

Company Code: 600104

Abbreviation of Company: SAIC

# **SAIC MOTOR CORPORATION LIMITED**

## **Annual Report 2016**

### **Important Note**

- 1. Board of directors (the "Board"), board of supervisors, directors, supervisors and senior management of the Company certify that this report does not contain any false or misleading statements or material omissions and are jointly and severally liable for the authenticity, accuracy and integrity of the content.**
- 2. All directors attended Board meetings.**
- 3. Deloitte Touche Tohmatsu Certified Public Accountants LLP issued standard unqualified audit report for the Company.**
- 4. Mr. Chen Hong, Chairman of the Board, Mr. Wei Yong, the chief financial officer, and Ms. Gu Xiao Qiong, Head of Accounting Department, certify the authenticity, accuracy and integrity of the financial statements contained in the annual report of the current year.**
- 5. Plan of profit distribution or capital reserve capitalization approved by the Board**

The Company plans to distribute cash dividends of RMB 16.50 (inclusive of tax) per 10 shares, amounting to RMB 19,277,711,252.25 in total based on total shares of 11,683,461,365. The Company has no plan of capitalization of capital reserve this year. The cash dividend distribution for the recent three years accumulates to RMB48,605,718,485.39 in total (including the year of 2016).
- 6. Risk statement of forward-looking description**

The forward-looking description on future plan and development strategy in this report does not constitute substantive commitment to investors. Please note the investment risk.
- 7. Does the situation exist where the controlling shareholders and their related parties occupy the funds of the Company for non-operational use?**

No.

- 8. Does the situation exist where the Company provides external guarantee which is not in compliance with the required decision-making procedures?**

No.

- 9. Significant risk alert**

There are no significant risks which have substantive effects on Company's production and operation during the reporting period. The Company has described the possibly existing relevant risks exposure in the process of production and operation in this report. Relevant details can refer to "Possible Risks" in Section IV Discussion and Analysis for Operation

- 10. Others**

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## Section I Definitions

### I. Definition

In this report, unless the context otherwise requires, the following terms shall have the meanings set out below:

Definition of usual words		
CSRC	Refers to	China Securities Regulatory Commission
SSE	Refers to	Shanghai Stock Exchange
Shanghai SASAC	Refers to	Shanghai State-owned Assets Supervision and Administration Commission
Company, the Company, the Group	Refers to	SAIC Motor Corporation Limited
SAIC	Refers to	Shanghai Automotive Industry Corporation (Group)
SAIC VOLKSWAGEN	Refers to	SAIC Volkswagen Automobile Co., Ltd.
SAIC GM	Refers to	SAIC General Motors Co., Ltd.
SAIC Passenger Vehicle	Refers to	SAIC Motor Corporation Limited Passenger Vehicle Branch
SGMW	Refers to	SAIC GM Wuling Co., Ltd.
SAIC Maxus	Refers to	SAIC Maxus Vehicle Co., Ltd.
Shanghai Sunwin	Refers to	Shanghai Sunwin Bus Co., Ltd.
IVECO Hongyan, SAIC-IVECO Hongyan	Refers to	SAIC-IVECO Hongyan Commercial Vehicle Co., Ltd.
Nanjing Iveco	Refers to	Nanjing Iveco Automobile Co., Ltd.
SAIC Motor-CP	Refers to	SAIC Motor-CP Co., Ltd.
HASCO Motor, HASCO	Refers to	HUAYU Automotive Systems Co., Ltd.
SFC	Refers to	SAIC Finance Co., Ltd.
GMAC-SAIC	Refers to	SAIC-GMAC Automotive Finance Co., Ltd.
SAIC-ACMT	Refers to	Shanghai SAIC Anyo Charging Material Technology Co., Ltd.
SAIC-FCM	Refers to	SAIC Motor Finance Controlling Management Co., Ltd.

## Section II General Information and Financial Indicators of the Company

### I. Information of the Company

<b>Legal company name in Chinese</b>	上 份 公
<b>Abbreviation of legal company name in Chinese</b>	上
<b>Legal company name in English</b>	SAIC Motor Corporation Limited
<b>Abbreviation of legal company name in English</b>	SAIC MOTOR
<b>Legal representative of the Company</b>	Mr. Chen Hong

### II. Contacts

	<b>Secretary to the Board</b>	<b>Securities affairs representative</b>
<b>Name</b>	Ms. Wang Jianzhang	Mr. Wei Yong
<b>Address</b>	No.489, Weihai Road, Jing'an District, Shanghai, China	No.489, Weihai Road, Jing'an District, Shanghai, China
<b>Telephone number</b>	(021)22011138	(021)22011138
<b>Facsimile number</b>	(021)22011777	(021)22011777
<b>E-mail</b>	saicmotor@saic.com.cn	saicmotor@saic.com.cn

### III. Basic information of the Company

<b>Registration address</b>	Room 509, No.1 Tower, No.563, Songtao Road Pilot Free Trade Zone, Shanghai, China
<b>Post code of registration address</b>	201203
<b>Office address</b>	No. 489 Weihai Road, Jing'an District, Shanghai, China
<b>Post code of office address</b>	200041
<b>Website</b>	<a href="http://www.saicmotor.com">http://www.saicmotor.com</a>
<b>E-mail</b>	saicmotor@saic.com.cn

### IV. Information disclosure and the locations

<b>Designated newspapers for information disclosure</b>	"Shanghai Securities News", "China Securities Journal" and "Securities Times"
<b>Website designated by CSRC for the publication of the Company's annual report</b>	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>
<b>The Company's annual report is available at</b>	Office of the Board

### V. Abbreviation of the Company's shares

<b>Abbreviation of the Company's shares</b>				
<b>Class of shares</b>	<b>Stock exchange</b>	<b>Short name</b>	<b>Stock code</b>	<b>Former short name</b>
A shares	Shanghai Stock Exchange	上 (SAIC MOTOR)	600104	上 (Shanghai Automotive)

**VI. Other relevant information**

<b>Information of the accounting firm appointed by the Company (domestic)</b>	Name	Deloitte Touche Tohmatsu Certified Public Accountants LLP
	Office address	F/30,Bund Center, No. 222 Yan An Road East, Shanghai
	Signing Certified Public Accountant	Yuan Shouqing, Ma Tiantian
<b>Sponsor performing continuous supervision duties in the reporting period*</b>	Name	Guotai Junan Securities Co., Ltd.
	Office address	F/29, No.168 Yincheng Middle Road, Pudong New Area, Shanghai
	Authorized sponsor representative	Chi Huitao, Ding Yinghua
	Continuous supervision period	December 10,2010 - December 31,2011

Note: On January 19, 2017, the Company completed the registration of newly additional shares of a private-offering share project which was launched at the end of 2015. The sponsor of such private-offering project was Guotai Junan Securities Co., Ltd. which would perform its supervision duty from January 19, 2017 to December 31, 2018. On March 9, 2017, according to *Announcement for the Change of Sponsor Representatives* issued by the Company, the authorized sponsor representatives for continuous supervision were changed to Mr. Chi Huitao and Mrs. Ding Yinghua. (Details refer to [www.sse.com.cn](http://www.sse.com.cn)).

**VII. Major accounting data and financial indicators in recent three years****(1) Major accounting data****Unit: RMB**

<b>Major accounting data</b>	<b>2016</b>	<b>2015</b>	<b>Year-on-year (%)</b>	<b>2014</b>
Total operating income	756,416,165,065.29	670,448,223,139.34	12.82	630,001,164,437.70
Operating income	746,236,741,228.56	661,373,929,792.65	12.83	626,712,394,486.86
Net profit attributable to shareholders of the Company	32,008,610,688.65	29,793,790,723.65	7.43	27,973,441,274.41
Net profit excluding non-recurring profit or loss attributable to shareholders of the Company	30,328,970,857.53	27,330,818,075.38	10.97	25,916,187,753.37
Net cash flow from operating activities	11,376,933,816.05	25,992,574,916.30	-56.23	23,283,810,974.30
	<b>December 31,2016</b>	<b>December 31,2015</b>	<b>Year-on-year (%)</b>	<b>December 31,2014</b>
Net assets attributable to shareholders of the Company	191,920,977,560.73	175,128,738,657.93	9.59	157,664,385,972.52
Total assets	590,628,137,524.05	512,955,958,115.78	15.14	414,870,673,481.85

**(II) Major financial indicators**

Major financial indicators	2016	2015	Year-on-year (%)	2014
Basic earnings per share (RMB/Share)	2.903	2.702	7.44	2.537
Diluted earnings per share (RMB/Share)	N/A	N/A	N/A	N/A
Basic earnings per share excluding non-recurring profit or loss (RMB/Share)	2.751	2.479	10.97	2.351
Weighted average return on net assets (%)	17.53	17.91	Decreased by 0.38 percentage points	18.97
Weighted average return on net assets excluding non-recurring profit or loss (%)	16.61	16.43	Increased by 0.18 percentage points	17.58

**Explanations for accounting data and financial indicators for recent three years**

The net cash flow from operating activities has been decreased by 56.23% comparing with the same period of last year, mainly due to addition of individual automotive consumption loans issued by a subsidiary of the Company, SFC.

As required by the Circular of the Ministry of Finance on Issuing and Provisions concerning VAT Accounting Treatment (Cai Kuai [2016] No.22) enacted by the Ministry of Finance on December 3, 2012, and the Accounting Standard for Business Enterprise No.30-Presentation of Financial Statement, the opening balance of total assets in the annual report 2016 has been reclassified according to the presentation of the financial statements in the current year.

**VIII. Differences between figures under foreign and domestic accounting principles****i. Differences between net profit and net assets attributable to shareholders of the Company disclosed by Chinese Accounting Principles and International Accounting Principles**

Applicable N/A

**ii. Differences between net profit and net assets attributable to shareholders of the Company disclosed by Chinese Accounting Principles and foreign Accounting Principles**

Applicable N/A

**iii. Explanations for differences between under domestic and foreign accounting principles**

Applicable N/A

**IX. Quarterly financial data for the year 2016**

Unit: RMB

	First Quarter (Jan. to Mar.)	Second Quarter (Apr. to Jun.)	Third Quarter (Jul. to Sept.)	Fourth Quarter (Oct. to Dec.)
Total operating income	185,156,097,501.33	166,109,247,022.19	180,318,025,486.94	224,832,795,054.83
Operating income	182,722,880,191.27	163,571,868,391.47	177,559,855,082.09	222,382,137,563.73
Net profit attributable to shareholders of the Company	7,935,718,748.36	7,123,844,443.67	8,031,987,223.15	8,917,060,273.47
Net profit excluding non-recurring profit or loss attributable to shareholders of the Company	7,354,422,446.40	6,615,254,203.45	8,086,267,331.17	8,273,026,876.51
Net cash flow from operating activities	-4,053,936,120.57	-783,348,022.54	20,663,544,009.70	-4,449,326,050.54

Explanations for differences between quarterly data and disclosed data in periodic report

Applicable N/A

**X. Items and amounts of non-recurring profit or loss**

Applicable N/A

Unit: RMB

Items and amounts of non-recurring profit or loss	2016	Note(if applicable)	2015	2014
Profit or loss on disposal of non-current assets	-274,439,799.71		-810,291,807.86	78,151,532.81
Government grants recognized in profit or loss for the current year, except those closely related with normal business courses, and given on quota basis continuously based on the state policy	2,547,141,715.81		2,964,271,237.07	2,672,209,600.09
The excess of acquirer's proportionate share of fair value of identifiable net assets of acquiree over the consideration paid for the acquisition of subsidiaries, associates and joint ventures	170,851,191.00		204,657,090.00	802,311.00
Profit or loss on debt restructuring	266,280.06		199,000.89	538,622.93
Profit or loss on changes in the fair value of held-for-trading financial assets and held-for-trading financial liabilities and investment income on disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets, other than those for effective hedging activities relating to recurring operating business	8,285,353.69		-21,514,132.79	141,464,229.85
Reversal of impairment provision for accounts receivable with individually test of impairment	-		752,487,529.12	-
Profit or loss on entrusted loans	29,826,908.01		38,707,922.55	21,203,441.14
Other non-operating income and expenses other than the above	-232,900,943.80		-96,602,430.85	-165,240,686.44
Other non-recurring profit or loss items				
Impairment loss on available-for-sale financial assets				-30,000,000.00
Amounts attributable to minority interests (after taxation)	-254,988,503.67		-316,981,790.31	-300,617,158.36
Income tax effects	-314,402,370.27		-251,959,969.55	-361,258,371.98
<b>Total</b>	<b>1,679,639,831.12</b>		<b>2,462,972,648.27</b>	<b>2,057,253,521.04</b>

**XI. Items at fair value**

Applicable N/A

Unit: RMB

Item	December 31,2015	December 31,2016	Movement	Effects on profit or loss
Financial assets at fair value through profit or loss	1,221,103,619.65	1,559,753,224.57	338,649,604.92	-17,509,759.92
Available-for-sale assets	65,495,009,648.25	50,484,749,497.34	-15,010,260,150.91	-
Financial liabilities at fair value through profit or loss	7,486,291.00	-	-7,486,291.00	7,486,291.00
<b>Total</b>	<b>66,723,599,558.90</b>	<b>52,044,502,721.91</b>	<b>-14,679,096,836.99</b>	<b>-10,023,468.92</b>

**XII Others**

Applicable N/A



### Section III The Company's Business Overview

#### I. Major businesses, operation models and industry profile in the reporting period

The Company is mainly engaged in research and development, manufacturing and sales of automobiles (including passenger vehicles and commercial vehicles) and automobile spare parts (including engines, transmissions, power trains, chassis, interior and exterior trim, electronic appliances, etc.), as well as service, trading and financial investment related to automobiles.

