credit Guarantee	2014	Loss
Beijing Automobile Industry Advanced Technical School	9,000.00	guarantee	Credit Guarantee	2020	Loss
Beijing Automobile Industry Advanced Technical School	2,000.00	guarantee	Credit Guarantee	2014	Loss
Beijing Automobile Industry Advanced Technical School	3,000.00	guarantee	Credit Guarantee	2015	Loss
Beijing Capital Tyre Co., Ltd.	9,000.00	guarantee	Credit Guarantee	2014	Loss
Beijing Capital Tyre Co., Ltd.	16,000.00	guarantee	Credit Guarantee	2014	Loss
Beijing Capital Tyre Co., Ltd.	15,000.00	guarantee	Credit Guarantee	2014	Loss
Beijing Capital Tyre Co., Ltd.	4,000.00	guarantee	Credit Guarantee	2014	Loss
Beijing Capital Tyre Co., Ltd.	6,000.00	guarantee	Credit Guarantee	2014	Loss
Beijing Yanshenglong Automobile Repair and Maintenance Co., Ltd.	12,000.00	guarantee	Credit Guarantee	2016-2017	Good
Beijing Pengao Trading Co., Ltd.	8,000.00	guarantee	Credit Guarantee	2016-2017	Good
Beijing Beiqi Pengyuan Automobile Sales & Service Co., Ltd.	10,500.00	guarantee	Credit Guarantee	2016-2017	Good

Guarantee Company	Actual amount guaranteed (RMB10,000)	Guarantee style (mortgage, pledge, guarantee)	Guarantee type	Maturity	Guarantee object status quo
Beijing Rocar Star Automobile Sales & Service Co., Ltd	12,000.00	guarantee	Credit Guarantee	2016	Good
Beijing Penglong Xinghui Automobile Sales & Service Co., Ltd.					
Guizhou Penglong Chenxi Automobile Sales & Service Co., Ltd.	6,000.00	guarantee	Credit Guarantee	2016	Good
Zhe Jiang Penglong Mercedes-Benz Automobile Sales Co., Ltd.	7,000.00	guarantee	Credit Guarantee	2016	Good
Beijing Penglong Tianchuang Materials Trade Co., Ltd.	1,000.00	guarantee	Credit Guarantee	2016	Good
BHAP Hong Kong Investment Limited	265,350.00	guarantee	Credit Guarantee	2016	Good
Beijing Motor (Guangzhou) Co., Ltd.	205,000.00	guarantee	Credit Guarantee	2021	Good
Beijing Kingpeng International Hi-tech Corporation	500.00	guarantee	Credit Guarantee	2016	Good
Beijing Jingpeng Huanyu Animal Husbandry Technology Co., Ltd.	1,000.00	guarantee	Credit Guarantee	2017	Good
Beijing Jingpeng Huanyu Animal Husbandry Technology Co., Ltd.	1,600.00	guarantee	Credit Guarantee	2023	Good
Beijing Beinei Engine Co Ltd	1,750.00	guarantee	Credit Guarantee	2024	Good
Subtotal (RMB 10,000 yuan)	1,476,080.00		Credit Guarantee		
(EUR)	4,400,000		Credit Guarantee		
(USD)	10,000,000		Credit Guarantee		
Outside the consolidation scope of Beijing Automotive Group Co., Ltd			Credit Guarantee		

Guarantee Company	Actual amount guaranteed (RMB10,000)	Guarantee style (mortgage, pledge, guarantee)	Guarantee type	Maturity	Guarantee object status quo
Inc.: Beijing Dalin Wanda Automobile Parts Co., Ltd.	4,006.00	guarantee	Credit Guarantee	2014	良好 Good
Zhuzhou Shoupeng Huilong Steel Processing and Distribution Co., Ltd.	1,000.00	guarantee	Credit Guarantee	2016	良好 Good
Hebei Longdi Shouchuang Tyre Co., Ltd.	950.00	guarantee	Credit Guarantee	已逾期 overdue	停業 Close down
Subtotal (RMB)	5,956.00				
Total (RMB 10,000 yuan)	1,482,036.00				
(EUR)	440.00 ten thousand				
(USD)	1,000.00 ten thousand				

(2) Issuance of Bank Guarantee and L/C

- ① Hebei Beiqi Foton Motor Parts Co., Ltd., a subsidiary of Beiqi Foton Motor Co., Ltd., executed the Guarantee Deposit Pledge Master Agreements with Bank of China Limited, Chengde Branch, numbered Bao Zhi Zong Zi No. 006 of 2012, Bao Zhi Zong Zi No. 0925 of 2013, and Bao Zhi Zong Zi No. 1211 of 2012, respectively, to provide guarantee for its undue L/C valued at €994,900 issued by Bank of China Limited, Chengde Branch.
- ② Beiqi Foton Motor Co., Ltd. executed the Banking Facilities Agreement, numbered FJ2012005, with The Royal Bank of Scotland (China) Co., Ltd., Beijing Branch, to provide US\$ 3 million of banking facilities for the L/C at sight issued by The Royal Bank of Scotland (China) Co., Ltd., Beijing Branch. As of 31 December 2013, the undue L/C issued by The Royal Bank of Scotland (China) Co., Ltd., Beijing Branch, to Beiqi Foton Motor Co., Ltd. was valued at €14,770,804.03.
- ③ Beiqi Foton Motor Co., Ltd. executed The Maximum Amount Guarantee Agreement, numbered 2013027RS008, with Bank of China Limited, Beijing Changping Branch, to provide guarantee for the undue performance guarantee totalled US\$653,750.00 that was issued by Bank of China Limited, Beijing Changping Branch, to Foton International Trade Co., Ltd., Beijing, a subsidiary of Beiqi Foton Motor Co., Ltd.

4. Easy Business Loans

Beiqi Foton Motor Co., Ltd. executed the Financial Service Cooperation Agreement with cooperative banks, under which cooperative banks granted the Company a certain credit

line specifically for bank acceptance bills issued to the Company's dealers who could use the bank acceptance bills to purchase various types of automobiles from the Company. Pursuant to the Agreement, after the maturity of the bank acceptance bills, when a dealer was unable to pay for a bill in full, the Company would be responsible for buying back the unsold automobiles in stock and transferring the purchase amount to a designated account in a timely manner. As of 31 December 2013, the balance of undue bank acceptance bills issued to the dealers under the Agreement totalled RMB 2.1269925 billion. So far, no buyback transaction has occurred over the current period.

BAIC Motor executed the Financial Service Cooperation Agreement with cooperative banks, under which cooperative banks granted the Company a certain credit line specifically for bank acceptance bills issued to the Company's dealers who could use the bank acceptance bills to purchase various types of automobiles from Company. Pursuant to the Agreement, after the maturity of the bank acceptance bills, when a dealer was unable to pay for a bill in full, the Company would be responsible for buying back the unsold automobiles in stock and transferring the purchase amount to a designated account in a timely manner. As of 31 December 2013, the balance of undue bank acceptance bills issued to the dealers under the Agreement totalled RMB 2.9668998 billion. So far, no buyback transaction had occurred over the current period.

5. Beijing Benz Financing Service

With a resolution that the third extraordinary general meeting of shareholders passed in 2008, the Company approved the proposal concerning the credit line and guarantee for the cooperation project between the Company and Mercedes-Benz Auto Finance Ltd. (MBAFC), and agreed to provide guarantee for the credit line for the project. Pursuant to the Brand Financing Agreement and its subsidiary agreements executed by the Company and MBAFC, MBAFC would provide financing support for the purchases of the Company's automobiles by dealers or customers, and, using the joint and several liability model, the Company would unconditionally and irrevocably guarantee to be responsible for and share the risk of the default of repayment of principal or payment of interest due by any dealer or customer under the Agreement. As of 31 December 2013, the loan balance under the Agreement amounted to RMB426,500. With respect to this service, the overdue principal totalled up to RMB24,500.

6. Bank Mortgage Business

Pursuant to the Cooperation Agreement on Financial Services and relevant subsidiary agreements executed by the Company and any bank, the bank executed mortgage contracts with the Company's dealers and customers for purchasing various types of automobiles from the Company. When any of the dealers or customers was unable to repay the loan principal and interest on schedule, and in full, for three consecutive months during the term of the loan, or was still unable to repay the loan principal and interest in full upon maturity, or was unable to complete the mortgage materials and procedures and submit the materials to the bank within 90 days after disbursement of the loan fund, the Company would be obliged for buyback. As of 31 December 2013, the loan balance under the Agreement amounted to RMB 803.8191 million: Bank of Communications, RMB 235.2952 million; China Everbright Bank, RMB 20.2477 million; China Zheshang Bank, RMB 17.47529 million; Bohai Bank, RMB 137.7675 million; Bank of Jilin, RMB 24.5928 million; Bank of Beijing, RMB16.4449 million; Guangdong Development Bank, RMB 6.2456 million; Huishang Bank, RMB 3.08 million; Bank of Dalian, RMB 2.0826 million; other commercial banks, RMB 1.0804 million. With respect to this service, the overdue principal owed to some banks totalled up to RMB 6.162 million.

7. Financial Lease Service

Pursuant to the cooperation agreement and relevant financial lease and leaseback contracts executed by the Company and any leasing company (as the lessor), the leasing company rendered relevant financial services to the Company's dealers or customers (as automobile buyers and lessees, respectively). The dealers or customers resold the automobiles they purchased from the Company to the leasing company and then leased them back under finance lease arrangements. Based on the contracts, the Company agreed to pay the guarantee deposit to the lessor as security for the rent unpaid by any lessee in default. The Company would be obliged to advance the rent unpaid by the lessees in default, along with liquidated damages, the consideration for the transfer of ownership of the leasehold, and other expenses payable by the lessees under the Agreement, and would be entitled to recovering them from the lessees. As of 31 December 2013, the financing balance under the Agreement amounted to RMB 2.1398834 billion: the financing balance owed to the CDB Leasing Co., Ltd. was RMB 2.139177 billion, the financing balance owed to Jintou Leasing Co., Ltd. was RMB625,000, and the financing balance owed to Minsheng Financial Leasing Co., Ltd. was RMB87,700. With respect to this service, the overdue principal unpaid by some customers totalled up to RMB 60.97 million.

8. Zhongche Xinrong Business

Pursuant to the Financial Lease Contract executed by Beijing Zhongche Xinrong Automobile Leasing Co., Ltd. (as the lessor), a subsidiary of the Company, and lessees, Beijing Zhongche Xinrong Automobile Leasing Co., Ltd. rendered relevant financial services to the lessees. The lessees resold the automobiles that they purchased from the Company or its dealers to Beijing Zhongche Xinrong Automobile Leasing Co., Ltd. and then leased them back under finance lease arrangements. As of 31 December 2013, the financing balance provided by Beijing Zhongche Xinrong Automobile Leasing Co., Ltd. to the lessees amounted to RMB 1.404844 billion. With respect to this service, the overdue principal unpaid by some customers totalled up to RMB 48.1271 million.

9. Instalment Easy Business

Pursuant to the Guarantee Agreement executed by Beijing INDUTEE Guarantee Co., Ltd. (as the guarantor), a subsidiary of the Company, and customers, Beijing INDUTEE Guarantee Co., Ltd. rendered guarantee service for the purchase of automobiles by instalments by customers from Beijing Foton Daimler Automotive Co., Ltd., through the dealers. As of 31 December 2013, the undue balance of the instalment easy business amounted to RMB 243.5931 million. With respect to this service, the overdue principal unpaid by some customers totalled up to RMB 10.5961 million.

10. Undertakings

As of 31 December 2013, other capital-related undertakings were as follows:

- (1) Weifang Municipal People's Government and Beiqi Foton Motor Co., Ltd signed the Strategic Cooperation Framework Agreement of Electrical Automotive Parts and the Vehicles Testing Base Construction Project Between Beiqi Foton and Weifang, under which Beiqi Foton Motor Co., Ltd. will return benefits from preferential policies and pay penalties to the Weifang government for uncompleted total investment beyond the time limit; if Beiqi Foton Motor Co., Ltd. fails to fulfil the project's planned targets (including local tax revenue targets) as agreed, the Weifang government will adjust

the financial support cashing percentage; if Beiqi Foton Motor Co., Ltd. exceeds the targets, the government will increase financial support in proportion to the excess part.

- (2) Beiqi Foton Motor Co., Ltd and the Government of Maharashtra, India (hereinafter referred to as “**the Maharashtra Government**”) signed a Memorandum of Understanding in Mumbai, India. The Maharashtra Government has fulfilled its obligations under the Agreement and issued a satisfactory offer to Beiqi Foton Motor Co., Ltd., and Beiqi Foton Motor Co., Ltd. intends to make an investment of no less than 16.76 billion rupees in the form of fixed assets, equipment or other “**appropriate investment**” as defined in the Preferential Programme issued by the Maharashtra Government in 2007 within five years of the date when the MOU was signed, provided that Foton Motor obtains necessary approval from the Chinese government.
- (3) On 27 September 2013, the Board of Directors discussed and passed the Proposal Concerning the Establishment of Beijing Foton Loxa Heavy Machinery Sales Co., Ltd., approving the contribution of RMB 10 million solely by Beiqi Foton Motor Co., Ltd. to set up Beijing Foton Loxa Heavy Machinery Sales Co., Ltd. (the name subject to the approval by the State Administration for Industry and Commerce) in Huairou District, Beijing, and authorising the management to carry out the relevant procedures. That plan was not implemented in 2013.
- (4) On 12 October 2013, the Board of Directors of Beiqi Foton Motor Co., Ltd., a subsidiary of the Company, discussed and passed the Proposal Concerning Weifang Automobile Factory Phase II Contraction Project, approving the contribution of RMB 1.87965 billion to complete Shandong Multi-purpose Vehicle Factory Light Bus Project (a tentative title; the final title and size of the project would be subject to the approval by the Government), and authorising the management to carry out the relevant procedures. That plan was not implemented in 2013.
- (5) On 14 November 2013, Beiqi Foton Motor Co., Ltd., a subsidiary of the Company, held an extraordinary general meeting of shareholders, discussed and passed the Proposal Concerning the Increase of Investments in Beijing Foton Cummins Engine Co., Ltd., approving the increase of capital investments in Beijing Foton Cummins Engine Co., Ltd.: RMB 300 million for the Phase I project, and RMB 304 million for the Phase II project, totalling RMB604 million (to be implemented pending approval by the shareholders of Beijing Foton Cummins Engine Co., Ltd), and authorising the management to carry out the relevant procedures. That plan was not implemented in 2013.

11. Other liabilities

- (1) In accordance with the cooperation agreement between the Company, the Management Committee of Zhuzhou Hi-Tech Industrial Development Zone, and the Municipal People’s Government of Zhuzhou, the Zhuzhou Branch of the Company, in 2009, 2010 and 2012, received a total of RMB250 million in factory construction subsidy from the Zhuzhou Municipal Finance Administration. The Management Committee of Zhuzhou Hi-Tech Industrial Development Zone promised to register the Certificate of Land used by the Zhuzhou Branch under the name of the Company and to bear all the expenses incurred from the State-owned land use permit registration for the land used by Zhuzhou Branch. The Zhuzhou Branch would include the received factory construction subsidy under deferred revenue of government subsidies. According to the contract, the Zhuzhou Branch of the Company shall return the factory construction

subsidy, and pay back the land premium to the Management Committee of Zhuzhou Hi-Tech Industrial Development Zone, if it fails to reach the output and sales volume agreed in the contract at the end of 2014.

- (2) According to the Strategic Cooperation Framework Agreement between the Group and the People's Government of Daxing District of Beijing, the Group promises to fulfil the common output target of three projects under the Agreement and the Caiyu Project of Hainabaichuan Co., Ltd. by the end of 2015. The Group will return in cash at one time the product of the government subsidy in the actual agreement multiplied by the percentage of the balance between the output target and the actual output, plus interest, to the People's Government of Daxing District before 31 January 2016, if it fails to achieve the output target; if the Group fails to fulfil its return obligation when it is due, the People's Government of Daxing District shall be entitled to claim the assets of the Group or the project companies, except that if the People's Government of Daxing District fails to comply with the agreement.
- (3) On the morning of 25 October 2011, Beihang University and the Company signed a Cooperation Framework Agreement and a Contributor Agreement, which stated that BUAA Holdings Co., Ltd. and the Company would jointly establish Beijing General Aviation (Group) Co., Ltd. (hereinafter "**General Aviation Group**") and Beijing General Aviation Industry Technology Research Institute Co. Ltd. (hereinafter "**Beijing General Aviation Research Institute**"). According to the Contributor Agreement signed between the Parties, the initial registered capital of General Aviation Group is RMB100 million, and the Company shall contribute in cash and become the controlling shareholder, and BUAA Holdings Co., Ltd. shall contribute with technology and intellectual property. Thereinto, the Company contributes RMB90 million in cash and in kind, representing 90 per cent. of the registered capital, with an initial contribution of no less than RMB20 million, and BUAA Holdings Co., Ltd. contributes RMB10 million in cash or technology, representing 10 per cent. of the registered capital. After the company name is pre-approved, the Company shall deposit the initial contribution into a temporary account within 45 days, and the remaining amount of contribution shall be paid up within two years after the foundation of the JV by the shareholders. At the current period, the Company's contribution is in place, while BUAA Holdings Co., Ltd. has made no capital contributions as at 31 December 2013.

10. Events occurring after the balance sheet date

The Company held its second Board Meeting of 2014 on 28 January 2014, at which the following resolutions were passed:

1. *Jing Qi Ji Dong Jue Zi No.9 [2014]*, the *Resolution on the Setting-up of BAIC TAP SUV Technology Co., Ltd. by BAIC International Development Co., Ltd.*, according to which: 1) In order to support the expansion of the BAIC B-series production line and the exploration and development of the modified vehicle business of BAIC International Development Co., Ltd. (BAIC International), the Meeting agrees in principle to form BAIC TAP, a joint venture of BAIC International, TAP (Hong Kong) SUV Investment Co., Ltd. (TAP Hong Kong) and Tai'an Zhongyi Investment Co., Ltd. (Tai'an Zhongyi). The registration capital of BAIC TAP is US\$10 million and the total investment of the project is US\$20 million, of which BAIC International shall pay US\$5.1 million as a capital contribution and hold a 51 per cent. stake, TAP Hong Kong shall pay a US\$2.5 million capital contribution and hold a 25 per cent. stake, and Tai'an

Zhongyi shall pay a capital contribution of US\$2.4 million and hold a 24 per cent. stake. 2) Relevant functional developments of the Group will organise BAIC International's drafting of the *Cooperation Agreement* for this project and the *Articles of Association* of BAIC TAP SUV Technology Co., Ltd., which will define the rights and obligations of each capital contributor as well as the corporate governance structure of the venture. After the related documents are signed by the general manager of the Group, BAIC International will be in charge of setting up BAIC TAP. 3) It was agreed that the Group will increase the capital of BAIC International by US\$5.1 million, which will be allocated to BAIC International setting up BAIC TAP SUV Technology Co., Ltd. 4) BAIC International shall strive to accomplish the projected planning and business target as well as achieve desirable business efficiency through strengthening the management and monitoring of BAIC TAP, fully leveraging the advantages of each party and expanding the venture's business models.