On the basis of hybrid operation model combining investment holding and business operation, the Company holds investment in its affiliated companies including SAIC Volkswagen, SAIC GM, SGMW, etc., and it operates the business of owned brands.

The Company is the largest domestic automobile group in terms of sales and manufacturing scale by far, and the largest automobile company listed in A share in terms of market capitalization. Since 2004, the Company has been listed in Fortune Top 500 for 12 times consecutively and was ranked 46th in 2016 with total consolidated revenue of USD 106.68 billion for prior year.

Detailed industry information of the Company refer to Section IV “Discussion and Analysis for Operation” in this report.

#### II. Explanations of significant changes on major assets of the Company in the reporting period

Applicable      N/A

#### III. Analysis of core competitiveness during the reporting period

Applicable      N/A

Firstly, the Company has competitive advantage by owning the entire automotive industry chain. Operations of the Group have covered the entire automotive industry chain, which is propitious to produce synergistic effect and enhance the comprehensive competitive capacity.

Secondly, the Company has leading advantage in domestic market. The Company plays a leading role for years in vehicle production and sales, with varieties of product categories and extensive sales network under continuous optimization in layout, which is beneficial for the Company to enhance the market presence and capability of quick reaction to customers' needs.

Thirdly, innovation capability, an emerging advantage of the Company, is being advanced. As the Company has increasingly improved its independent R&D framework and reinforced its self-owned innovation capability, it independently masters the core technology for new energy automotive and obtained leading advantages in R&D and application for internet automotive; major joint ventures of the Company are getting stronger in the local R&D capability; and also, the Company accelerated its innovation layout in automobile aftermarket, and highlighted itself for its leading business scale in automotive finance services with consistently innovation efforts.

## **Section IV Discussion and Analysis for Operation**

### **I. Discussion and Analysis for Operation**

Despite the gradually steady Chinese micro-economy, the year 2016 witnessed unconstrained fluctuation that decreased at first and then recovered later in domestic automotive market, which may be contributed by the incentive of the favorable policy of purchase tax on low-emission vehicles ( 1.6T) as it was greatly beyond the expectation at the beginning of year. In 2016, a total of 28.187 million vehicles were sold in domestic market, a year-on-year increase of 12.3% and a year-on-year speed increase of 8.1%, including 24.243 million passenger vehicles and 3.944 million commercial vehicles, representing 15.7% year-on-year increase and 5.1 % year-on-year decrease. Such result specified that, after two consecutive years of low-speed growth, the increased speed in domestic automotive market had recovered to double-digit scope again

Though the drastic fluctuation in domestic automotive market had greatly challenged the production, organization and supply chain guarantee, depending on closely cooperation and unremitting efforts by different business segments, the Company totally sold 6.489 million vehicles in 2016, a year-on-year increase of 9.9% including 5.666 million passenger vehicles and 0.823 million commercial vehicles, representing 14.8% year-on-year increase and 14.9 % year-on-year decrease. In domestic automotive market, the Company still kept on leading, taking up 22.6% of domestic automotive market shares; in oversea automotive market, the Company totally exported and distributed 129,000 vehicles in 2016, a year-on-year increase of 50%, realizing a rise of exported vehicles in an overall swoon export background all over the country, which enabled the Company become the one exported the greatest number of vehicles in China at first. During the reporting period, the Company's total operating income is RMB 756.416 billion, with a year-on-year increase of 12.82%; the net profit attributable to the shareholders of the Company is RMB 32.009 billion, with a year-on-year increase of 7.43%. The Company has created a new record of operating performance.

### **II. Operation conditions in the reporting period**

Facing the complicated and changeable market fluctuation, the Company, adhering to the general guideline of promoting development while ensuring stability, came into the next chapter of self-owned brand and achieved new breakthroughs in key innovation projects on the basis of a greater vehicle sales scale and a more excellent operating performance, representing a new scene that developing self-owned brand to keep pace with joint-venture brand, and updating innovation driving force.

The growth rate for sales of self-owned brand vehicles is much higher than the average growth rate in this industry, where the self-owned brand passenger vehicles were sold over 320,000 in 2016 with a year-on-year increase of 89%; SUV Roewe RX5, the world's first internet automobile in mass production, was sold more than 90,000 within five months from its first launch in market; and SAIC Maxus, the self-owned brand light commercial vehicle, was sold more than 460,000 with a year-on-year increase of 32%. Meanwhile, driven by the sales of e550 and e950, the Company sold more than 25,000 new energy vehicles in 2016, a year-on-year increase of 85% in a strong growth trend.

Among the affiliated major joint ventures, SAIC VOLKSWAGEN became the first passenger vehicle company realizing annual sales more than 2 million in China; SAIC GM ranked the second place in the sales market of passenger vehicles; and SGW maintained the first place in the sales market of vehicles in China and successfully broke into Top four companies with the largest sales volume of passenger vehicles in the domestic market.

In the international operation, the Company realized a higher sales volume in the overseas key regional markets with the sales of MG brand and Maxus light commercial vehicles increased by 20% and 53% respectively; meanwhile, the Company began to construct a new SAIC plant in Thailand, was constructing the vehicle and auto-parts park in Indonesian as scheduled, and had completed the negotiation for the acquisition of GM India factory with an agreement formally signed.

At the same time of making great efforts on market expansion, the Company, adhering to focusing on innovation during the exploration and implementation of the supply-side structural reform, actively sought solutions for transformation and upgrading of the automotive industry. Inspired by the "electric, networking, intelligent, and shared" tendency, the Company accelerated the implementation of relevant strategic projects.

In the respect of new energy vehicles, the Company achieved a series of breakthroughs, including the successful launches of e950, Maxus EG10 and other new products, the mass production capability of the first generation of electric-driving gearbox EDU, the key technology breakthrough of the second generation of EDU, and the mass production realization of independently developed battery management system. For vehicles used fuel cells, the Company had completed the National Innovation Demonstration Project of equipping 200B electric pile at Rongwei 750 and Rongwei 950, and started the development of 300B high-power and high-density electric pile.

Regarding the network connection, the successful launch of the first generation Internet vehicle RX5 had established an application and development system for vehicle hardware and automotive Internet system, taking the solid first step toward the establishment of future Internet vehicles with self-owned brands and their ecosystem.

In the field of intelligent forward-looking technology research, the Company, after active research of 5G communication technology, was developing the communication technology between vehicles, and vehicles and traffic infrastructures, and realized the integrated development of V2X function based on LTE-V on Rongwei RX5; it independently began to lay out algorithm software technology which supported the development of intelligent driving products and develop the controlling platform with independent iterative function for intelligent vehicles.

For sharing businesses, the Company combined "e sharing car" with EVCARD time-sharing rental businesses; established the Global Chexiang as to accelerate its steps to the goal of "focusing on Shanghai, expanding in China and gradually walking into the world".

In the aftermarket, the Company continued to speed up the online construction of e-commerce Chexiang platform and the offline service expansion, resulting an increase of 3 million new members registered in Chexiang Platform, online sales of 30,000 vehicles and increment of 700 new service outlets of "Che Xiang Jia" in 2016.

In the financial business, the Company, with the initial success of the internet vehicle financial brand "Good Car e loan", continuously innovated electronic and intelligent service forms, such as launching a fast loan products named "Rapid Loan" and providing the online " Artificial intelligence approval system for consumption credit "; it actively enlarged investments in PE / VC projects with a fast increment in management assets; it accelerated the construction of insurance sales management platform as to promote insurance innovation services; and it integrated financial resources and reinforced business coordination, aiming to provide users with professional, market-oriented, integrated financial services.

SAIC

# 1. Income and cost analysis

## (1) Analysis on principal businesses by industry, product and geographical region

Unit: RMB

By industry						
By industry	Operating income	Operating costs	Gross margin ratio (%)	Change of operating Income (%)	Change of operating Costs (%)	Change of gross margin ratio (%)
Automotive manufacturing	746,236,741,228.56	650,218,105,936.37	12.87	12.83	10.99	Increased by 1.45 percentage points
Financial services	10,179,423,836.73	2,185,917,356.04	78.53	12.18	-8.63	Increased by 4.90 percentage points
<b>Total</b>	<b>756,416,165,065.29</b>	<b>652,404,023,292.41</b>	<b>13.75</b>	<b>12.82</b>	<b>10.91</b>	<b>Increased by 1.49 percentage points</b>
By product						
By product	Operating income	Operating costs	Gross margin ratio (%)	Change of operating Income (%)	Change of operating Costs (%)	Change of gross margin ratio (%)
Vehicles	564,301,490,751.90	502,515,928,898.24	10.95	11.58	9.50	Increased by 1.69 percentage points
Parts	144,288,509,910.21	114,859,534,193.23	20.40	14.76	13.52	Increased by 0.87 percentage points
Trading	9,708,826,846.79	9,272,742,731.13	4.49	-1.93	-2.29	Increased by 0.35 percentage points
Service and others	27,937,913,719.66	23,569,900,113.77	15.63	39.78	45.17	Decreased by 3.14 percentage points
Finance	10,179,423,836.73	2,185,917,356.04	78.53	12.18	-8.63	Increased by 4.90 percentage points
<b>Total</b>	<b>756,416,165,065.29</b>	<b>652,404,023,292.41</b>	<b>13.75</b>	<b>12.82</b>	<b>10.91</b>	<b>Increased by 1.49 percentage points</b>
By region						
By geographical region	Operating income	Operating costs	Gross margin ratio(%)	Change of operating income(%)	Change of operating costs(%)	Change of gross margin ratio(%)
China	726,026,800,331.32	625,335,189,557.38	13.87	10.66	8.70	Increased by 1.55 percentage points
Others	30,389,364,733.97	27,068,833,735.03	10.93	111.75	109.06	Increased by 1.15 percentage points
<b>Total</b>	<b>756,416,165,065.29</b>	<b>652,404,023,292.41</b>	<b>13.75</b>	<b>12.82</b>	<b>10.91</b>	<b>Increased by 1.49 percentage points</b>

### Explanations for main businesses by industry, product or region:

Applicable      N/A

The year 2016 witnessed a great surge in operating income and cost of overseas business, which mainly attributable to the incorporation of Yanfeng Automotive Interior Trim System Co., Ltd newly established by HASCO, the controlling subsidiary of the Company and Johnson Control Inc. whom carried out restructuring of global auto interior Trim during July 2015.

## (2) Analysis on production and sales

Applicable N/A

Enterprises	Production (Volume)	Sales (Volume)	Inventories (Volume) December 1, 2016	Change of Production (Volume) (%)	Change of Sales (Volume) (%)	Change in inventories (%)
SAIC VOLKSWAGEN	1,968,571	2,001,777	53,126	9.15	10.47	-40.58
SAIC GM	1,876,256	1,887,071	47,107	8.52	7.71	-8.33
SAIC Passenger Vehicle	320,461	321,717	13,202	86.70	89.23	-9.28
SGMW	2,144,368	2,130,177	150,490	6.94	4.42	10.32
SAIC Maxus	47,198	46,123	3,600	32.94	31.58	42.57
Shanghai Sunwin	2,007	2,007	4	-4.61	-4.56	0.00
IVECO Hongyan, SAIC-IVECO Hongyan	16,017	15,517	2,745	63.76	78.19	22.11
Nanjing Iveco	73,515	75,772	2,519	-7.38	-1.59	-47.26
SAIC Motor-CP	8,406	8,706	1,194	63.89	77.38	-13.04
<b>Total</b>	<b>6,456,799</b>	<b>6,488,867</b>	<b>273,987</b>	<b>10.54</b>	<b>9.95</b>	<b>-9.48</b>

## (3) Cost analysis

Unit: RMB

Divided by Industry						
By industry	Items	2016	Proportion to total costs (%)	2015	Proportion to total costs (%)	Changes (%)
Automotive manufacturing	raw material, labor salaries and wages, depreciation, energy, etc.	650,218,105,936.37	99.66	585,832,883,216.26	99.59	10.99
Financial services	labor salaries and wages, depreciation, energy, etc.	2,185,917,356.04	0.34	2,392,505,093.48	0.41	-8.63
<b>Total</b>		<b>652,404,023,292.41</b>	<b>100.00</b>	<b>588,225,388,309.74</b>	<b>100.00</b>	<b>10.91</b>
Divided by Product						
By product	Items	2016	Proportion to total costs (%)	2015	Proportion to total costs (%)	Changes (%)
Vehicles	raw material, labor salaries and wages, depreciation, energy, etc.	502,515,928,898.24	77.02	458,925,975,996.17	78.02	9.50
Parts	raw material, labor salaries and wages, depreciation, energy, etc.	114,859,534,193.23	17.61	101,181,521,349.86	17.20	13.52
Trading	raw material, labor salaries and wages, depreciation, energy, etc.	9,272,742,731.13	1.42	9,489,601,764.09	1.61	-2.29
Service and others	raw material, labor salaries and wages, depreciation, energy, etc.,	23,569,900,113.77	3.61	16,235,784,106.14	2.76	45.17
Finance	labor salaries and wages, depreciation, energy, etc.	2,185,917,356.04	0.34	2,392,505,093.48	0.41	-8.63
<b>Total</b>		<b>652,404,023,292.41</b>	<b>100.00</b>	<b>588,225,388,309.74</b>	<b>100.00</b>	<b>10.91</b>

Explanations for other information of cost analysis:

Applicable N/A

**(4) Key customers for sales and suppliers**

Applicable N/A

The turnover from top five customers amounted to RMB 7,757.61556 million, accounting for 10.40% of the total annual turnover, of which the amount from related parties (based on the definition of the *Stock Listing Rules of the Shanghai Stock Exchange*) is RMB 0, accounting for 0% of the total annual turnover.