2. *Jing Qi Ji Dong Jue Zi No. 10 [2014]*, the *Resolution on Approval of Beijing Capital Tyre Co., Ltd.'s Application for Bankruptcy Against Hebei Longdi Capital Tyre Manufacturing Co., Ltd.*, according to which:

- 1) Pursuant to the opinion issued by the management of the Group on BAIC Asset Management Co., Ltd. (BAIC Asset) concerning the application for bankruptcy by Beijing Capital Tyre Co., Ltd. (Capital Tyre) against Hebei Longdi Capital Tyre Manufacturing Co., Ltd. (Hebei Longdi), in order to protect Capital Tyre's legitimate rights and interests as the capital contributor and the creditor, as well as those of its assets that are not subject to impairment, and in accordance with relevant provisions of the *Enterprise Bankruptcy Law of the People's Republic of China*, the Meeting agreed that, as creditor, Capital Tyre should apply to the People's Court for bankruptcy liquidation against Hebei Longdi. 2) BAIC Asset will be in charge of organising Capital Tyre's application for bankruptcy against Hebei Longdi and for protecting the rights and interests of Capital Tyre so as to reduce the damage caused to State-owned assets. The legal department of the Group shall extend substantial support and assistance in this matter.

3. The *Resolution on the 2014 Debt Financing Plan of Beijing Automotive Group Co., Ltd. Home Office (Jing Qi Ji Dong Jue Zi No. 11 [2014])*, according to which: 1) Based on the forecast of national monetary policy and the domestic financial market environment in 2014, and in order to ensure the production and operation of the Group and meet its capital demands, the Meeting agreed to approve the *2014 Debt Financing Plan of Beijing Automotive Group Co., Ltd. Home Office*. It further agreed that the Group will raise funds through multiple types of debt financing vehicle including bank loans, notes issuance, margin trading & short selling and corporate bond issuance, among others. 2) The Meeting agreed that the finance department should draft a special report based on the financing approach and quota of each debt financing plan. The report shall be subject to the approval of the CFO, general manager, and chairman of the Group respectively before the Office of the Board of Directors issues a resolution on each debt financing plan according to the resolution of this Board Meeting. When the general manager or chairman deems that a financing plan shall be submitted to the Board of Directors for deliberation this should be done on a timely basis.
4. *Jing Qi Ji Dong Jue Zi No.12 [2014]*, the *Resolution on the Quota for Issuance of Perpetual Bonds by Beijing Automotive Group Co., Ltd.*, according to which: 1) Pursuant to the *Resolution on the Registering & Issuing of Short-term*

Commercial Paper & Super Short-term Commercial Paper by Beijing Automotive Group Co., Ltd. (Jing Qi Ji Dong Jue Zi No.108 [2013]), the Meeting agreed that the Group prepare a financing plan for issuing perpetual bonds, with the amount to be within its already approved quota for the issuance of short-term and super short-term commercial paper. 2) The Meeting agreed that the finance department shall prepare a debt issuance plan based on the progress of the perpetual bond issuance. This shall be approved by the Group CFO, general manager and chairman respectively before the Office of the Board of Directors issues a resolution on each debt financing plan based on the resolution of this Board Meeting. When the general manager or chairman deems that a financing plan shall be submitted to the Board of Directors for deliberation this should be done on a timely basis.

As of 8 April 2014, the Company does not have any other events after the balance sheet date to be disclosed.

11. Related party relationships and transactions

1. Parent company

<u>Name</u>	<u>Registration place</u>	<u>Business nature</u>	<u>Registered capital (10,000 Yuan)</u>	<u>Share holding %</u>	<u>Voting rights %</u>
Beijing State-owned Capital Operation and Management Center	Beijing	Investment	3,000,000.00 (10,000 yuan)	100	100

The Company's ultimate controlling party is Beijing SASAC.

In the reporting period, the changes in the registered capital of the Company are as follows:

<u>Name</u>	<u>2013.01.01</u>	<u>Current year increase</u>	<u>Current year decrease</u>	<u>2013.12.31</u>
Beijing State-owned Capital Operation and Management Center	3,000,000.00	—	—	3,000,000.00

2. Sub-subsidiaries of the Company

See Note 7

3. The Company's joint ventures and affiliated businesses

See Note 8(13) long-term equity investment.

4. Other related parties of the Company

<u>Name of related parties</u>	<u>Relationship with the Company</u>	<u>Organisation code</u>
Beijing Haidian Jingling Industries, Inc.	Company in which the Company has equity investment	102005312
Beijing North Bell Special Vehicle Co., Ltd.	Company in which the Company has equity investment	600028525
Beijing Zhongli Foton Axle Co., Ltd.	Company in which the Company has equity investment	76092306X
Zhonglian Automotive Electronic Co., Ltd.	Company in which the Company has equity investment	630463093
Beijing Automotive Starter Plant	The joint venture of the Company's subsidiaries	101215975
Beijing Beinei Import and Export Co., Ltd.	The subsidiary of the subsidiary of the Company	801665942
Daimler Co., Ltd.	The minority shareholder of BAIC Motor Co., Ltd.	
Changchai Co., Ltd.	Shareholder of Foton, with Foton's directors as its director	13479241-0
Zucheng Yihe Axle Co., Ltd.	Shareholder of Foton, with Foton's supervisors as its chairman	16972530-6
Changsha Yihe Axle Co., Ltd.	A wholly owned subsidiary of Zhucheng Yihe (Foton's related company)	76561402-0
Weichai Power Co., Ltd.	Shareholder of Foton, with Foton's director as its chairman	74567659-0
Tianjin Lovol Engines Co., Ltd.	Foton's general manager as its chairman, executive vice general manager as its director; Foton's subsidiary Beijing Foton Environmental Engine Co., Ltd., holds 24.27 per cent. of its stake	60091034X
Hubei Foton Special Vehicle Co., Ltd.	Foton's subsidiary Beijing Foton Environmental Engine Co., Ltd., holds 44.90 per cent. of its stake	72832305-6
Xinxing Foton Construction Engineering Co., Ltd	Foton's subsidiary Beijing Foton Environmental Engine Co., Ltd., holds 46.43 per cent. of its shares	10001834-7
Beijing Baogong Foton Logistics Co., Ltd.	Foton's vice general manager as its director	73766179-4
Anhui Quanchai Engine Co, Ltd.	Foton's vice general manager as its director	704965812
Zhucheng Foton Logistics Co., Ltd.	The holding subsidiary of Foton's related company	72389319-9
Foton Heavy Machinery Co., Ltd.	The holding subsidiary of Foton's related company	76982278-3
Beijing Jingcheng Automotive Compartment Plant	The joint venture of the Company's subsidiaries	
Jiangna Mould & Plastic Technology Co., Ltd.	Minority shareholder of Beijing Beiqi Mould & Plastic Group Co., Ltd.(Hainachuan's subsidiary)	142233627
Shandong Xinghua Leaf Spring Manufacturing Co., Ltd.	Minority shareholder of Beiqi Xinghua Automobile Spring Co., Ltd. (Hainachuan's subsidiary)	863072456