The procurement from top five suppliers' amounted to RMB 40,669.69975 million, accounting for 62.54 % of the total annual procurement amount, of which the amount from related parties (based on the definition of the *Stock Listing Rules of the Shanghai Stock Exchange*) is RMB 0, accounting for 0% of the total annual procurement amount.

**2. Expenses**

Applicable N/A

Unit: RMB

Items	2016	2015	Changes%
Selling expenses	47,503,416,645.57	35,537,515,509.27	33.67
Administrative expenses	28,258,363,189.63	23,329,485,273.44	21.13
Financial expenses	-332,319,541.95	-231,192,097.17	-43.74
Income tax expenses	6,530,495,764.20	5,735,707,263.02	13.86

Note:

- 1) Compared with last year, selling expenses increased by RMB 11.966 billion, or 33.67% on a year-on-year basis, mainly due to the growing of promotional allowances, transportation expenses and warranty expenditures.
- 2) Compared with last year, financial expenses decreased by RMB 101 million, or 43.46% on a year-on-year basis, mainly due to the increase of the Company's exchange earnings.

**3. Research and development ("R&D") expenditures**

Applicable N/A

Unit: RMB

R&D investments expensed in the current period	9,408,710,888.38
R&D investments capitalized in the current period	0.00
Total R&D investments	9,408,710,888.38
Proportion of R&D investments to operating income (%)	1.26
Headcounts of R &D personnel	22,563
Proportion of R&D headcount to total employee headcount (%)	13.16
Proportion of capitalization of R&D expenditures (%)	0.00

Explanations

Applicable N/A

**4. Cash flow**

Unit: RMB

Items	2016	2015	Changes
Net cash flow from operating activities	11,376,933,816.05	25,992,574,916.30	-14,615,641,100.25
Net cash flow from investing activities	26,436,503,697.64	-13,736,860,282.34	40,173,363,979.98
Net cash flow from financing activities	-6,141,748,281.24	-22,356,869,623.95	16,215,121,342.71

Note:

- 1) Compared with last year, net cash flow from operating activities decreased by RMB1.4616 billion, or 56.23%, mainly due to incremental scale of individual automotive consumption loans issued by SFC, a subsidiary of the Company,
- 2) Compared with last year, net cash flow from investing activities increased by RMB40.173 billion, or 292.45%, mainly due to the redemption of fund products by SFC, a subsidiary of the Company in 2016.
- 3) Compared with last year, net cash flow from financing activities increased by RMB16.215 billion, or 72.53%, mainly due to the increased cash derived from bonds issued by SFC, a subsidiary of the Company, in the current period.

**(II) Significant changes on profit arising from non-principal business**

Applicable N/A

**(III) Analysis of assets and liabilities**

Applicable N/A

**1. Assets and liabilities**

Unit: RMB

Items	Amount December 31,2016	Proportion to total assets (%) December 31,2016	Amount December 31,2015	Proportion to total assets (%) December 31,2015	Changes (%)
Cash and bank balances	105,932,535,526.29	17.94	72,672,666,192.62	14.17	45.77
Prepayments	20,529,658,025.70	3.48	13,388,651,691.99	2.61	53.34
Other receivables	6,960,725,526.23	1.18	5,080,900,116.77	0.99	37.00
Non-current assets due within one year	52,837,948,607.91	8.95	29,213,526,240.21	5.70	80.87
Loans and advances	46,220,053,713.07	7.83	34,676,090,843.68	6.76	33.29
Long-term receivables	1,957,243,976.67	0.33	801,879,818.41	0.16	144.08
Short-term borrowings	8,728,150,584.10	1.48	4,908,346,545.97	0.96	77.82
Notes payable	11,740,912,162.92	1.99	7,282,802,230.82	1.42	61.21
Taxes payable	13,913,799,886.15	2.36	8,692,447,359.26	1.69	60.07
Non-current liabilities due within one year	8,673,620,748.14	1.47	4,974,248,176.38	0.97	74.37

Note:

- 1) The balance of cash and bank balances increased by RMB33.260 billion compared with the opening balance, mainly due to the capital arrangement by SFC, a subsidiaries of the Company, as to ensure the Company's liquidity safety at the year-end.
- 2) The balance of prepayments increased by RMB7.141 billion compared with opening balance, mainly due to incremental prepayments by the Company to vehicle joint ventures.
- 3) The balance of other receivables increased by RMB1.88 billion compared with opening balance, mainly due to the increase in new-energy subsidies receivables of the Company in the current period.
- 4) The balance of non-current assets due within one year increased by RMB 23.624 billion compared with opening balance, mainly because of incremental scale of individual automotive consumption



- loans due within one year from SFC, a subsidiary of the Company.
- 5) The balance of loans and advances increased by RMB11.544 billion compared with opening balance, mainly due to the incremental scale of medium-term and long-term individual automotive consumption loans from SFC, a subsidiary of the Company.
  - 6) The balance of long-term receivables increased by RMB1.155 billion compared with opening balance, mainly due to the increase in finance lease receivables arising from the business scale expansion of ANJI Leasing Co., Ltd.
  - 7) The balance of short-term borrowings increased by RMB3.82 billion compared with opening balance, mainly due to new borrowings to the Company for the requirement of business development
  - 8) The balance of notes payable increased by RMB4.458 billion compared with opening balance, mainly due to increased notes payable based on the Company's business expansion.
  - 9) The taxes payables increased by RMB5.221 billion compared with opening balance, mainly due to increase in VAT and enterprise income tax payable by the Company in the current period. As required by the Circular of the Ministry of Finance on Issuing and Provisions concerning VAT Accounting Treatment (Cai Kuai [2016] No.22) enacted by the Ministry of Finance on December 3, 2016, and the Accounting Standard for Business Enterprise No.30-Presentation of Financial Statement, The comparative balance of tax payables has been reclassified according to the presentation of the financial statements in the current year.
  - 10) The balance of non-current liabilities due within one year increased by RMB3.699 billion compared with opening balance, mainly for the reason that SFC, a subsidiary of the Company, increased asset-backed securitization production and financial bonds due within one year.
2. Restriction of significant assets as of 31 December 2016  
Applicable      N/A
  3. Others  
Applicable      N/A

#### (IV) Analysis on operational data in automotive industry

Applicable      N/A

#### Analysis of operation data for automotive manufacturer

##### 1. Production capacity

Applicable      N/A

##### Existing production capacity

Applicable      N/A

Major manufacturers	Designed production capacity	Production capacity in the period	Utilization rate(%)
SAIC VOLKSWAGEN	1,548,000	1,969,000	127
SAIC GM	1,668,000	1,876,000	112
SAIC Passenger Vehicle	280,000	320,000	114
SGMW	1,760,000	2,144,000	122
SAIC Maxus	52,000	47,000	91
Shanghai Sunwin	2,000	2,000	100
SAIC-IVECO Hongyan	28,000	16,000	57
Nanjing Iveco	140,000	74,000	53
SAIC Motor-CP	24,000	8,000	35

**Capacity under construction**

Applicable N/A

Unit: 0'000RMB

Workshop under construction	Planning investment	Amount invested in the period	Accumulated investment	Estimated completion date	Estimated capacity
Expansion of Pukou base of SAIC Passenger Vehicle	145,160	128,580	145,160	2017	120,000
Expansion of Ningbo Branch of SAIC VOLKSWAGEN	637,314	89,961	399,992	2018	240,000
Expansion of Wuhan North plant of SAIC GM	354,000	173,658	241,658	2017	240,000
Expansion of Wuxi manufacture base of SAIC Maxus	217,679	38,770	184,906	2017	124,000
SAIC-Motor-CP Thailand New Plant	145,600	2,857	33,257	2018	40,000
SGMW Indonesia Plant	255,260	104,300	144,200	2017	60,000

**Capacity calculation criteria**

Applicable N/A

The calculation of designed production capacity is on the basis of 250 working days per year, and 16 working hours per day, namely 4000 working hours for one year. ; "production capacity in the period" refers to actual output for the reporting period; utilization rate is actual output for the reporting period divided by designed production capacity.

**2. Sales and production of vehicles**

Applicable N/A

**By vehicle type**

Applicable N/A

Categories	Sales (Volume)			Production (Volume)		
	2016	2015	Changes (%)	2016	2015	Changes (%)
Car	3,302,670	2,978,974	10.87	3,270,923	2,982,320	9.68
SUV	1,179,354	825,837	42.81	1,174,869	791,073	48.52
MPV	1,184,416	1,132,119	4.62	1,187,526	1,116,868	6.33
Cross passenger car	450,008					

**3. Sales and production of auto parts**

Applicable N/A

The Company's businesses of auto parts are mainly operated by HASCO (security code: 600741), a subsidiary controlled by the Company. Details of its business in 2016 refer to the annual report 2016 published on www.sse.com.cn by HASCO (600741).

**4. New energy vehicles**

Applicable N/A

**Production capacity of new energy vehicle**

Applicable N/A

Major workshops	Designed production capacity	Production capacity in the period	Utilization rate (%)
SAIC Passenger Vehicle	-	21,515	NA
SAIC Maxus	-	3,526	NA
Shanghai Sunwin	-	1,089	NA

**Sales and production of new energy vehicles**

Applicable N/A

Categories	Sales (Volume)			Production (Volume)		
	2016	2015	Changes (%)	2016	2015	Changes (%)
EV-Roewe E50	1,495	412	262.86	1,390	309	349.84
PHEV-Roewe 550	15,145	10,711	41.40	16,202	12,001	35.01
PHEV-Roewe RX5	-	-	-	26	-	-
PHEV-Roewe 950	3,377	-	-	3,897	-	-
Sunwin EV-Passenger Vehicle	1,059	641	65.21	1,059	641	65.21
Sunwin PHEV-Passenger Vehicle	30	162	-81.48	30	162	-81.48
EVMPV-MaxusG10	60	-	-	69	-	-
EV Passenger Vehicle-MaxusV80	3,559	1,014	250.99	3,457	1,250	176.56
<b>Total</b>	<b>24,725</b>	<b>12,940</b>	<b>91.07</b>	<b>26,130</b>	<b>14,363</b>	<b>81.93</b>

Note: The statistics are made according to the scope of consolidated financial statements.

**Income and subsidies of new energy vehicles**

Applicable N/A

Unit: 0'000 RMB

Categories	Revenues	Subsidy for new energy vehicles	Proportion of subsidy to revenue (%)
EV- Roewe E50	24,678	10,503	43
PHEV- Roewe 550	299,745	73,587	25
PHEV- Roewe 950	78,417	15,664	20
EV Passenger Vehicle-Maxus V80	117,320	67,968	58
EVMPV-Maxus G10	1,737	384	22
Sunwin New Energy Passenger Vehicle	127,373	55,175	43

**5. others**

Applicable N/A

**(V) Investment Analysis****1. General analysis on equity investment**

The Company is mainly engaged in R&D, sales, manufacture of vehicles (including passenger vehicles and commercial vehicles) and auto parts (including engine, transmission, electric power and electronics, key components of new energy, chassis system. and interior and exterior trim, etc.), as well as automobile service trading and financial investment in varieties. In perspective of long-term equity investment only, at the end of the reporting period, the long-term equity investment was amounted to RMB 62.677 billion, increased by RMB3.658 billion or 6.20% comparing with opening balance. Details of various investments are set out in Notes to the annual report.

**(1) Significant equity investment**

Applicable N/A

**(2) Significant non-equity investment**

Applicable N/A

**(3) Financial assets at fair value**

Applicable N/A

Unit: RMB

Items	2015	2016	Changes	Effects on current profit
Financial assets at fair value through profit or loss	1,221,103,619.65	1,559,753,224.57	338,649,604.92	-17,509,759.92
Available-for-sale financial assets	65,495,009,648.25	50,484,749,497.34	-15,010,260,150.91	0.00
Financial liabilities at fair value through profit or loss	7,486,291.00	0.00	-7,486,291.00	7,486,291.00
<b>Total</b>	<b>66,723,599,558.90</b>	<b>52,044,502,721.91</b>	<b>-14,679,096,836.99</b>	<b>-10,023,468.92</b>

**(VI) Significant disposal of assets and equity**

Applicable N/A

**(VII) Analysis of major invested companies with controlling shareholding and minority shareholding**

Applicable N/A

Unit: RMB 0'000

Company name	Business nature	Main products or services	Registered capital	Total assets	Net assets attributable to owners of the company	Total revenue	Net profit attributable to owners of the company
SAIC VOLKSWAGEN	Manufacturing	Manufacturing and sales of vehicles	1,150,000	11,802,138	4,207,013	22,855,059	2,568,200
SAIC GM	Manufacturing	Manufacturing and sales of vehicles	USD 108,300	10,470,615	3,173,021	20,295,878	1,694,769
SGMW	Manufacturing	Manufacturing and sales of vehicles	166,808	5,399,313	1,021,340	10,405,599	519,818
HASCO	Manufacturing	Manufacturing and sales of auto-parts	315,272	10,761,171	3,809,677	12,429,581	607,576
SFC	Finance	Financial service	1,038,000	20,377,879	1,845,172	1,130,340	334,838

**(VIII) Structured entities controlled by the Company****III. Discussion and analysis on future development of the Company****(I) Industry competitive landscape and development trend**

Against the background of complicated and changeable global economy, gradually steady micro- economy on a dip in China, and increasingly enhanced supply-side structural reform, great challenges and important opportunities both available to Chinese automotive industry both during the profound transformation process it is now experiencing. On the one hand, though the domestic market has entered into a new stage of steady growth subsequent to more than a decade of fast development, it is more urgent for innovation, transformation, updating and development of automotive industry due to increasingly obvious structure differentiation of regional markets and product market segmentations at various levels and accelerated change of traditional appearance caused by high-tech outbreaks and cross-border entry. On the other hand, as the new four tendencies, namely, "electric, networking, intelligent, and shared" have been emerged in the automotive industry, and innovation of product technology and business model have brought new opportunities for industrial development, it is a significant time for the self-owned brands to take innovations and developments; meanwhile, considering the structural opportunities in overseas markets according to "The Belt and Road" strategy of the state, new growth points are emerging in the automotive industry.

It is estimated that the domestic sales of vehicles in 2017 will reach 29.30 million units, increase by 3.7%, including approximately 25.50 million units of passenger vehicles with a year-on-year increase of 5%, and 3.80 million units of commercial vehicles with a year-on-year decrease of 3.8%.

**(II) The Company's development strategy**

The Company will keep pace with the development trend of technology improvement, market evolution, and industry transformation. Focused on the "electric, networking, intelligent, and shared" tendency in automotive industry, the Company, by deploying innovation chain based on value chain, will spare no efforts to occupy the favorable position and explore transformation and upgrading solution of automotive industry against the background of big data and the reconstruction of industrial chain and value chain in accordance with the idea of "accelerating extension to both ends, and speeding up transformation". Meanwhile, the Company has established market-oriented operating systems and mechanisms to fully mobilize and stimulate internal vitality on the basis of making great efforts to break system and mechanism obstacles that have constrained innovation developments, which injects new vitality to the future development of SAIC.

**(III) Business plan**

In 2017, insisting on the overall guideline of promoting development while ensuring stability, with efforts concentrated on innovation during the practice of supply-side structural reform by SAIC, the Company will make great efforts to improve the quality and efficiency of economic operation based on current situations by maintaining a sense of crisis and preventing various market risks; carrying forward the spirit of innovation while looking ahead to the future, the Company will sustainably further implement SAIC's strategy of innovation, transformation, updating and development as to consecutively strengthen the core competitiveness, trying to seize the "electric, networking, intelligent, and shared" tendency and firmly push the development of "13th Five-year Plan". The Company will spare no efforts to achieve the target sales of 6.735 million units, with estimated operating income of RMB773 billion and estimated operating cost of RMB 664.8 billion.

The main operation tasks of the Company in 2017 consist: 1. On the basis of timely reaction of market changes, the Company will seize the opportunities of new product debut and continue to optimize the structure of sales and production, as to ensure economic operation improves steadily and self-owned brand develops quickly, making good use of advantages of new energy and internet products to increase sales volume, optimize structure, improve capability and promote brand image; 2. Striving to grasp the new "four" tendency opportunities with increasing force on both ends, the Company will develop new products through technical breakthroughs, and drive business transformation based on model innovation; 3. The Company, at the same of focusing on the improvement of international operation system and resource cooperation, will lower its cost and lift its efficiency by doing well on domestic work, and enhance its capacity for overseas businesses; 4. Emphasizing on safety and environmental protection awareness, the Company will further implement quality improvement activity and strengthen the construction of qualified personnel to improve internal control management; 5. Paying attention to company value and brand construction, the Company will improve the communication system for investors and the public, and reinforce market value management in a further step through guarantee of "basic work", implementation of "innovation work" and good promotion of "communication work" by taking as an opportunity the formal implementation of stock ownership plan for key employees.

#### **(IV) Potential risks**

The Company may be exposed to the following risks: 1. The macroeconomic environment is still facing greater uncertain risks. In particular, the aggravating trade protectionism will bring adverse impacts on the global trade environment while exchange rate risks and other financial risks cannot be ignored; 2. Due to growing fierce competition arising from differentiated market growth, it is more difficult for automotive enterprises to provide effective products and services day after day as technique and model innovation may face more uncertain risks; 3. Despite the extension of the favorable policy for levying purchase tax at a rate of 7.5% on low-emission vehicles, it is unavoidable that the incentive effects on automotive consumption will diminish after the peaking of sales volume, hence the market growth is facing greater challenges.

#### **IV. Reasons for noncompliance with disclosure requirements where the requirements are not applicable to the Company or due to other special situation**

Applicable      N/A

## Section V Important Events

### I. Ordinary shares distribution or preliminary proposal for capitalization of capital reserve

#### (I) Policies of cash dividend distribution of the Company and the implementation or adjustment

Pursuant to item 157 of the Articles of Association, profit distribution policy of the Company is: (1) Profit distribution of the Company shall reflect a reasonable investment return for the investors and take into account of sustainable development of the Company. Profit distribution policy shall be consistent and stable. (2) The Company can distribute dividends in cash or by stocks, and cash dividend should be considered first. The Company can make mid-year cash dividend distribution. (3) The Company shall make cash dividends distribution when its net profits and accumulated retained profits in the audited financial statements of the Company during the current year are presented in positive figures, and the cash flow of the Company can satisfy the Company's ordinary operation and sustainable development. Total amount for cash dividends distribution by the Company in the current year shall be equal to or exceed 30% of net profits attributable to shareholders of the Company in the audited consolidated financial statements in the current year. Cash paid for the repurchase of shares shall be deemed as cash dividends. (4) If the Company does not propose cash dividends distribution plan though it makes profits and accumulated retained profits are presented in positive figures during the current year, independent directors shall issue a clear opinion, meanwhile the Company shall explain in details the reasons for not making profit distribution in the annual report, and the usage of the funds which would otherwise have been used for cash dividend distribution. (5) If circumstance exists that shareholders occupy the funds of the Company which is in violation of the regulations, the occupied amount should be deducted from the shareholder's cash dividend in order to repay the cash the shareholders occupy. (6) When significant changes incur in the Company's operating environment or the Board think it is necessary, the Company will changes the profit distribution policies. During the adjustment of profit distribution policies proposed by the Company, opinions of minority shareholders should be considered, while reasons of the adjustment should be specified by the Board on the basis of an issue of independent opinions from independent directors. Resolution in respect of the adjustment of profit distribution shall be passed by 2/3 of voting rights held by shareholders who present the general meeting.

During the reporting period, the Company completed the profit distribution of year 2015. The profit distribution scheme complies with the requirements of Article of Association of the Company and the approval process, which has fully protected the interests of investors.

#### (II) Plan or preliminary proposal for ordinary share distribution and capitalization of capital reserve of the Company in recent three years

In 2016, based on total 11,683,461,365 shares at present, the Company plans to distribute RMB 16.50 (inclusive of tax) per 10 shares, amounting to RMB 19,277,711,252.25. The Company has no plan of converting capital reserve into capital this year. The accumulative cash dividends during the last three years (including year 2016) of the Company were RMB 48,605,718,485.39. (The distribution plan for 2016 dividends is still to be approved by 2016 general shareholder meetings.)

Unit: RMB

Year	Stock dividend per 10 shares (shares)	Cash dividend per 10 shares (RMB) (inclusive of tax)	Capital reserve transferred into share capital per 10 shares (share)	Amount of cash dividend (inclusive of tax)	Net profit attributable to shareholders of the Company in consolidated financial statements for the year of dividend distribution	Proportion of net profit attributable to the Company in consolidated financial statements (%)
2016	-	16.50	-	19,277,711,252.25	32,008,610,688.65	60.23
2015	-	13.60	-	14,994,770,615.44	29,793,790,723.65	50.33
2014	-	13.00	-	14,333,236,617.70	27,973,441,274.41	51.24

**(III) Particulars of repurchase of shares in cash offer recognized in cash dividends**

Applicable N/A

**(IV) Where the preliminary proposal for cash profits distribution of ordinary shares is not proposed although the Company earns profits and the distributed profits attributable for ordinary shareholders is set out in positive figures, the Company shall disclose relevant reasons in details, and the usage and plan for retained profits.**

Applicable N/A

**II. Performance on commitment matters****(I) Commitments in or sustain to the reporting period in actual controllers, shareholders, related parties, purchaser, companies or others relating to commitments**

Applicable N/A

**(II) For assets or projects which the Company estimates their profits and still within the estimate period as of the reporting period, the Company shall state whether the estimated profits are achieved and explain relevant reasons.**

Achieved Not achieved N/A

**III. Funds occupation and settlement during the reporting period**

Applicable N/A

**IV. Explanations on “Non-standard Auditor’s Report” issued by certified public accountants by the Board**

Applicable N/A

**V. Analysis and explanation of the Company for reasons and effects of accounting policy and estimation change and significant accounting mistakes correction****(I) Analysis and explanation of the Company for reasons and effects of accounting policy and estimation change**

Applicable N/A

**(II) Analysis and explanation of the Company for reasons and effect of significant accounting mistakes correction**

Applicable N/A

**(III) Communication with the previous accounting firms**

Applicable N/A

**(IV) Others**

Applicable N/A

**VI. Appointment and dismissal of auditor**

Unit: RMB 0'000

	Current status
Domestic auditor	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Remuneration paid to auditor	860
Service period of auditor	11 years



	Name	Remuneration
Auditor for internal control audit	Deloitte Touche Tohmatsu Certified Public Accountants LLP	200
Sponsor	Guotai Junan Securities Co., Ltd.	1,900

Explanations on the appointment and dismissal of auditor

Applicable N/A

Explanations on changing the auditor.

Applicable N/A

## **VII. Risk exposure to the suspension of listing**

### **(I) Reasons to explain the suspension of listing**

Applicable N/A

### **(II) Measures adopted by the Company to resume listing**

Applicable N/A

## **VIII. Events that the listing of shares shall be terminated and relevant explanation**

### **IX. Bankruptcy and reorganization**

Applicable N/A

### **X. Significant lawsuit and arbitration**

Significant lawsuits and arbitrations for the year No significant lawsuits and arbitrations for the year

### **XI. Penalty and rectification of the Company and its directors, supervisors, senior management, controlling shareholders, actual controllers and purchasers**

Applicable N/A

### **XII. Credit situation of the Company and its controlling shareholders and actual controllers during the reporting period.**

Applicable N/A

During the reporting period, the Company and its controlling shareholders, and actual controllers have solid credit ratings.

### **XIII. The Company's share option incentive scheme, employee stock ownership plan or other employee incentive scheme and relevant impacts.**

#### **(I) Related incentive schemes that have been disclosed in the temporary announcement but have no progress or change subsequently**

Applicable N/A

#### **(II) Incentive schemes not disclosed in the temporary announcement or having subsequent progresses.**

Share option incentive scheme

Applicable N/A

Others

Applicable N/A

### Employee stock ownership plan

For the purpose to accelerate the development strategy driven by innovation, and speed up transformation and upgrading to create a world-famous automotive company full of innovation, Shanghai Motor Corporation Limited raised RMB 15 billion funds through private offering of shares in domestic A share market for investments in new energy vehicles, internet vehicles, intelligence, automotive services and automotive finance and other projects. Meanwhile, as to further motivate employees' enthusiasm, initiative, creation to form an interest community between employees and enterprises, the Company has implemented a key employee stock ownership plan at the same time to offer shares privately, for which participants including group leaders (including directors, supervisors and senior management other than external directors and external supervisors), factory-level cadres, and key employees.