<u>Name of related parties</u>	<u>Relationship with the Company</u>	<u>Organisation code</u>
Zibo Boshan WanShan Machinery Co., Ltd.	Minority shareholder of Beiqi Xinghua Automobile Spring Co., Ltd. (Hainachuan's subsidiary)	
Shenzhen Ping An Innovative Capital Investment Ltd.	Minority shareholder of BAIC Rocar 汽車工業進出口的成本法企業	192210239
Vantone Industrial Co., Ltd.		
Beijing Automotive Brake Pump Factory	Subsidiary of Foton's major shareholder	10110551-4
Wuhan Quanchai Power Co., Ltd.	The wholly-owned subsidiary of Foton's related company	717945909
潍柴動力揚州柴油機有限責任公司 Weichai Power Yangzhou Diesel Engine Co., Ltd.	The holding subsidiary of Foton's related company	699341895
Shanxi Fast Gear Co., Ltd.	The holding subsidiary of Foton's related company	730431187
Beijing Automotive Assembly Plant	Minority shareholder of the Company's subsidiaries	102473247
Beijing Zhongshou Logistics Limited	Minority shareholder of the Company's subsidiaries	752191014
Yanfeng Visteon (Beijing) Automotive Trim Systems Co., Ltd.	Foton's director as its vice chairman	74470515-0
Beinei Group Corporation	The joint venture of the Company's subsidiary	101209049
Beiqi Dayang Electrics Technology Co., Ltd.	The joint venture of the Company's subsidiary	
海南燕海工貿聯合有限公司	The joint venture of the Company's subsidiary	708860292
Beijing Shougang Cold-rolled Sheet Co., Ltd.	Foton's director as its president	678206539
Zhucheng Foton Logistics Co., Ltd.	The holding subsidiary of Foton's related company	72389319-9
Beijing Foton Industry Holding Group Co., Ltd.	Foton directly and indirectly holds 18.85 per cent. stake, Foton's general manager and vice president as its president and vice president respectively, Foton company's supervisor as its director	70023041-3
Shandong Lufeng Special Vehicle Co., Ltd.	Foton's vice general manager as its director	706130106
Anhui Quanchai Jintian Machinery Co., Ltd.	Under the actual control of Foton's related company	704966751
Foton Revo Heavy Machinery Co., Ltd., Beijing sales sub-branch	Subsidiary of Foton Heavy Machinery Co., Ltd.	77636844-3
Beijing Pride New Energy Battery Technology Co., Ltd.	Foton company's supervisor as its director	55309176-6
Beijing Automobile and Motorcycle Joint Manufacturing Company Radiator Branch	Under the same control	766794713

5. Related party transactions

(1) Related procurement and sales

A. Purchase of goods and receiving of services

Related party	Related transaction contents	2013		2012	
		Amount (10,000 Yuan)	%	Amount (10,000 Yuan)	%
Anhui Ankai Foton Shuguang Axle Co., Ltd.	Raw materials procurement	7,593.96	0.12	54,672.89	0.90
Anhui Quanchai Engine Co., Ltd	Raw materials procurement	61,618.93	0.98	62,903.60	1.03
Anhui Quanchai Jintian Machinery Co., Ltd.	Raw materials procurement	488.59	0.01	257.99	–
Beijing Autoliv Automotive Safety System Co., Ltd.	Raw materials procurement	433.81	0.01	–	–
Beijing Autoliv Automotive Safety System Co., Ltd.	Service charge	91.86	0.06	91.86	6.32
Beijing Beiqi Changsheng Auto Accessories Co., Ltd.	Raw materials procurement	3,044.58	0.05	11,140.65	2.59
Beijing Beiqi Changsheng Automobile Co., Ltd.	Raw materials procurement	33,209.04	0.53	35,514.86	8.27
Beijing Beiqi Guanghua Auto Parts Co., Ltd.	Service charge	8.45	0.01	7.57	0.52
Beijing Beiqi Lear Automotive Systems Co., Ltd.	Raw materials procurement	19,359.87	0.31	364.17	0.08
Beijing Beiqi Far East Transmission Parts Co., Ltd.	Raw materials procurement	217.86	0.00	741.06	0.17
Beijing Dalin Wanda Automobile Parts Co., Ltd.	Raw materials procurement	151.72	0.00	–	–
Beijing Foton Daimler Automotive Co., Ltd.	Procurement of vehicle and parts	252,485.07	4.03	73,117.98	1.20
Beijing Foton Cummins Engine Co., Ltd.	Raw materials procurement	95,854.21	1.53	52,678.94	0.87
Beijing Foton Logistics Co., Ltd.	logistics service	8,795.70	5.45	12,432.36	40.85
Beijing Hainachuan Hangsheng Automotive Electronics Co., Ltd.	Raw materials procurement	1,611.46	0.03	247.95	0.05
Beijing Hainachuan Henglong Automotive Systems Co., Ltd.	Raw materials procurement	11,550.96	0.18	9,195.17	0.16
Beijing Hainachuan Xiezhong Automotive Air Conditioner Co., Ltd.	Raw materials procurement	17,794.79	0.28	12,228.48	0.65
Beijing Hainachuan Xiezhong Automotive Air Conditioner Co., Ltd.	Raw materials procurement	610.61	0.01	–	–
Beijing Hanyi Automotive Trim Parts Co., Ltd.	Raw materials procurement	936.52	0.01	594.40	0.14
Beijing Xingshangxing Advertising Co., Ltd.	advertising service	9,187.06	5.70	16,427.17	44.12

Related party	Related transaction contents	2013		2012	
		Amount (10,000 Yuan)	%	Amount (10,000 Yuan)	%
Beijing Johnson Control Automotive Parts Co., Ltd.	Service charge	–	–	124.00	8.53
Beijing Jingchi Gearboxes Manufacturing Co., Ltd.	Raw materials procurement	–	–	841.06	0.20
Beijing Beiqi Lear Automotive Electronics Co., Ltd.	Service charge	–	–	1.15	0.08
Beijing Pride New Energy Battery Technology Co., Ltd.	Raw materials procurement	13,140.17	0.21	6,542.98	1.49
Beijing Pride New Energy Battery Technology Co., Ltd.	Receiving service	117.32	0.07	–	–
Beijing Automotive Assembly Plant	Raw materials procurement	–	–	1,678.43	0.39
Beijing Shougang Futian Automobile Air Conditioner Co., Ltd.	Raw materials procurement	5,461.18	0.09	–	–
Beijing Shougang Co., Ltd.	Raw materials procurement	261.10	0.00	41.91	–
Beijing Shougang Cold-rolled Sheet Co., Ltd.	Raw materials procurement	45,053.79	0.72	44,854.25	0.74
Beijing Xiyi Hayward Auto Parts Co., Ltd.	Raw materials procurement	108.05	0.00	–	–
Beijing Xiyi Hayward Auto Parts Co., Ltd.	Service charge	125.40	0.08	26.38	1.82
Beijing Hyundai Mobis Automotive Parts Co., Ltd.	Raw materials procurement	5,670.59	0.09	4,619.53	1.47
Beijing Hyundai Motor Company	Procurement of vehicle	229,132.94	3.66	144,154.05	45.80
Beijing Asimco Tianwei Oil Pump and Oil Nozzle Holdings Co., Ltd.	Service charge	362.94	0.23	474.04	32.63
Beijing Zhongli Foton Axle Co., Ltd.	Raw materials procurement	25.87	0.00	–	–
Beiqi Dayang Electrics and Technology Co., Ltd.	Raw materials procurement	2,791.07	0.04	2,802.63	0.65
Beiqi Yinxiang Automobile Co., Ltd.	Raw materials procurement	122,149.18	1.95	–	–
Hubei Foton Special Vehicle Co., Ltd.	Raw materials procurement	1,175.47	0.02	17,292.93	0.28
Hunan Guanghua Rongchang Automotive Parts Co., Ltd.	Raw materials procurement	7,189.37	0.11	–	–
Hunan Guanghua Rongchang Automotive Parts Co., Ltd.	Service charge	6.00	0.00	6.00	0.41
Beijing Mercedes – Benz Sales & Service Co., Ltd.	Receiving service	3,878.82	2.40	–	–
Qinghai Foton Equipment Manufacturing Co., Ltd.	Raw materials procurement	–	–	377.41	0.01
Sanhe Infac Automotive Parts Co., Ltd	Service charge	22.18	0.01	20.88	1.44
Shandong Lufeng Special Vehicle Co., Ltd.	Raw materials procurement	5.38	0.00	–	–
Shanxi Fast Gear Co., Ltd.	Raw materials procurement	6,289.17	0.10	50,206.69	0.83

Related party	Related transaction contents	2013		2012	
		Amount (10,000 Yuan)	%	Amount (10,000 Yuan)	%
Shougang Penglong Steel Co., Ltd.	Raw materials procurement	61.44	0.00	242.25	0.08
Tenneco (Beijing) Exhaust System Co., Ltd.	Raw materials procurement	54.43	0.00	–	–
Tenneco (Beijing) Exhaust System Co., Ltd.	Service charge	49.51	0.03	50.85	3.50
Tenneco (Beijing) Automotive Shock Absorber Co., Ltd.	Service charge	74.20	0.05	75.69	5.21
Weichai Power (Weifang) Spare Resources Ltd.	Raw materials procurement	–	–	0.03	–
Weichai Power (Weifang) Distribution Ltd.	logistics service	0.47	0.00	19.91	–
Weichai Power Co., Ltd.	Raw materials procurement	14,016.41	0.22	205,043.61	3.37
Weichai Power Yangzhou Diesel Engine Co., Ltd.	Raw materials procurement	45,332.56	0.72	42,545.98	0.70
Visteon Automotive Air Conditioner (Beijing) Co., Ltd.	Service charge	–	–	156.55	10.78
Xinjiang Foton Guanghui Special Vehicle Co., Ltd.	Raw materials procurement	12,963.52	0.21	4,187.13	0.07
Xinxing Foton Construction Engineering Co., Ltd	construction and engineering service	32,855.88	20.37	2,033.37	0.03
Yanfeng Visteon (Beijing) Automotive Trim Systems Co., Ltd.	Raw materials procurement	10,856.48	0.17	–	–
Yanfeng Visteon (Beijing) Automotive Trim Systems Co., Ltd.	Service charge	–	–	68.00	4.68
Yanfeng Visteon (Beijing) Automotive Trim Systems Co., Ltd.	Raw materials procurement	2,248.27	0.04	3,317.81	0.05
Yanfeng Visteon Automotive Electronics Co., Ltd.	service	140.00	0.09	–	–
Inergy Automotive Systems Co., Ltd.	Service charge	–	–	41.25	2.84
Inergy Automotive Systems Co., Ltd.	Raw materials procurement	1,027.65	0.02	–	–
Changsha Yihe Axle Co., Ltd.	Raw materials procurement	16,663.02	0.27	18,507.66	0.30
Zhuzhou Gear Co., Ltd.	Raw materials procurement	–	–	12.60	–
Zhuzhou Torch Spark Plug Co., Ltd.	Raw materials procurement	44.98	0.00	27.50	–
Zhuzhou Torch Automotive Lighting Co., Ltd.	Raw materials procurement	14.66	0.00	1.87	–