As the Company issued 657,894,736 shares privately this time, total shares of the Company after this issue has increased to 11,683,461,365 shares. In accordance with the actual subscription, a total of 2,207 employees (including directors, supervisors, senior management totaled in 14 people) eventually participated in the Company's key employee stock ownership plan pursuant to which 48,449,561 private-offering shares issued this time are subscribed at a consideration of RMB 1,104,650,000 through special pension management products administrated by Changjiang Pension Insurance Co., Ltd., accounting for 0.41% of the Company's total shares offered this time. (Refer to Announcement published by the Company in [www.sse.com.cn](http://www.sse.com.cn) on January 21, 2017 for details)

After joint efforts of the management and employees, the Company has successfully implemented the key employee stock ownership plan, which not only fully demonstrates the Company's determination and confidence in innovation driving, transformation and upgrading, but also creates a long-term incentive mechanism of sharing interests, risks, responsibilities and careers between employees and the Company, hence it will be benefit to promote employee's cohesion and the Company's competitiveness, and improve corporate governance as to consolidate the Company's sustainable development.

### Other incentive measures

In 2012, the Company formulated and implemented the *Corporate Incentive Fund Plan*. Considering the Company's operating results in prior year satisfy the implementation conditions of the incentive fund plan, the Board of Directors reviewed and approved the 2015 *Implementation Scheme for Corporate Incentive Fund Plan* whose actual incentive objects included key personnel such as medium-and-senior management and key backbones of the Company. Leaders of the Company have not participated in the 2015 incentive fund allocation as they should be subject to the remuneration regulations by Shanghai SASAC.

## **XV Significant related party transactions of the Company during the reporting period**

### **(I) Significant related party transactions related to daily operations**

1. Events that have been disclosed in the temporary announcement but have no progress or change subsequently  
Applicable      N/A
2. Events that have been disclosed in the temporary announcement and have progresses or changes subsequently  
Applicable      N/A
3. Events that not been disclosed in the temporary announcement  
Applicable      N/A

**(II) Significant related party transactions related to assets or equity acquisition and disposal**

1. Events that have been disclosed in the temporary announcement but have no progress or change subsequently  
Applicable      N/A
2. Events that have been disclosed in the temporary announcement and have progresses or changes subsequently  
Applicable      N/A
3. Events that not been disclosed in the temporary announcement  
Applicable      N/A
4. Performance achievement events involving performance convention in reporting period which should be disclosed  
Applicable      N/A

**(III) Significant related party transactions related to external joint investment**

1. Events that have been disclosed in the temporary announcement but have no progress or change subsequently  
Applicable      N/A
2. Events that have been disclosed in the temporary announcement and have progresses or changes subsequently  
Applicable      N/A
3. Events that not been disclosed in the temporary announcement  
Applicable      N/A

**(IV) Balances due from/to related parties**

1. Events that have been disclosed in the temporary announcement but have no progress or change subsequently  
Applicable      N/A
2. Events that have been disclosed in the temporary announcement and have progresses or changes subsequently  
Applicable      N/A
3. Events that not been disclosed in the temporary announcement  
Applicable      N/A

**(V) Others**

Applicable      N/A

**XIII Significant contracts and implementation****(I) Trusteeship, contracting and leasing**

1. Trusteeship  
Applicable      N/A
2. Contracting  
Applicable      N/A
3. Leasing  
Applicable      N/A

**(II) Guarantee**  
Applicable N/A

Unit: RMB 0'000

General information of guarantee (except guarantee provided for subsidiaries)													
Guarantor	Relationship	Guarantee	Amount of guarantee	Signed date of guarantee	Starting date of guarantee	Ending date of guarantee	Type of guarantee	Completion of guarantee	Overdue of guarantee	Overdue amount of guarantee	Counter guarantee	Related party guarantee	Relationship
SAIC Hong Kong Limited	Wholly-owned subsidiary	IEE SA Lux	8,768.16	March 29 2016	March 29 2016	November 8 2016	Joint liability guarantee	Yes	No	-	No	No	
HUAYU Automotive Systems Co., Ltd.	Controlled subsidiary	HUAYU KS Alu Tech GmbH	7,306.80	July 1 2016	July 1 2016	June 30 2017	Joint liability guarantee	No	No	-	No	No	
Total amount of guarantee incurred during the reporting period (except guarantee provided for subsidiaries)						16,074.96							
Total balance of guarantee at the end of the reporting period(A) (except guarantee provided for subsidiaries)						8,606.73							
Guarantee provided for subsidiaries from the Company and its subsidiaries.													
Total amount of guarantees provided for subsidiaries during the reporting period						182,395.90							
Total balance of guarantees provided for subsidiaries at the end of the reporting period(B)						242,091.52							
Total amount of guarantees provided (including guarantee provided for subsidiaries)													
Total amount of guarantees provided (A and B)						250,698.25							
Ratio of total amount of guarantee against net assets - %)						1.31							
Including:													
Amount of guarantee provided for shareholders, actual controller and its related parties (C)						-							
Direct or indirect debt guarantees provided for guaranteed parties whose asset-liability ratio exceeds 70% (D)						204,077.01							
Amount of total amount exceeding 50% of net assets (E)						-							
Total amount of guarantee above (C, D and E)						204,077.01							
Statement for joint liability of undue guarantee						None							
Information of guarantee						None							

**(III) Cash asset management by others under entrustment****1. Entrusted financing**

Applicable N/A

Unit: RMB 0'000

Entrusting party	Type	Amount	Inception date	Termination date	Method of compensation Payment	Principal actually collected	Income actually received	If under statutory procedures	Provisions for impairment	If related transaction	If in lawsuit
SAIC Motor Equity Investment Co., Ltd.	Contracted fund	300,000	January 7 2016	January 6 2021	Pursuant to agreement provisions	-	-	Yes	-	No	No
Total	/	300,000	/	/	/	-	-	/	-	/	/
Accumulated amount of unrecovered principal and income overdue (Unit: RMB)						-					
Explanation for entrusted financing		SAIC Motor, as the solely subscriber, has contributed to the contracted fund which was initiated by its wholly-owned subsidiary SAIC Motor Equity Investment Co., Ltd. Such fund is mainly aiming to investments in private placement and fixed income financing products with three-year maturity and one-year maturity. As of December 31, 2016, net asset of such fund has amounted to RMB 3.043 billion with net unit value of RMB 1.014.									

**2. Entrusted loans**

Unit: RMB 0'000

Borrower	Entrusted loans	Length of maturity	Interest rate	Purpose	Collateral or guarantor	Overdue	Related transactions	Extension	Lawsuit	Relationship	Investment profit(loss)
SAIC Maxus Vehicle Co.,	15,000	04.23.2015-.2018.04.22	3.25%	Working capital	N	N	N	N	N	Wholly-owned subsidiaries	487.50
SAIC Maxus Vehicle Co.,	20,000	2015.05.21-2018.05.20	3.25%	Working capital	N	N	N	N	N	Wholly-owned subsidiaries	650.00
SAIC Maxus Vehicle Co.,	10,000	2015.12.16-2018.12.15	2.75%	Working capital	N	N	N	N	N	Wholly-owned subsidiaries	275.00
SAIC Maxus Vehicle Co.,	20,000	2016.02.19-2019.02.18	2.75%	Working capital	N	N	N	N	N	Wholly-owned subsidiaries	482.78
SAIC Maxus Vehicle Co.,	20,000	2016.04.07-2017.04.06	0.00%	Working capital	N	N	N	N	N	Wholly-owned subsidiaries	-
SAIC Maxus Vehicle Co.,	20,000	2016.05.12-2019.05.11	2.75%	Working capital	N	N	N	N	N	Wholly-owned subsidiaries	357.50
SAIC Maxus Vehicle Co.,	10,000	2016.07.20-2017.07.19	0.00%	Working capital	N	N	N	N	N	Wholly-owned subsidiaries	-
SAIC Maxus Vehicle Co.,	20,000	2016.09.28-2019.09.27	2.75%	Working capital	N	N	N	N	N	Wholly-owned subsidiaries	145.14
SAIC Maxus Vehicle Co.,	10,000	2016.10.11-2017.10.10	0.00%	Working capital	N	N	N	N	N	Wholly-owned subsidiaries	-
Nanjing Automobile (Group) Corporation	20,000	2016.02.24-2017.02.23	0.00%	Working capital	N	N	N	N	N	Wholly-owned subsidiaries	-
Nanjing Automobile (Group) Corporation	50,000	2016.01.04-2017.01.03	0.00%	Working capital	N	N	N	N	N	Wholly-owned subsidiaries	-
Donghua Automotive Industrial Co., Ltd.	45,000	2016.12.27-2017.12.26	1.00%	Working capital	Yue jin Motor (Group) Corporation	N	N	N	N	Controlling	6.25
SAIC Motor Transmission Co., Ltd.	100,000	2015.04.28-2018.04.27	3.25%	Working capital	N	N	N	N	N	Wholly-owned subsidiaries	3,250.00
SAIC Motor Equity Investment Co., Ltd.	45,000	2015.03.20-2018.9.19	2.00%	Working capital	N	N	N	N	N	Wholly-owned subsidiaries	900.00
SAIC Motor Equity Investment Co., Ltd.	40,000	2016.12.16-2017.06.13	1.50%	Working capital	N	N	N	N	N	Wholly-owned subsidiaries	26.67
Shanghai Shangyuan Investment Management Co., Ltd.	4,000	2016.11.09-2017.11.08	2.18%	Working capital	N	N	N	N	N	Wholly-owned subsidiaries	12.80
SAIC Motor (Beijing) Co., Ltd.	1,400	2016.04.21-2018.04.20	3.00%	Working capital	N	N	N	N	N		

**3. Investment on other financing and derivative products**

Applicable      N/A

**(IV) Other significant contracts**

Applicable      N/A

**XVI. Explanations on other significant matters**

On November 6, 2015, the Company published a series of announcements, including "Announcement to Related Parties Transactions in Respect of Private Offering of A-shares", "Preliminary Proposal of Private Offering of A-shares by Shanghai Motor Corporation Limited" and the "Announcement of Matters in Respect of Key Employee Stock Ownership of the Company". (Refer to [www.sse.com.cn](http://www.sse.com.cn) for details)

On December 5, 2015, the Company published the Announcement for "the Obtainment of Approval of Private Offering of Shares by State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government". In the first extraordinary general meeting of the Company held on December 11, 2015, the proposal in respect of private offering was passed by more than 99% of voting rights. (Refer to *Announcement for the Resolution in the First Extraordinary General Meeting in 2015* published in [www.sse.com.cn](http://www.sse.com.cn) on December 12, 2015 for details.

On December 21, 2015, the Company received the *Notice to the Acceptance of Administrative Licensing Application by China Securities Regulatory Commission* (No.153617). Chinese Securities Regulatory Commissions decided to accept the administrative licensing application as considering the application materials were complete and in compliance with the statutory form after a legal review on the administrative licensing application materials submitted by the Company regarding to Private Offering of Shares by Listed Company. (Refer to *Announcement on the Reception of Notice to the Acceptance of Administrative Licensing Application by China Securities Regulatory Commission* published in [www.sse.com.cn](http://www.sse.com.cn) on December 23, 2015 for details)

On January 18, 2016, a variety of files were approved in the fifth session of the sixth the Board, including the "Proposal for Impact on the Company's Major Financial Indicators Arising from Diluted Current Return due to Private Offering of Shares and Measures Adopted" by the Company, "Commitment to Filling Measures by Relevant Entities on Diluted Current Return due to Private Offering of Shares", "Proposal on Supplementary Contract of Equity Subscription Agreement Subject to a Condition Precedent By and Between the Company and Shanghai Automotive Industry Corporation(Group)", "Proposal on Supplementary Contract of Equity Subscription Agreement Subject to a Condition Precedent By and Between the Company and Changjiang Pension Insurance Co., Ltd. ", "Preliminary Proposal on Private Offering of A-shares by the Company (Revised) ", and "Proposal on the Convening of the Company's First Extraordinary General Meeting in 2016". Pursuant to above files, the Company revised the preliminary proposal of this private offering of shares. (Refer to relevant announcements published in [www.sse.com.cn](http://www.sse.com.cn) on January 19, 2016 for details.) In the first extraordinary general meeting of the Company held on February 3, 2016, it was passed by more than 99% of voting rights for the "Proposal for Impact on the Company's Major Financial Indicators Arising from Diluted Current Return due to Private Offering of Shares and Measures Adopted by the Company", and "the Commitment to Filling Measures by Relevant Entities on Diluted Current Return due to Private Offering of Shares". (Refer to *Announcement for the Resolution in the First Extraordinary General Meeting in 2016* published in [www.sse.com.cn](http://www.sse.com.cn) on February 4, 2016 for details.

On January 26, 2016, the Company issued the "Reply to the Feedback on Application Documents in respect of Private Offering of Shares" in accordance with the "Notice to Review Opinion on Administrative Licensing Items" by China Securities Regulatory Commission (No.153617). (Refer to [www.sse.com.cn](http://www.sse.com.cn) for details.)

On April 20, 2016, China Securities Regulatory Commission Issuance Examination Commission reviewed the application from the Company in respect of private offering of A-shares. According to the result of such review, it is approved the Company's application in respect of private offering of A-shares this time. (Refer to [www.sse.com.cn](http://www.sse.com.cn) for details.)

Considering the Company implemented 2015 profit distribution plan on July 8, 2016, the Company adjusted the bottom price and the ceiling quantity of this private offering. On July 9, 2016, the Company issued *Announcement on the Adjustment of Bottom Price and Quantity in Respect of Private Offering of Shares Subsequent to the Implementation of 2015 Profit Distribution Plan*, for which the bottom price of this private offering of shares was adjusted to RMB 14.2 per share while the ceiling quantity of this private offering of shares was adjusted to not more than 1,056,338,028 shares. (Refer to [www.sse.com.cn](http://www.sse.com.cn) for details.)

On December 5, 2016, the Company issued the Announcement for Approval of Application in Respect of Private Offering of Shares from China Securities Regulatory Commission after received the Reply from the China Securities Regulatory Commission on Approving the Private Offering of Shares by Shanghai Motor Corporation Limited (License No. 2077) on December, 2016. (Refer to [www.sse.com.cn](http://www.sse.com.cn) for details.)

In January 2010, through marketing bids and legal procedures, the Company privately offered 657,894,736 shares of A-share at a price of RMB 22.80 per share, in which the Company raised net fund of RMB 14,854,499,980.80 after deducting the issue expenses. On January 19, 2017, the Company completed new share registration and trusteeship. On January 21, 2017, the Company issued a series of announcements such as *Announcement for Results of Private Offering of Shares and Relevant Changes*, *Announcement for the Resolutions in the First Meeting of Holders Regarding Key Employee Stock Ownership of Shanghai Motor Corporation Limited* and so on (Refer to [www.sse.com.cn](http://www.sse.com.cn) for details).

## **XVII. Active fulfilment of social responsibility**

### **(I) Poverty alleviation by listed companies**

Applicable N/A

Details refer to the Company's 2016 Social Responsibility Report (announced in [www.sse.com.cn](http://www.sse.com.cn))

### **(II) Achievement of fulfilling social responsibility**

Applicable N/A

Refer to the Company's 2016 Social Responsibility Report (announced in [www.sse.com.cn](http://www.sse.com.cn))

### **(III) Environment protection of the Companies and their subsidiaries in high pollution industries regulated by the State Environmental Protection Department.**

Applicable N/A

### **(IV) Others**

Applicable N/A

## **XVIII. Convertible bonds of the Company**

### **(I) Issue of convertible bonds**

Applicable N/A

### **(II) Holders and guarantors of convertible bonds during the reporting period**

Applicable N/A

### **(III) Changes in convertible bonds during the reporting period**

Applicable N/A

**(IV) Previous price adjustments on convertible bonds**

Applicable N/A

**(V) The Company's liability and credit changes and cash arranges for future payments**

Applicable N/A

**(VI) Others**

Applicable N/A

**Section VI Share Capital Changes and Information of Shareholders****I. Changes in share capital of ordinary shares****(I) Changes in ordinary shares****1. Changes in ordinary shares**

There is no change in total amount and share structure during the reporting period. On January 19, 2017, as the Company had registered new shares of the private offering project, the total ordinary shares of the Company increased to 11,683,461,365 shares due to the new issue of 657,894,736 shares of restricted circulating shares by the Company.

**2. Explanation for changes of ordinary shares**

Applicable N/A

**3. Effect of changes in ordinary shares in financial indicators including earnings per share and net assets per share in latest year/period(if any)**

Applicable N/A

**4. Other content the Company considers necessary or required to be disclosed by regulators**

Applicable N/A

**(II) Changes of restricted shares**

Applicable N/A

**II. Shares issuing and listing****(I) Securities issuing as of the reporting period**

Explanation for securities issuing as of the reporting period (Please specify separately for bonds with different interest rate in the duration):

**(II) Changes in the Company's total ordinary shares and shareholders' structure, as well as assets and liabilities.**

Applicable N/A

**(III) Existed shares held by internal employees**

Applicable N/A



**III. Shareholders and actual controller****(I) Total number of shareholders:**

Number of ordinary shareholders at the end of the reporting period	103,088
Number of ordinary shareholders at the end of last month prior to the announcement of the annual report	113,214

**(II) Shareholding of top ten shareholders, and top ten circulating shareholders (or shareholders of non-restricted shares) as of the end of reporting period**

Unit: share

Top ten shareholders							
Name of shareholders	Increase/decrease during reporting period	Number of shares held	Proportion (%)	Number of restricted shares held	Number of shares pledged or frozen		Nature of shareholders
					Status	quantity	
Shanghai Automotive Industry Corporation (Group)	-	8,191,449,931	74.30	0	None		Stated-owned legal person
Yuejin Motor (Group) Corporation	-	413,919,141	3.75	0	None		Stated-owned legal person
China Securities Finance Corporation Limited	-4,693,072	298,390,619	2.71	0	None		Unknown
Shanghai International Group Co., Ltd	-137,396,429	197,012,346	1.79	0	None		Stated-owned legal person
Hong Kong Securities Clearing Company Ltd	32,037,007	169,337,909	1.54	0	None		Unknown
Central Huijin Investment Ltd.	-	100,754,000	0.91	0	None		Unknown
Industrial and Commercial Bank of China-China Securities Shanghai SOE Trading Open-end Index Funds Security Investment Fund	49,621,302	49,621,302	0.45	0	None		Unknown
Zhongyuan Equity Investment Management Co., Ltd.	32,647,994	32,647,994	0.30	0	Pledged	32,360,000	Unknown
Industrial and Commercial Bank of China-Shanghai Securities 50 Trading Open-end Index Funds Security Investment Fund	442,859	24,496,223	0.22	0	None		Unknown
Central Bank Of Malaysia	2,448,583	24,061,646	0.22	0	None		Unknown
Top ten shareholders of non-restricted shares							
Name of shareholders	Number of non-restricted shares held	Type of shares and number					
		Type	Number				
Shanghai Automotive Industry Corporation (Group)	8,191,449,931	Ordinary RMB shares	in				8,191,449,931
Yuejin Motor (Group) Corporation	413,919,141	Ordinary RMB shares	in				413,919,141
China Security Finance Corporation Limited	298,390,619	Ordinary RMB shares	in				298,390,619
Shanghai International Group Co., Ltd	197,012,346	Ordinary RMB shares	in				197,012,346
Hong Kong Securities Clearing Company Ltd	169,337,909	Ordinary RMB shares	in				169,337,909
Central Huijin Investment Ltd.	100,754,000	Ordinary RMB shares	in				100,754,000
Industrial and Commercial Bank of China-China Securities Shanghai SOE Trading Open-end Index Funds Security Investment Fund	49,621,302	Ordinary RMB shares	in				49,621,302
Zhongyuan Equity Investment Management Co., Ltd.	32,647,994	Ordinary RMB shares	in				32,647,994
Industrial and Commercial Bank of China-Shanghai Securities 50 Trading Open-end Index Funds Security Investment Fund	24,496,223	Ordinary RMB shares	in				24,496,223

National Bank Of Malaysia	24,061,646	Ordinary shares in RMB	24,061,646
Explanation of the related relationship or concerted actions among the above shareholders	Among the top 10 shareholders, Shanghai Automotive Industry Corporation (Group) and other 9 shareholders have no related relationships nor persons acting in concert as regulated in Administrative Rules on Acquisition of Listed Company, it is unknown whether other 9 shareholders have related relationships or persons acting in concert.		

Quantity of restricted shares held by the top ten shareholders and the restricted conditions.

Applicable N/A

**(III) Strategic investors or general legal representative who have been included in top 10 shareholders due to placement of new shares.**

Applicable N/A

**IV. Holding shareholders and actual controlling party**

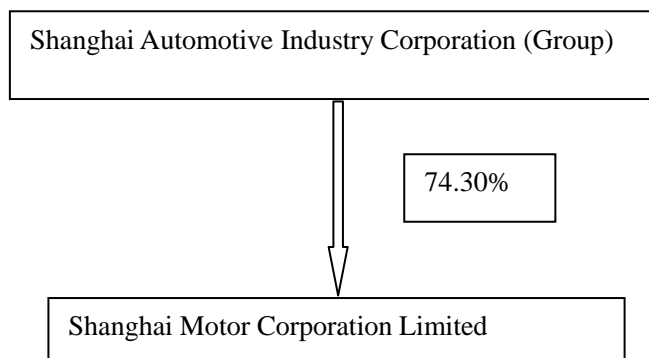
**(I). Corporate controlling shareholder**

**1. Legal person**

Name	Shanghai Automotive Industry Corporation (Group)
Legal representative	Mr. Chen

5. **The Company's organizational chart of ownership and controlling relationships are illustrated as below:**

Applicable      N/A



Note: On January 19, 2017, as the Company had registered new shares of the private offering project, the total ordinary shares of the Company increased to 11,683,461,365 shares due to the new issue of 657,894,736 shares of restricted circulating shares by the Company. When such issue has been completed, Shanghai Automotive Industry Corporation (Group) holds 8,323,028,878 shares in the Company, accounting for 71.24% of the total shares, hence it is still the controlling shareholder of the Company.

**(II) Actual controller**

**1. Legal person**

Applicable      N/A

Actual controller of the Company is State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government which is directly under Municipal Government of Shanghai and authorized to represent the Municipal Government of Shanghai to perform responsibilities as contributor and supervise municipal state-owned assets.

**2. Natural Person**

Applicable      N/A

**3. Special explanation for no actual controller in the Company**

Applicable      N/A

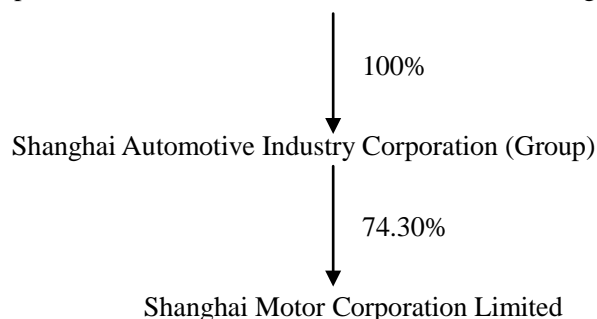
**4. Index and date of changes of actual controller in the reporting period**

Applicable      N/A

**5. The block diagram of controlling relationship and ownership between the Company and the actual controller**

Applicable N/A

State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government



Note: On January 19, 2017, as the Company had registered new shares of the private offering project, the total ordinary shares of the Company increased to 11,683,461,365 shares due to the new issue of 657,894,736 shares of restricted circulating shares by the Company. When such issue has been completed, Shanghai Automotive Industry Corporation (Group) holds 8,323,028,878 shares in the Company, accounting for 71.24% of the total shares, hence it is still the controlling shareholder of the Company. State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government is still the actual controller of the Company.

**6. The actual controller controls the Company through trust and other asset management**

Applicable N/A

**(III) Other particulars about the controlling shareholder and the actual controller**

Applicable N/A

**V. Other corporate shareholders holding more than 10% shares of the Company**

Applicable N/A

**VI. Explanation of less ownership of restricted shares**

Applicable N/A

**Section VII Preferred Stock Information**

Applicable N/A

## Section VIII Directors, Supervisors, Senior Management and Employees

## I. Information of shareholding and remuneration

## (I) Ownership and remuneration of directors, supervisors and senior management in incumbent and outgoing in reporting period

Unit: share

Name	Position (note)	Gender	Age	Beginning date of term	Ending date of term	Shares held at the beginning of the year	Shares held at the end of the year	Increase /decrease of number of shares held	Reason for the change	The Company's total amount of compensation before tax from reporting period (0'000)		Whether the related parties get paid
										Total amount (0'000) (before tax)	Including: 2015 incentive fund (0'000) (before tax)	
Chen Hong	Chairman of the Board	Male	55	2015-6-18	2018-6-17	8,380	8,380	0		86.31	35.91	No
Chen Zhi Xin	Director, President	Male	57	2015-6-18	2018-6-17					90.00	39.60	No
Xie Rong	Director	Male	64	2015-6-18	2018-6-17					0	0	No
Wang Fang Hua	Independent director	Male	69	2015-6-18	2018-6-17					10.00	0	No
Tao Xin Liang	Independent director	Male	66	2015-6-18	2018-6-17					10.00	0	No
Li Ru Shan	Independent director	Male	67	2016-5-26	2018-6-17					7.50	0	No
Zhong Li Xin	Employee representative director	Male	53	2015-6-18	2018-6-17					53.86	10.06	No
Bian Bai Ping	Chairman of board of supervisors	Male	60	2015-6-18	2018-6-17					0	0	No
Chen Wei Feng	Vice chairman of board of supervisors	Male	54	2015-6-18	2018-6-17					53.83	10.06	No
Hong Jin Xin	Supervisor	Female	59	2015-6-18	2018-6-17					0	0	No
Ma Long Ying	Employee representative supervisor	Female	55	2015-6-18	2018-6-17					146.05	43.45	No
Jiang Bao Xin	Employee representative	Male	47	2015-6-18	2018-6-17					136.56	41.59	No

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	ve supervisor											
Zhou Lang Hui	Vice president	Male	45	2015-6-18	2018-6-17					78.48	33.48	No
Yu Jian Wei	Vice president	Male	56	2015-6-18	2018-6-17					44.41	16.33	No
Chen De Mei	Vice president	Male	54	2015-6-18	2018-6-17					57.50	12.74	No
Wang Xiao Qiu	Vice president	Male	52	2015-6-18	2018-6-17					75.54	31.14	No
Shen Yang	Vice president	Male	55	2015-6-18	2018-6-17					57.50	12.74	No
Lan Qing Song	Vice president	Male	51	2015-6-18	2018-6-17					53.03	9.23	No
Cheng Jing Lei	Chief engineer	Male	49	2015-6-18	2018-6-17					53.92	10.12	No
Wei Yong	Acting CFO	Male	44	2016-10-28	2018-6-17					147.08	44.72	No
Wang Jian Zhang	Secretary to the Board	Female	47	2015-6-18	2018-6-17					146.05	43.69	No
Zhang Hai Liang	Former vice president	Male	46	2015-6-18	2016-3-11					10.95	0	No
Gu Feng	Former CFO	Male	44	2015-6-18	2016-9-29					68.14	31.14	No
Sun Zheng	Former independent director	Male	59	2015-6-18	2016-5-25					0	0	No
<b>Total</b>	/	/	/	/	/	<b>8,380</b>	<b>8,380</b>	<b>0</b>	/	<b>1,388.29</b>	<b>472.34</b>	/

Note“ As the Company’s leaders are excluded from the 2015 incentive fund distribution according to the remuneration regulation provided by State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government, the incentive funds they have received in the reporting period refer to the deferred payment for incentive funds distributed for 2013 and 2014.