Related party	Related transaction contents	2013		2012	
		Amount (10,000 Yuan)	%	Amount (10,000 Yuan)	%
Zhucheng Foton Logistics Co., Ltd.	Receiving service-logistics service	7,357.97	4.56	1,665.07	5.47
Zhucheng Yihe Axle Co., Ltd.	Raw materials procurement	71,423.10	1.14	76,033.36	1.25

B. Sale of goods and rendering of services

Related party	Related transaction contents	2013		2012	
		Amount (10,000 Yuan)	%	Amount (10,000 Yuan)	%
Anhui Ankai Foton Shuguang Axle Co., Ltd.	Vehicle sales	–	–	508.17	0.01
Anhui Quanchai Engine Co., Ltd	Vehicle sales	307.74	0.01	–	–
Beijing Beiqi Changsheng Auto Accessories Co., Ltd.	Sales of goods	–	–	158.83	0.00
Beijing Beiqi Changsheng Automobile Co., Ltd.	Rendering of service	–	–	0.83	0.03
Beijing Beiqi Changsheng Automobile Co., Ltd.	Sales of goods	13.20	0.00	732.63	0.01
Beijing Beiqi Lear Automotive Systems Co., Ltd.	Provision of labour service	–	–	172.24	7.15
Beijing Foton Daimler Automotive Co., Ltd.	Sales of parts and steel	75,223.76	1.24	10,571.04	0.19
Beijing Foton Daimler Automotive Co., Ltd.	Sales of goods	100.36	0.00	16.25	0.00
Beijing Foton Dynamical Machine Holdings Co., Ltd.	Utility, labour service	45.87	0.06	6.89	0.29
Beijing Foton Environmental Engine Co., Ltd., Nanhai Car Factory	Sales of goods	1,170.32	0.02	849.92	0.01
Beijing Foton Cummins Engine Co., Ltd.	Rendering service – testing, utility, shuttle, boarding	369.42	0.50	554.21	23.02
Beijing Foton Motor Co., Ltd., Zhucheng Aoling Automobile factory	Sales of goods	–	–	825.99	0.01
Beijing Foton Logistics Co., Ltd.	Vehicle and auto parts sales	3,743.94	0.06	1,588.45	0.03
Beijing Guichuan Taxi Co., Ltd.	Vehicle sales	–	–	1,709.40	0.03

Related party	Related transaction contents	2013		2012	
		Amount (10,000 Yuan)	%	Amount (10,000 Yuan)	%
Beijing Hainachuan Xiezhong Automotive Air Conditioner Co., Ltd.	Vehicle sales	24.45	0.00	369.03	0.01
Beijing Hongdaxing Electric Minibus Rental Ltd.	Sales of goods	1,237.61	0.02	—	—
Beijing Hongdaxing Electric Minibus Rental Ltd.	Vehicle sales	1,030.99	0.02	854.70	0.02
Beijing Huaixingwang Electric Minibus Rental Ltd.	Vehicle sales	1,024.79	0.02	854.70	0.02
Beijing Jinyuyang Electric Minibus Rental Ltd.	Sales of goods	255.56	0.00	264.96	0.00
Beijing Li Erdai Moss Automotive Systems Co., Ltd.	provision of labour services	2,315.27	3.13	455.63	18.92
Beijing Green Valley Electric Minibus Rental Ltd.	Sales of goods	—	—	264.96	0.00
Beijing Pride New Energy Battery Technology Co., Ltd.	Sales of goods	5.98	0.00	491.45	0.01
Beiqi Dayang Electrics and Technology Co., Ltd.	Sales of goods	—	—	98.29	0.00
Beijing Hyundai Mobis Automotive Parts Co., Ltd.	Sales of goods	11,391.96	0.19	14,797.37	0.26
Beijing Hyundai Mobis Automotive Parts Co., Ltd.	Sales of goods	39,804.36	0.66	26,077.47	0.46
Beijing Hyundai Motor Company	provision of labour services	555.93	0.75	823.18	0.01
Beijing Hyundai Motor Company	Sales of goods	50,807.56	0.84	36,657.71	0.65
Beiqi Dayang Electrics and Technology Co., Ltd.	Sales of goods	56.67	0.00	—	—
Beijing Foton Daimler Automotive Co., Ltd.	service	3.54	0.00	—	—
Beiqi Yinxiang Automobile Co., Ltd.	Sales of goods	17,359.31	0.29	627.85	0.01
Dashi (Beijing) Auto Accessories Co., Ltd.	provision of labour services	—	—	115.67	4.80
AMS Group in Russia	Sales of goods	—	—	15,108.06	0.27
Foton Environmental Power Corporation	Sales of goods	—	—	368.19	0.01
Hubei Foton Special Vehicle Co., Ltd.	Vehicle and steel sales	1,749.04	0.03	1,005.10	0.02

Related party	Related transaction contents	2013		2012	
		Amount		Amount	
		(10,000 Yuan)	%	(10,000 Yuan)	%
Jiangnan Mould & Plastic Technology Co., Ltd.	Sales of goods	–	–	131.93	0.00
Qinghai Foton Equipment Manufacturing Co., Ltd.	Vehicle sales	–	–	10,564.61	0.19
Shenzhen Benyuan Jinghong Capital Management Limited	service	445.72	0.60	–	–
Weichai Power Yangzhou Diesel Engine Co., Ltd.	Vehicle sales	27.52	0.00	–	–
Wuhan Quanchai Power Co., Ltd.	Vehicle and auto parts sales	6,936.03	0.11	4,562.76	0.08
Xinjiang Foton Guanghui Special Vehicle Co., Ltd.	Vehicle and auto parts sales	3,048.74	0.05	41,250.25	0.73
Xinxing Foton Construction Engineering Co., Ltd.	Rendering service – utilities	16.18	0.02	102.60	4.26
Zhuzhou Gear Co., Ltd.	Vehicle sales	–	–	90.60	0.00
Zhucheng Foton Logistics Co., Ltd.	vehicle and auto parts sales	609.60	0.01	446.08	0.01
Zhucheng Yihe Axle Co., Ltd.	Vehicle sales	309.00	0.01	5,532.61	0.10

(2) Other related transactions

A. Guarantee of related parties

Related party	Related transaction contents	Related transaction pricing and the decision-making process	2013		2012	
			Amount		Amount	
			(10,000 Yuan)	%	(10,000 Yuan)	%
Beijing Dalin Wanda Automobile Parts Co., Ltd.	Loan guarantee		4,000.00	29.89	4,000.00	29.89

B. Lease between related parties

Lessor	Lessee	Related transaction pricing and the decision-making	2013		2012	
			Amount (10,000 Yuan)	Amount (10,000 Yuan)	Amount (10,000 Yuan)	Amount (10,000 Yuan)
Beiqi Foton Motor Co., Ltd.	Beijing Foton Industry Holdings Group Co., Ltd.	Market price	–	–	116.02	0.06
Beiqi Foton Motor Co., Ltd.	Beijing Foton Daimler Automotive Co., Ltd.	The total fixed rent specified in the contract is RMB0.572 billion. The floating rent shall be calculated by multiplying the number of H4 trucks produced or assembled by Beijing Foton Daimler Automotive Co., Ltd. by RMB1,143 up to a cap of 500,000 trucks.	6,568.29	2.39	7,595.13	3.62
Beijing Hainachuan Automotive Parts Co., Ltd.	Beijing Johnson Control Automotive Parts Co., Ltd.	Market price	–	–	60.00	0.03
Beijing Hainachuan Automotive Parts Co., Ltd.	Beijing Shunyuan Yongkang Asset Management Limited	Market price	9.46	0.00	113.26	0.05
Beijing Hainachuan Automotive Parts Co., Ltd.	Beijing Autoliv Automotive Safety System Co., Ltd.	Market price	137.37	0.05	137.37	0.07
Beijing Electric Vehicle Co., Ltd	Beiqi Dayang Electric Machinery Science and Technology Co., Ltd.	Market price	128.97	0.05	–	–
Beijing Pengsheng Property Management Co., Ltd.	Beijing Hyundai Motor Company	Market price	186.30	0.07	–	–

C. 提供資金 Provision of funds

Related party	Related transaction contents	Related transaction pricing and the decision-making process	2013		2012		
			Amount (10,000 Yuan)	%	Amount (10,000 Yuan)	%	
A. 吸收存款支付利息情况表 Interest paid on deposit							
Beijing Beiqi Dashi Automotive Systems Co., Ltd.	Interests on deposit-taking	Market pricing	1,993,625.56	1.68	315,369.73	0.62	
Beijing Dalin Wanda Automobile Parts Co., Ltd.	Interests on deposit-taking	Market pricing	86,715.34	0.07	17,940.11	0.04	
Beijing Beideng Automotive Lighting Co., Ltd.	Interests on deposit-taking	Market pricing	190.78	—	1,083.69	—	
Beijing Hyundai Mobis Automotive Parts Co., Ltd.	Interests on deposit-taking	Market pricing	804,788.14	0.68	143,694.89	0.28	
Beijing Hyundai Motor Company	Interests on deposit-taking	Market pricing	1,073,973.70	0.91	946,245.57	1.86	
Beijing Beiqi Lear Automotive Systems Co., Ltd.	Interests on deposit-taking	Market pricing	4,828.33	—	—	—	
Beijing Beiqi Zhongyun Automobile Trading Co., Ltd.	Interests on deposit-taking	Market pricing	605,110.01	0.51	—	—	
Beijing Hainachuan Hangsheng Automotive Electronics Co., Ltd.	Interests on deposit-taking	Market pricing	3,311.68	—	—	—	
Beijing Hainachuan Xiezhong Automotive Air Conditioner Co., Ltd.	Interests on deposit-taking	Market pricing	263.11	—	—	—	
Beijing Xiyi Hayward Auto Parts Co., Ltd.	吸收存款利息	Market pricing	2,513.43	—	—	—	
B. 發放貸款收取利息情况表 interest income from loans							
Beijing Dalin Wanda Automobile Parts Co., Ltd.	Interest income from lending	Market pricing	3,220,359.99	0.03	643,300.00	2.44	
Beijing Xiyi Hayward Auto Parts Co., Ltd.	Interest income from lending	Market pricing	32,062.34	0.03	—	—	
Beijing Hyundai Motor Co., Ltd	貼現利息收入	Market pricing	44,567,052.56	0.97	2,675,144.43	91.87	
Beijing Beiqi Dashi Automotive Systems Co., Ltd.	Interest income from entrusted loans	Market pricing	—	—	1,567,020.00	7.74	
C. Loans							
Beijing Dalin Wanda Automobile Parts Co., Ltd.	proprietary lending	Market pricing	71,280,000.00	2.16	3,428.00	2.42	
Beijing Xiyi Hayward Auto Parts Co., Ltd.	proprietary lending	Market pricing	1,687,700.00	0.05	—	—	
D. Deposit-taking							
Beijing Hyundai Motor Company	Deposit-taking	Market pricing	554,662,443.65	4.85	51,271,101.14	1.1	
Beijing Dalin Wanda Automobile Parts Co., Ltd.	Deposit-taking	Market pricing	2,360,422.22	0.02	544,273.49	0.01	
Beijing Beiqi Dashi Automotive Systems Co., Ltd.	Deposit-taking	Market pricing	33,808,965.02	0.3	79,228,194.94	1.7	

Related party	Related transaction contents	Related transaction pricing and the decision-making process	2013		2012	
			Amount (10,000 Yuan)	%	Amount (10,000 Yuan)	%
Beijing Beideng Automotive Lighting Co., Ltd.,	Deposit-taking	Market pricing	–	–	201,083.69	–
Beijing Hyundai Mobis Automotive Parts Co., Ltd.	Deposit-taking	Market pricing	30,983,032.03	0.27	30,143,694.89	0.65
Beijing Beiqi Zhongyun Automobile Trading Co., Ltd.	Deposit-taking	Market pricing	20,530,235.44	0.18	20,000,000.00	0.42
Beijing Beiqi Lear Automotive Systems Co., Ltd.	Deposit-taking	Market pricing	5,004,124.10	0.04	–	–
Beijing Xiyi Hayward Auto Parts Co., Ltd.	Deposit-taking	Market pricing	1,005,011.26	0.01	–	–
Beijing Hainachuan Xiezhong Automotive Air Conditioner Co., Ltd.	Deposit-taking	Market pricing	2,162,642.88	0.02	–	–

D. Other related-party transactions

Related party	Related transaction contents	Type of related transaction	Related transaction pricing process	2013		2012	
				Amount (10,000 Yuan)	%	Amount (10,000 Yuan)	%
Beijing Foton Daimler Automotive Co., Ltd.	Trademark licensing fee	Trademark licensing	Market price	15,000,000.00	100	7,500,000.00	100
Beijing Foton Daimler Automotive Co., Ltd.	General technical costs	Technology service	Market price	4,000,000.00	100	2,000,000.00	100
Beijing Foton Daimler Automotive Co., Ltd.	Compensation for senior management dispatch and administrative expenses	Dispatch of senior management	Market price	16,645,880.00	84.47	9,340,666.00	75.45
Beijing Foton Daimler Automotive Co., Ltd.	IT systems use and maintenance fees	Technology service	Market price	41,000,000.00	100	4,000,000.00	100
Beijing Foton Daimler Automotive Co., Ltd.	Strategic management information system cost	Technology service	Market price	–	–	3,000,000.00	100
Beijing Foton Daimler Automotive Co., Ltd.	H4 truck licensing	Licensing fee	Market price	172,001,000.00	100	86,000,500.00	100
Beijing Foton Daimler Automotive Co., Ltd.	Asset use fees	Asset use fees	Market price	–	–	84,590,621.94	100
Beijing Foton Daimler Automotive Co., Ltd.	Sales of Auman office building	Sales of Auman office building	Market price	103,132,548.27	100	–	–
Beijing Foton Cummins Engine Co., Ltd.	Compensation for senior management dispatch and administrative expenses	Senior management dispatch	Market price	3,059,745.46	15.53	3,038,953.24	24.55

6. Receivable and payable to related parties

(1) Receivable to related parties

Items	Related party	2013.12.31		2012.12.31	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Payment in advance	Beijing Gear Factory	348,000.00	—	348,000.00	—
Payment in advance	Beijing Foton Daimler Automotive Co., Ltd.	860.31	8.60	22,040.85	220.41
Payment in advance	Jiangxi Changhe Suzuki Automobile Co., Ltd.	4,285,643.85	—	—	—
Payment in advance	Beijing Foton Cummins Engine Co., Ltd.	203,236,457.38	11,120,915.29	201,134,026.24	10,050,696.14
Payment in advance	Beijing Foton Logistics Co., Ltd.	522,014.66	5,220.15	3,393,845.38	33,938.45
Payment in advance	Beijing Hainachuan Hangsheng Automotive Electronics Co., Ltd.	2,244.00	22.44	—	—
Payment in advance	Beijing Automobile and Motorcycle Joint Manufacturing Company Radiator Branch	109,047.00	—	109,047.00	—
Payment in advance	Beijing Shougang Cold-rolled Sheet Co., Ltd.	1,219,999.12	12,199.99	23,347,951.33	233,479.51
Payment in advance	Beijing Hyundai Mobis Automotive Parts Co., Ltd.	1,997,616.46	—	1,666,186.54	—
Payment in advance	Beijing Hyundai Motor Company	77,730,934.14	—	32,622,750.02	—
Payment in advance	Hubei Foton Special Vehicle Co., Ltd.	4,768,481.90	598,451.38	5,842,181.90	274,438.19
Payment in advance	Shougang Penglong Steel Co., Ltd.	1,026,692.66	—	—	—
Payment in advance	Weichai Power Co., Ltd.	6,480.00	64.80	—	—
Payment in advance	Xinjiang Foton Guanghui Special Vehicle Co., Ltd.	—	—	5,257,044.00	52,570.44
Payment in advance	Xinxing Foton Construction Engineering Co., Ltd.	9,843,602.90	98,436.03	—	—
Payment in advance	Yanfeng Visteon (Beijing) Automotive Trim Systems Co., Ltd.	—	—	4,999.98	50.00
Accounts receivable	Jiangxi Changhe Suzuki Automobile Co., Ltd.	655,251,925.25	—	—	—
Accounts receivable	Anhui Ankai Foton Shuguang Axle Co., Ltd.	—	—	664,764.00	6,647.64
Accounts receivable	Beijing Beiqi Changsheng Automobile Co., Ltd.	1,434,557.70	—	1,416,591.70	—