Name	Major working experience
Chen Hong	He served as president, vice board chairman and vice secretary of Party Committee of SAIC Motor Corporation Limited; and vice chairman of the Board, president and secretary of Party Committee of SAIC Motor Corporation Limited. He is currently the chairman of the Board, and secretary of Party Committee of SAIC Motor Corporation Limited.
Chen Zhi Xin	He served as executive vice president of SAIC Motor Corporation Limited and general manager of passenger vehicle branch; president of SAIC Motor Corporation Limited, vice secretary of Party Committee of SAIC Motor Corporation Limited and general manager of passenger vehicle branch. He is currently director, president and vice secretary of Party Committee of SAIC Motor Corporation Limited.

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Zhong Li Xin	He served as assistant president, head of president office of SAIC Motor Corporation Limited; and assistant president, chairman of the labor union and head of president office of SAIC Motor Corporation Limited. He is currently employee representative director, chairman of the labor union and head of Party Committee office of SAIC Motor Corporation Limited.
Xie Rong	He served as vice dean of Shanghai National Accounting Institute. He is currently director of SAIC Motor Corporation Limited and professor of Shanghai National Accounting Institute.
Wang Fang Hua	He is a professor with a master degree of economics. He served as director of industrial economy teaching and research section of School of Management, assistant to dean of School of Management and director of department of business management of Fudan University, vice dean, general vice dean and dean of School of Management of Fudan University, dean of Antai College of Economics & Management of Shanghai Jiao Tong University. He is currently an independent director of SAIC Motor Corporation Limited and special adviser of Shanghai Jiao Tong University.
Tao Xin Liang	He is a professor with a master degree of management. He served as a section chief of research department of Shanghai University of Technology, deputy director of research department of Shanghai University of Technology, vice president and president of patents affairs bureau; deputy dean of Faculty of Humanities of Shanghai University Of Technology; deputy dean, executive deputy dean, and dean of Intellectual Property Academy of Shanghai University; Deputy dean of Law School of Shanghai University; Dean of Intellectual Property Academy of Tongji University. He currently serves as an independent director at SAIC Motor Corporation Limited, dean of Intellectual Property Academy of Dalian University of Technology and honorary dean of Intellectual Property Academy of Shanghai University.
Li Ruo Shan	He served as deputy director of Accounting Department of Economic College of Xiamen University, deputy dean of Economic College of Xiamen University; deputy dean of School of Management, director of accounting department and director of finance department of Fudan University; and independent directors of CPIC, Sinochem International and other listing companies. He currently serves as academic director of Professional Master of Accounting of School of Management of Fudan University, deputy president of Shanghai Institute of Accounting and Shanghai Institute of Audit, member of Shanghai SASAC and an independent director of SAIC Motor Corporation Limited.
Bian Bai Ping	He served as Secretary of Changning District. He is currently the chairman of board of supervisors of SAIC Motor Corporation Limited and Shanghai City Investment (Group) Co., Ltd.
Chen Wei Feng	He served as a party member and the chief of management department of party commission in SAIC Motor Corporation Limited). He currently serves as vice chairman, secretary of discipline inspection commission in Shanghai Motor Corporation Limited.
Hong Jin Xin	She served as the supervisor officer and supervisor officer in administrative audit business of Shanghai Municipal Audit Bureau and economic responsibility auditing. She currently serves as full-time supervisor in Shanghai Motor Corporation Limited, and vice researcher in economic responsibility auditing of Shanghai Municipal Audit Bureau.
Ma Long Ying (Note)	She served as vice chairman of labor union of Shanghai Automotive Industry Corporation (Group). She is currently the employee representative supervisor of SAIC Motor Corporation Limited.
Jiang Bao Xin	He served as the CFO of Shanghai Diesel Engine Co., Ltd and vice supervisor of audit office in Shanghai Motor Corporation Limited. He currently serves as employee representative supervisor and supervisor of audit office in Shanghai Motor Corporation Limited.
Zhou Lang Hui	He is currently vice president and vice secretary of Party Committee of SAIC Motor Corporation Limited.
Yu Jian Wei	He is currently vice president of SAIC Motor Corporation and secretary of Party Committee of Nanjing Automobile (Group) Corporation

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	concurrently.
Chen De Mei	He served as vice president of Shanghai Automotive Industry Corporation (Group). He is currently vice president of SAIC Motor Corporation Limited.
Wang Xiao Qiu	He served as general manager and vice secretary of Party Committee of Shanghai Diesel Engine Co., Ltd; vice chief economic engineer of SAIC Motor Corporation Limited, general manager of SGM. He is currently vice president of SAIC Motor Corporation Limited, general manager of passenger vehicle branch and director of technology center concurrently.
Shen Yang	He is currently the vice president of SAIC Motor Corporation Limited and general manager of SGMW.
Lan Qing Song	He served as vice manager of department of commercial vehicle of SAIC Motor Corporation Limited, general manager of SAIC Motor Commercial Vehicle Co., Ltd. and general manager of SAIC Maxus. He is currently general manager of department of commercial vehicle of SAIC Motor Corporation Limited and vice president of SAIC Motor Corporation Limited.
Cheng Jing Lei	He served as vice chief engineer and executive director of department of strategy and business planning of SAIC Motor Corporation Limited. He is currently the chief engineer of SAIC Motor Corporation Limited.
Wei Yong	He served as executive president of department of capital operation of SAIC Motor Commercial Vehicle Co., Ltd. He currently serves as acting CFO, head of board of directors office, general manager of security affairs department, general manager of finance affairs department of SAIC Motor Corporation Limited, general management of SAIC Motor HK Investment Co., Ltd., as well as general manager and security affairs representative of SAIC investment management Co., Ltd.
Wang Jian Zhang	She is currently secretary to the Board and executive director of Risk Management Department of SAIC Motor Corporation Limited.

Note: According to the Company's announcement on March 24, 2017, Mrs. Ma Long Ying, an employee representative supervisor of the Company, resigned the employee representative supervisor of the 6<sup>th</sup> Board of Directors of the Company.



Others

Applicable N/A

**(II) Information of incentive shares awarded to directors, supervisors and senior management during reporting period**

Applicable N/A

**II. Information of directors, supervisors and senior management in incumbent and outgoing in the reporting period****(I). Information of positions held in shareholders' entities**

Applicable N/A

Name	Name of shareholder entity	Position held	Starting date of term	Ending date of term
Chen Hong	Shanghai Automotive Industry Corporation (Group)	Board chairman	2014-10-16	2017-10-15
Chen Zhi Xin	Shanghai Automotive Industry Corporation (Group)	Director	2014-10-16	2016-12-20
Zhou Lang Hui	Shanghai Automotive Industry Corporation (Group)	Supervisor	2014-10-16	2017-10-15
Chen De Mei	Shanghai Automotive Industry Corporation (Group)	Director	2014-10-16	2017-10-15
Wei Yong	Shanghai Automotive Industry Corporation (Group)	Director	2016-9-29	2016-12-20
Gu Feng	Shanghai Automotive Industry Corporation (Group)	Director	2014-10-16	2016-9-28

**(II) Duties in other entities**

Applicable N/A

Name	Name of other entity	Position held	Starting date of term	Ending date of term
Chen Hong	HUAYU Automotive Systems Co., Ltd.	Chairman of the Board	2015-5-29	2018-5-28
Chen Zhi Xin	HUAYU Automotive Systems Co., Ltd.	vice president	2015-5-29	2018-5-28
Zhong Li Xin	HUAYU Automotive Systems Co., Ltd.	Director	2015-5-29	2018-5-28
Zhou Lang Hui	HUAYU Automotive Systems Co., Ltd.	Chairman of board of supervisors	2015-5-29	2018-5-28
Zhou Lang Hui	Shanghai Diesel Engine Co., Ltd.	Chairman of board of supervisors	2015-5-20	2018-5-19
Lan Qing Song	Shanghai Diesel Engine Co., Ltd.	Director	2015-5-20	2018-5-19
Jiang Bao Xin	Shanghai Diesel Engine Co., Ltd.	Supervisor	2015-5-20	2018-5-19

**III. Compensation of directors, supervisors and key management personnel**

Applicable N/A

Decision-making process of remuneration of directors supervisors and senior management	The allowance of independent directors shall be decided by the Board and subject to the approval of general meeting of shareholders. Each independent director may receive allowance of RMB100,000 and the necessary and reasonable costs arising from performing the duties shall be borne by the Company. The Company's non-independent directors shall not receive remuneration for the position of directors. The Company's supervisors shall not receive remuneration for the position of supervisors.
Basis for decision of remuneration of directors, supervisors and senior management	The remuneration is based on performance review of senior management according to the key performance indicators including the Company's operating performance and individual's performance.
Actual payment of remuneration of directors, supervisors and senior management	In 2016, according to <i>Incentive Fund Plan of Shanghai Motor Corporation Limited</i> approved by the 36 <sup>th</sup> session of the 4 <sup>th</sup> board of directors of the Company, the Company implemented <i>2015 Implementation Scheme for Incentive Fund Plan of Shanghai Motor Corporation Limited</i> as approved by 8 <sup>th</sup> session of the 6 <sup>th</sup> board of directors of the Company with detailed amount of incentive fund included in the total annual remuneration payable. Leaders of the Company have not participated in the 2015 incentive fund allocation as they should be subject to the remuneration regulations by Shanghai SASAC.
Total remuneration of directors supervisors and senior management received by the end of the reporting period	RMB13,882,900

**IV Alteration of directors, supervisors and key management personnel**

Name	Position	Changes	Reason for the change
Li Ru Shan	Independent director	Election	Elected at the Company's 2015 shareholders meeting
Sun Zheng	Independent director	Resignation	Resigned due to in compliance with relevant provisions by the Ministry of Education
Wei Yong	Acting CFO	Appointment	Appointed by the Board of Directors
Gu Feng	CFO	Resignation	Resigned for personal reasons
Zhang Hai Liang	Vice President	Resignation	Resigned for personal reasons

**V. Penalty by regulators in recent three years**

Applicable N/A

**VI. Information of the Company's employees****(I) Information of employees**

Amount of employees of parent company	8,589
Amount of employees of main subsidiaries	162,806
Total amount of employees on active duty	171,395
Retired employees whose expense is undertaken by parent company and main subsidiaries	44,869
Composition of employees by specialization	
<b>Areas of specialization</b>	<b>Headcounts (persons)</b>
Production personnel	1,431
Marketing and sales personnel	396
Engineering technical personnel	5,298
Finance and auditing personnel	146
Administrative personnel	556
Others	762
<b>Total</b>	<b>8,589</b>
Composition of employees by education level	
<b>Education level</b>	<b>Headcounts (persons)</b>
Postgraduate or above	3,035
University graduate	3,955
Secondary school diploma or below	1,599
<b>Total</b>	<b>8,589</b>

**(II) Remuneration policy**

The Company complies with relevant national labor laws and regulations strictly by establishing remuneration and welfare system, paying employees remuneration in full and on time and contributing to employee social insurance schemes. In the meantime, the Company has established salary growth mechanism, where the increase of employees' income is in line with labor productivity and operating performance, by determining annual salary adjustment program based on CPI index, enterprise salary guideline set by the local government, operating performance of the Company and the benchmark of the market.

The Company has explored diversified incentives, creating high performance and high motivated atmosphere. The Company has implemented incremental profit incentive plan to all staff to share the fruits of enterprise development; innovation incentive fund on technology and management for key employees to mobilize the initiative of core and mature talents; incentive fund plan to core talents. Meanwhile the Company has implemented key employee stock ownership plan, which improved the efficiency of retaining and motivating core talents.

**(III) Training plan**

The Company, focused on vision, mission and value to lead innovation and development, accelerates capability cultivation and vocational education for employees of SAIC Motor.