Items	Related party	2013.12.31		2012.12.31	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	Beijing Beiqi Zhongcheng Materials Co., Ltd.	865,432.80	—	865,432.80	—
Accounts receivable	Beijing Foton Daimler Automotive Co., Ltd.	12,854,929.89	123,258.28	130,781,688.97	1,306,191.45
Accounts receivable	Beijing Foton Dynamical Machine Holdings Co., Ltd.	1,045.00	10.45	1,056.00	10.56
Accounts receivable	Beiqi Foton Nanhai Auto Plant	1,946,178.63	—	195,580.54	—
Accounts receivable	Beijing Foton Environmental Engine Co., Ltd., Nanhai car factory	2,097,968.23	2,592.18	435,707.75	4,357.08
Accounts receivable	Beijing Foton Resa Crane Subsidiary	16,102.00	—	4,104.40	—
Accounts receivable	Beiqi Foton Motor Co., Ltd., Zhucheng Lingao Automobile Factory	2,683,335.41	—	4,179,990.12	—
Accounts receivable	Beijing Foton Logistics Co., Ltd.	—	—	1,466.00	14.66
Accounts receivable	Beijing Guichuan Taxi Co., Ltd.	220,000.00	11,000.00	10,400,000.00	104,000.00
Accounts receivable	Beijing Hainachuan Xiezhong Automotive Air Conditioner Co., Ltd.	164,600.00	1,646.00	1,844,000.00	18,440.00
Accounts receivable	Beijing Hongdaxing Electric Minibus Rental Ltd.	14,480,000.00	—	—	—
Accounts receivable	Beijing Hongdaxing Electric Minibus Rental Ltd.	3,000,000.00	30,000.00	3,000,000.00	30,000.00
Accounts receivable	Beijing Huaixingwang Electric Minibus Rental Ltd.	3,000,000.00	30,000.00	3,000,000.00	30,000.00
Accounts receivable	Beijing Jinyuyang Electric Minibus Rental Ltd.	2,990,000.00	—	—	—
Accounts receivable	Beijing Auman Heavy Motor Plant	22,484.00	—	22,484.00	—
Accounts receivable	Beijing Hyundai Mobis Automotive Parts Co., Ltd.	16,837,418.91	—	22,261,510.00	—
Accounts receivable	Beijing Hyundai Mobis Automotive Accessories Co., Ltd.	188,698.56	—	147,645.37	—
Accounts receivable	Beijing Hyundai Motor Company	32,023,669.68	—	20,110,824.76	—
Accounts receivable	Beiqi Foton Beijing Auto Parts Sales Co	10,000.01	—	—	—
Accounts receivable	Ouhui Bus Factory	424,755.18	—	-311,005.82	—
Accounts receivable	Beijing Multi-purpose Vehicle Plant	5,751,119.09	—	2,016,397.91	—
Accounts receivable	Beijing Foton Engine Plant	3,513,494.23	—	5,655,942.51	—
Accounts receivable	Beijing Auman Heavy Motor Plant	1,950.12	—	—	—

Items	Related party	2013.12.31		2012.12.31	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	Beiqi Foton Motor Co., Ltd., Nanhai Auto Factory	27,949.18	—	—	—
Accounts receivable	Beiqi Foton Motor Co., Ltd., Shandong vehicle plant	2,828,652.91	—	817,372.62	—
Accounts receivable	Beiqi Zhucheng Foton Automobile Factory	3,070.25	—	—	—
Accounts receivable	Beiqi Yinxiang Automobile Co., Ltd.	39,829,403.20	—	3,677,802.05	—
Accounts receivable	AMS Group in Russia	—	—	19,456,115.52	—
Accounts receivable	Hubei Foton Special Vehicle Co., Ltd.	9,148,036.75	432,511.44	8,525,776.78	85,257.77
Accounts receivable	Beijing Mercedes - Benz Sales & Service Co., Ltd.	306,965.43	—	306,965.43	—
Accounts receivable	Wuhan Quanchai Power Co., Ltd.	172,080.00	1,720.80	48,604.47	2,430.22
Accounts receivable	Xinjiang Foton Guanghui Special Vehicle Co., Ltd.	—	—	213.95	21.40
Accounts receivable	Xinxing Foton Construction Engineering Co., Ltd	186,600.00	1,866.00	690,111.00	6,901.11
Accounts receivable	Zhucheng Yihe Axle Co., Ltd.	—	—	61,500.00	615.00
Accounts receivable	Beijing Pride New Energy Battery Technology Co., Ltd.	—	—	213,750.00	—
Accounts receivable	AMS Group in Russia	85,274,467.15	—	83,669,535.42	—
Other receivables	Beijing Autoliv Automotive Safety System Co., Ltd.	229,645.32	—	573,072.32	—
Other receivables	Beijing Gear Works Hongyuan Trading Company	17,485,000.00	17,485,000.00	2,061,000.00	—
Other receivables	Beijing Beiqi Changsheng Automobile Co., Ltd.	110,287,652.67	—	2,051,232.87	—
Other receivables	Beijing Beiqi Changsheng Auto Accessories Co., Ltd.	400,000.00	—	—	—
Other receivables	Beijing Beiqi Guanghua Jietong Auto Parts Co., Ltd.	—	—	300,000.00	—
Other receivables	Beijing Beiqi Guanghua Auto Parts Co., Ltd.	21,848.63	—	1,000,000.00	—

Items	Related party	2013.12.31		2012.12.31	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Other receivables	Beijing Beiqi Lear Automotive Electronics Co., Ltd.	40,204,700.00	—	44,704,700.00	—
Other receivables	Beijing Foton Daimler Automotive Co., Ltd.	238,966,247.35	2,389,662.47	1,781,583,996.78	17,815,839.97
Other receivables	Beijing Foton Cummins Engine Co., Ltd.	37,260,893.43	1,113,238.52	2,318,296.20	23,182.96
Other receivables	Beijing Foton Logistics Co., Ltd.	259,005.56	2,590.06	106,801.07	1,068.01
Other receivables	Beijing Hainachuan Hangsheng Automotive Electronics Co., Ltd.	34,593.75	—	—	—
Other receivables	Beijing Johnson Control Automotive Parts Co., Ltd.	—	—	1,204,460.00	—
Other receivables	Beijing Jinyuyang Area Electric Minibus Rental Ltd.	6,000,000.00	—	—	—
Other receivables	Beijing Mercedes-Benz Sales & Service Co., Ltd.	66,606,690.00	—	—	—
Other receivables	北京內燃機總廠				
Other receivables	Beijing Combustion Engine Plant	655,634.00	—	655,634.00	—
Other receivables	Beijing Automobile and Motorcycle Joint Manufacturing Company	107,058.40	—	—	—
Other receivables	Beijing Automobile and Motorcycle Joint Manufacturing Company Bankruptcy Administrator	26,253,400.00	—	26,550,000.00	—
Other receivables	Beijing Automotive Shock Absorber Plant	360,720.00	—	29,280.00	—
Other receivables	Beijing Xiyi Hayward Auto Parts Co., Ltd.	—	—	66,543.42	—
Other receivables	Beijing Hyundai Mobis Automotive Parts Co., Ltd.	159,341.47	—	126,846.55	—
Other receivables	Beijing Hyundai Motor Company	4,901,095.34	—	5,681,300.90	—

Items	Related party	2013.12.31		2012.12.31	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Other receivables	Beijing Hyundai Motor Company	600,000.00	—	600,000.00	—
Other receivables	Beijing ASIMCO Tianwei Fuel Injection Equipment Co., Ltd.	1,485,751.64	—	1,576,469.02	—
Other receivables	Beijing Zhongli Foton Axle Co., Ltd.	140,000.00	—	140,000.00	—
Other receivables	Hunan Guanghua Rongchang Automotive Parts Co., Ltd.	—	—	60,000.00	—
Other receivables	Shenzhen Benyuan Jinghong Asset Management Limited	169,700,000.00	—	—	—
Other receivables	Shougang Penglong Steel Co., Ltd.	—	—	1,600,000.00	—
Other receivables	Shouqi Automobile Leasing Co., Ltd.	63,333.33	—	20,000.00	—
Other receivables	Tenneco (Beijing) Exhaust System Co., Ltd.	245,586.67	—	252,658.66	—
Other receivables	Tenneco (Beijing) Automotive Shock Absorber Co., Ltd.	367,891.00	—	378,957.00	—
Other receivables	Beijing Hyundai Top-selection U-Car Co., Ltd.	500.00	—	500.00	—
Other receivables	Xinxing Foton Construction Engineering Co., Ltd	122,341.80	1,223.42	19,914.53	746.15
Other receivables	Yanfeng Visteon (Beijing) Automotive Trim Systems Co., Ltd.	688,500.00	—	688,500.00	—
Other receivables	Inergy Automotive Systems Co., Ltd.	32,231,886.41	—	44,000,000.00	—
Long-term receivables	Beijing Foton Daimler Automotive Co., Ltd.	368,290,563.77	13,840,128.19	310,126,351.32	5,396,603.09

(2) Payable to related parties

Items	Related parties	2013.12.31	2012.12.31
Accounts payable	Jiangxi Changhe Suzuki Automobile Co., Ltd.	1,078,117,833.66	–
Accounts payable	Anhui Ankai Foton Shuguang Axle Co., Ltd.	27,262,301.07	14,404,717.28
Accounts payable	Anhui Quanchai Engine Co., Ltd.	51,787,054.53	50,991,634.38
Accounts payable	Anhui Quanchai Jintian Machinery Co., Ltd.	1,209,090.20	331,858.29
Accounts payable	Beijing Autoliv Automotive Safety System Co., Ltd.	4,644,727.87	–
Accounts payable	Beijing Beinei Engine Co., Ltd.	–	2,045,662.41
Accounts payable	Beijing Beinei Machinery Industry Co., Ltd.	15,663.06	–
Accounts payable	Beijing Beiqi Lear Automotive Systems Co., Ltd.	268,877,120.39	–
Accounts payable	Beijing Beiqi FarEast Transmission Parts Co., Ltd.	1,881,905.20	6,920,417.99
Accounts payable	Beijing Gear Factory	–	344,669.75
Accounts payable	Beijing Foton Daimler Automotive Co., Ltd.	661,813,661.93	180,978,581.86
Accounts payable	Beijing Foton Cummins Engine Co., Ltd.	182,214,564.64	87,950,758.51
Accounts payable	Beijing Foton Logistics Co., Ltd.	3,262,371.51	7,277,475.05
Accounts payable	Beijing Hainachuan Hangsheng Automotive Electronics Co., Ltd.	9,641,981.09	194,946.00
Accounts payable	Beijing Hainachuan Henglong Automotive Systems Co., Ltd.	41,525,746.64	16,683,619.57
Accounts payable	Beijing Hainachuan Xiezhong Automotive Air Conditioner Co., Ltd.	56,607,828.50	10,030,162.77
Accounts payable	Beijing Hanyi Automotive Trim Parts Co., Ltd.	12,751,384.63	–
Accounts payable	Beijing Pride New Energy Battery Technology Co., Ltd.	82,254,957.86	39,871,449.36
Accounts payable	Beijing Automobile and Motorcycle Joint Manufacturing Company	2,633,721.42	–
Accounts payable	Beijing Automobile and Motorcycle Joint Manufacturing Company Radiator Branch	20.00	109,067.00
Accounts payable	Beijing Shougang Foton Automobile Air Conditioner Co., Ltd.	16,401,273.59	–
Accounts payable	Beijing Shougang Co., Ltd.	151,013.46	–
Accounts payable	Beijing Xiyi Hayward Auto Parts Co., Ltd.	1,001,860.18	–
Accounts payable	Beijing Zhongli Foton Axle Co., Ltd.	296,271.00	–
Accounts payable	Beiqi Dayang Electric Machinery Technology Co., Ltd.	–	5,495,266.22
Accounts payable	Beiqi Foton Motor Co., Ltd., Beijing Foton engine factory	–	168,293.34
Accounts payable	Beiqi Yinxiang Automobile Co., Ltd.	337,760,340.14	–
Accounts payable	Hubei Foton Special Vehicle Co., Ltd.	537,279.74	1,193,900.44
Accounts payable	Hunan Guanghua Rongchang Automotive Parts Co., Ltd.	24,286,734.67	–
Accounts payable	Shandong Lufeng Special Vehicle Co., Ltd.	63,000.00	–
Accounts payable	Shanxi Fast Gear Co., Ltd.	12,055,632.40	6,619,261.93
Accounts payable	Shougang Penglong Steel Co., Ltd.	–	19,726.09
Accounts payable	Tenneco (Beijing) Exhaust System Co., Ltd.	7,902.00	–
Accounts payable	Tenneco (Beijing) Automotive Shock Absorber Co., Ltd.	95,916.13	–
Accounts payable	Weichai Power (Weifang) Distribution Ltd.	–	23,000.00
Accounts payable	Weichai Power Co., Ltd.	2,705,429.32	4,458,426.46
Accounts payable	Weichai Power Yangzhou Diesel Engine Co., Ltd.	9,921,267.00	26,418,868.17
Accounts payable	Xinjiang Foton Guanghui Special Vehicle Co., Ltd.	5,298,276.00	–
Accounts payable	Xinxing Foton Construction Engineering Co., Ltd.	56,313,402.69	2,700,624.85
Accounts payable	Yanfeng Visteon (Beijing) Automotive Trim Systems Co., Ltd.	51,922,502.09	–

Items	Related parties	2013.12.31	2012.12.31
Accounts payable	Yanfeng Visteon (Beijing) Automotive Trim Systems Co., Ltd.	2,064,049.43	70,477.95
Accounts payable	Inergy Automotive Systems Co., Ltd.	3,362,397.04	–
Accounts payable	Changsha Yihe Axle Co., Ltd.	9,374,600.74	6,712,067.75
Accounts payable	Zhuzhou Torch Spark Plug Co., Ltd.	119,256.55	115,634.85
Accounts payable	Zhuzhou Torch Automotive Lighting Co., Ltd.	115,728.24	48,534.50
Accounts payable	Zhucheng Foton Logistics Co., Ltd.	1,992,444.52	2,920,976.07
Accounts payable	Zhucheng Yihe Axle Co., Ltd.	52,399,398.99	43,880,086.94
Accounts payable	Beiqi Dayang Electric Machinery Technology Co., Ltd	19,245,219.72	5,495,266.22
Advance from customers	Anhui Ankai Foton Shuguang Axle Co., Ltd.	600,000.00	300,000.00
Advance from customers	Anhui Quanchai Engine Co., Ltd	2,403,293.00	1,593.00
Advance from customers	Beijing Gear Works Striker Transmission Products Ltd.	2,794.10	2,794.10
Advance from customers	Beijing Beiqi Dashi Automotive Systems Co., Ltd.	536,520.00	–
Advance from customers	Beijing Foton Daimler Automotive Co., Ltd.	494,480,297.25	3,684,832.80
Advance from customers	Beijing Foton Logistics Co., Ltd.	129,450.00	200,150.00
Advance from customers	Beijing Hainachuan Henglong Automotive Steering Systems Ltd.	600,000.00	–
Advance from customers	Beijing Automobile and Motorcycle Joint Manufacturing Company	22,128.53	53,814.30
Advance from customers	Beijing Automobile and Motorcycle Joint Manufacturing Company Radiator Subsidiary	299,240.05	299,240.05
Advance from customers	Beijing Shougang Futian Automobile Air Conditioner Co., Ltd.	73,000.00	–
Advance from customers	Beijing Zhongli Foton Axle Co., Ltd.	2,500,000.00	–
Advance from customers	Beiqi Foton Beijing Auto Sales Branch	2,676,975.59	4,001,490.99
Advance from customers	Changchai Co., Ltd.	100,000.00	100,000.00
Advance from customers	Hubei Foton Special Vehicle Co., Ltd.	714,433.49	550,000.00
Advance from customers	Shandong Lufeng Special Vehicle Co., Ltd.	4,024.00	–
Advance from customers	Weichai Power Yangzhou Diesel Engine Co., Ltd.	2,700,000.00	–
Advance from customers	Wuhan Quancai Engine Co Ltd	5,230,572.93	50,000.00
Advance from customers	Xinjiang Foton Guanghui Special Vehicle Co., Ltd.	2,934,830.00	–
Advance from customers	Xinxing Foton Construction Engineering Co., Ltd	140,000.00	10,389.63
Advance from customers	Zhuzhou Shoupeng Huilong Steel Processing and Distribution Co., Ltd.	7,355,666.00	–
Advance from customers	Zhucheng Foton Logistics Co., Ltd.	1,350,908.51	–
Advance from customers	Zhucheng Yihe Axles Co., Ltd.	4,100,230.00	–
Other payables	Anhui Quanchai Engine Co., Ltd.	2,000,000.00	–
Other payables	Beijing Gear Works' Gearbox Co Ltd	106,901.20	106,901.20
Other payables	Beijing Beiqi Lear Automotive Systems Co., Ltd.	10,000.00	991.00
Other payables	Beijing Dalin Wanda Automobile Parts Co., Ltd.		
	party membership dues	–	10,353.00
Other payables	Beijing Foton Daimler Automotive Co., Ltd.	924,321.57	–

Items	Related parties	2013.12.31	2012.12.31
Other payables	Beijing Foton Logistics Co., Ltd.	46,420,422.70	38,038,258.64
Other payables	Beijing Hainachuan Hangsheng Automotive Electronics Co., Ltd.	200,000.00	200,000.00
Other payables	Beijing Hainachuan Xiezhong Automotive Air Conditioner Co., Ltd.	984.00	984.00
Other payables	Beijing Hanyi Automotive Trim Parts Co., Ltd.	30,000.00	–
Other payables	Beijing Hanyi Automotive Trim Parts Co., Ltd. party membership dues	–	4,748.50
Other payables	Beijing Mercedes - Benz Sales & Service Co., Ltd.	38,788,189.29	–
Other payables	Beijing Automotive shock absorber plant	75,000.00	75,000.00
Other payables	Beijing Automotive Investment Ltd.	85,906,361.97	236,569,771.98
Other payables	Beijing Light Automobile Co., Ltd.	12,718,735.88	15,399,233.01
Other payables	Beijing Shougang Foton Automobile Air Conditioner Co., Ltd.	264.00	–
Other payables	Beijing Xiyi Hayward Auto Parts Co., Ltd.	10,000.00	–
Other payables	Beijing Bam Company Ltd.	1,551,563.54	–
Other payables	Foton Heavy Machinery Co., Ltd.	1,300,561.40	1,300,561.40
Other payables	Hunan Guanghua Rongchang Automotive Parts Co., Ltd.	5,000.00	–
Other payables	Weichai Power Yangzhou Diesel Engine Co., Ltd.	1,100,000.00	2,000.00
Other payables	Xinjiang Foton Guanghui Special Vehicle Co., Ltd.	3,493.97	–
Other payables	Xinxing Foton Construction Engineering Co., Ltd	461,714,120.42	275,577,282.61
Other payables	Yanfeng Visteon (Beijing) Automotive Trim Systems Co., Ltd.	22,917.44	–
Other payables	Inergy Automotive Systems Co., Ltd.	20,000.00	–
Other payables	Zhucheng Foton Logistics Co., Ltd.	1,473,716.85	464,894.43
Other payables	Zhucheng Yihe Axle Co., Ltd.	48,195.00	50,195.00

12. Financial statements approval

The Company approved the financial statements and notes to the statements on 8 April 2014.

Beijing Automotive Group Co., Ltd

8 April 2014

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