Firstly, the Company has reinforced the team construction of senior operation and management talents. The Company enriches knowledge structure of senior management personnel through "bi-week courses" for factory-level cadres, overseas training, young cadre training class, Seminar held by Tsinghua University specialized on innovation, large theory public lecture for reserve cadres and other approaches, to widen horizon., enrich idea, enhance ability and promote work efficiency.

Secondly, the Company has held induction training for new employees. The Company organizes 13 induction training for all university graduates newly employed by SAIC to help them understand SAIC cultures and set up group awareness.

Thirdly, the Company has cultivated professional technicians in a deep-going way. In 2016, through continuous education, the Company trained 17,000 automotive engineers and 2000 technicians of other professional fields such as accounting, internal audit and so on approximately. In 2016, one employee got a subsidy project from Shanghai Municipality for outstanding technical leaders, one obtained the young technology star project, and one won China Automobile Industry Talent Award in SAIC.

Fourthly, the Company has trained more skilled talents. The Company implements continuous education of technicians and organizes high-skilled personnel to participate in industry trainer training; holds more vocational skills competitions including 12 competitions and entries at various levels. In 2016, about 15,000 skilled personnel in SAIC passed vocational skills training and identification, achieving promotions regarding professional skills level, of which more than 1,000 people were promoted as senior workers. SAIC Motor has constructed a training base with a total construction area of about 35,500 square meters through continuously reinforced training base construction since it was approved as high-skilled personnel training base in 2011.

## Section IX Corporate Governance

### I. Corporate governance and related information

In accordance with laws and regulations including *Corporate Law*, *Securities Law*, *Code of Corporate Governance for Listed Companies*, *Stock Listing Rules of Shanghai Stock Exchange*, *Articles of Association* and relevant normative documents issued by CSRC and SSE, the Company, based on the establishment of governance system that guides the Company's sustainable development and satisfies the Company's production and operation, has insisted on standard operation, reinforced scientific governance and strict performance of disclosure obligation, as a way to develop the management of investor relations effectively and improve the Company's government and operation consecutively.

#### 1. Shareholders and general meeting of shareholders

During the reporting period, the Company strictly followed the relevant provisions of *Code of Corporate Governance for Listed Companies*, *Articles of Association* and *Rules of Procedure for General Meeting of Shareholders* to convene general meetings of shareholders, combine online voting with on-site voting, and to ensure that all shareholders have equal status and rights. At the same time, the Company commissioned an attorney to attend general meetings of shareholders to witness and verify meeting procedures, matters for deliberation and the identification of the attendants to ensure the validity of the general meetings of shareholders and the equal status and rights of all shareholders to exercise their rights. The Company held three annual general meetings of shareholders in year 2016, and please refer to "shareholders meeting review" for more details.

## 2. Directors and Board

There are seven directors of the Company including 1 external director (no other duty role in the Company except for director and is not an independent director) and 3 independent directors. Strategic committee, audit committee as well as nomination, remuneration and assessment committee are established under the Board of the Company, of which external directors and independent directors account for three fifths, and comprise audit committee and nomination, remuneration and assessment committee with the independent director acting as chairman of the committee. Nine Board meetings, one meetings of strategic committee, five meetings of audit committee and four meetings of nominations, remuneration and assessment committee were made during the reporting period. Special committee meetings play an important role in significant operation decision making including making 13<sup>th</sup> Five-year Plan strategy, reviewing periodic report, modifying proposed private offering share plans and preparing annual implementation scheme for incentive fund plan, supplementary election of independent directors, recruiting senior management, improving internal controls, supervising external audit entities etc.

During the reporting period, all the directors performed their obligations and duties in a faithful and diligent manner. They devoted continuous attention to the operation and management of the Company and actively participated in on-site interviews and investigations. On board meetings, they carefully deliberated on the proposals, carried out thorough discussion and exchange and made scientific decisions. No circumstances of violating against laws and regulations or the damaging the interests of the Company or shareholders were found.

## 3. Supervisors and board of supervisors

The Company's board of supervisors and supervisors have earnestly performed the supervisory and examination responsibilities endowed by the general meeting of shareholders in a spirit of being highly responsible for all the shareholders according to the provisions of the *Articles of Association and Rules of Procedure for the Board of Supervisors* and implemented effective supervision on the Company's operation, financial condition, internal control construction and duty-performing of directors and senior management. During the reporting period, the board of supervisors held 6 meetings for reviewing and supervising the Company's periodic reports, private offering of shares, internal control construction, use of raised-funds and related transaction, etc, aware of no circumstances of violation of laws and regulations or no damage to interests of the Company or shareholders.

## 4. Corporate governance system

During the reporting period, the Company continues to optimize the institutional system by amending the Administration Rules for Secretary of Board of Directors of the Company in accordance with the latest supervision requirement combining with the actual requirement of operation and management. The Company strictly executed related regulations to ensure orderly working regarding information disclosure, investors' relationships management, dividends distribution as well as fund raise and management. Meanwhile, the Company carries out registration management system for insiders to continue its good work in management including training, registering, reporting, and etc, to effectively maintain fair disclosure of company information.

## 5. Performance evaluation, incentive and restraining mechanism

The Company has selected managerial personnel according to the principle of ability and integrity, equality and fairness and implemented tenure system. In the meantime, the Company has established a performance evaluation and remuneration system which links remuneration of management with the Company's operating performance and individual's performance. Meanwhile, in order to improve the Company's operating performance continuously and to achieve sustainable development, the Company implemented "*The Incentive Fund Plan of the Company*" in year 2012. Considering the Company's operating results in prior year satisfy the implementation conditions of the incentive fund plan, the Board of Directors reviewed and approved the 2015 Implementation Scheme for Corporate Incentive Fund Plan.

## 6. Stakeholders

The Company has fully demonstrated due respect to maintain legal rights of stakeholders and actively perform social responsibilities to balance interest in shareholders, employee and society etc. to promote sustainable and healthy development of the Company eventually. (Please refer to the Company's social responsibility report in 2016)

## 7. Information disclosure and transparency

During the reporting period, the Company took initiative to work on investors' relationship in accordance with the requirements as set forth in *Investors Relationship Management System* and *Information Disclosure Management System*. During year 2016, the Company received 280 investment agents' visits, 1540 individual investors' visits and more than 1320 enquiry calls. In addition, 2 meetings for communication of financial performance and 34 attendance in investors communication meetings organized by security traders were organized to facilitate investors' understanding of the Company's operating results timely and accurately. Moreover, as an active participant in the "small-and-medium-scale investors closer to the listed company" activities, the Company organized small-and-medium-scale investors to visit vehicle enterprises and communication with them in internet, which has contributed good interactions with small-and-medium-scale investors

During the reporting period, the Company disclosed 4 periodic reports, made 50 temporary announcements, and made no announcement of correction, so that the investors could be informed of the true status of the Company on a timely, fair, accurate and comprehensive basis.

If corporate governance is different from related requirements of China Securities Regulatory Commission; if there is difference, specify the reason

Applicable N/A

## II. Brief introduction of Shareholders meeting

Sequence of the Meeting	Date	Designated index website of resolutions publicized	Disclosure date of resolutions
First temporary shareholders meeting in 2016	February 3, 2016	Shanghai Stock Exchange Website <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> Shanghai Stock	February 4, 2016
Shareholders meeting in 2015	May 26, 2016		

**III. General meeting of shareholders****(I) Attendance of directors in the meeting of Board of Directors and shareholder meeting**

Name of director	Independent director (yes or no)	Attendance of directors in board meetings						Attendance of directors in general meeting of shareholders
		Number of board meetings for attendance (Times)	Attended in person (Times)	Attended via communication tools (Times)	Attended by delegation (Times)	Absence (Times)	Absence twice consecutively (yes or no)	Number of attendance in general meeting of shareholders
Chen Hong	No	9	9	7	0	0	No	3
Chen Zhi Xin	No	9	9	7	0	0	No	1
Xie Rong	No	9	8	7	1	0	No	1
Zhong Li Xin	No	9	9	7	0	0	No	3
Wang Fang Hua	Yes	9	9	7	0	0	No	0
Tao Xin Liang	Yes	9	9	7	0	0	No	2
Li Ru Shan	Yes	5	5	4	0	0	No	0
Sun Zheng	Yes	4	4	3	0	0	No	1

Note: In December 2015, in accordance with relevant regulations by the Ministry of Education, independent director Sun Zheng requested to resign as the independent director. As independent director Sun Zheng's resignation will lead to the independent directors falling one-third less than members of the Board, Sun Zheng's resignation will not take effect until a new independent director is elected at shareholders meeting. On May 26, 2016, the Company selected Mr. Li Ru Shan as independent director of 6<sup>th</sup> board of directors in the shareholders meeting in 2015.

Statement of absence twice consecutively

None

Number of meetings of the Board	9
Including: Number of on-site meetings	2
Number of meetings via communication tools	7
Number of meetings on-	

### (III) Others

Establishment of sound work system for independent directors and performance of independent directors: Pursuant to laws and regulations including “Corporate Law”, “Guiding Opinion on Establishing Independent Director System by Listed Companies” and “Code of Corporate Governance for Listed Companies”, the Company established “Work System for Independent Directors and Work System for Independent Directors with Regard to Annual Reports”, which ensured independent directors' performance of their duties. During the reporting period, independent directors performed their duties of good faith and due diligence, took their roles in specialized committees actively and protected the interests of the Company and shareholders, in particular, of the minority shareholders. Independent directors actively participated in the Board meetings and specialized committees meetings, especially deepen their understandings of the Company's 13<sup>th</sup> “Five-Year Plan” strategy, conscientiously evaluated the implementation of inner control system, attentively researched annual implementation scheme of incentive fund plan, and proposed their recommendations for the Company's administration and long-term development, which can ensure consecutive improvement of corporate governance. During the reporting period, independent directors also expressed their independent opinions on election of directors, employment of senior management, external guarantees, related transactions, private offering of shares and other significant matters. During the preparation of the annual report, independent directors communicated with finance department, internal audit office and statutory auditor of the Company according to “Work System for Independent Directors with Regards to Annual Reports”.

### IV. Important comments and suggestions made by specialized committees under the Board when performing their duties during the reporting period, any disagreement should be disclosed with details.

During the reporting period, the Strategic Committee of the Board held 1 conferences to mainly review important matters including the Company's 13<sup>th</sup> “Five-year Plan” strategy, establishment of financial investment management platform and so on. The Strategic Committee, in the process of reviewing and approving the 13<sup>th</sup> “Five-year Plan” Strategy of SAIC Motor, considered the 13th “Five-year Plan” strategy is significant to guide the Company's future five-year development. Therefore, the Company was suggested to pay great attentions to the reorganization tendency in value chain of automotive industry and reinforce research and plan on emerging businesses.

Audit committee of the Board held 5 meetings to mainly review important matters including regularly reviewing financial reports, assessing external audit institutions, guiding internal audit work, and inspecting effectiveness of internal control. When reviewing the *Report for 2015 Annual Report Audit Work from Deloitte*, the audit committee proposed that it was urgent to study effects of variation tendency of domestic and foreign accounting standards on the Company's financial statements, and try to establish an unverified fund management platform meanwhile as to reinforce financial management to overseas companies.

The Company's Nomination, Performance and Assessment convened 4 meetings to review important matters including supervising implementation of remuneration system, reviewing annual implementation scheme for incentive fund plan, reviewing senior management applications, and so on. While reviewing the Proposal to 2015 Implementation Scheme for Corporate Incentive Fund Plan, the Nomination, Performance and Assessment suggested to gradually improve incentive system of the Company to enlarge its coverage and dynamics and engage in preparation work for research for a new round incentive schemes.

### V. Illustration about the risks of the Company identified by board of supervisors

Applicable      N/A



**VI. Declaration on whether the Company is independent from the controlling shareholder on business, personnel, assets, organization and finance and whether it can keep independent operating abilities**

Applicable N/A

Resolutions, work schedules and subsequent working plan for peer rivalry

Applicable N/A

**VII. The establishment and execution of evaluation and incentive system for senior management during the reporting period**

Applicable N/A

(I) *Performance Assessment Plan for Management in SAIC Motor Corporation Limited* is to be prepared to assess performance of senior management.

(II) Board of directors approved *2015 Implementation Scheme for Incentive Fund Plan of SAIC Motor Corporation Limited*, and implemented after the annual general meeting approved the annual report.

**VIII. If the Company release self-assessment report on internal control or not**

Applicable N/A

In accordance with internal control system and evaluation method, the Company evaluated effectiveness of internal control on December 31, 2016 (reference date of internal control evaluation report) based on regular and special supervision on internal control and then drew an internal control self-assessment report. The financial statement is free from significant deficiency regarding internal control at the reference date of internal control evaluation report based on assertions made on internal control of the Company. Directors believe that the Company has successfully maintained effective internal control in all aspects in accordance with relevant requirements and internal control system of enterprise. Please refer to *Internal Control Evaluation Report of SAIC Motor Corporation Limited in 2016* published on Shanghai Stock Exchange website on the same issuing day of this report for more details.

Explanations of significant deficiency in internal control during the reporting period

Applicable N/A

**IX. Auditors' report on internal control**

Deloitte Touche Tohmatsu Certified Public Accountants LLP issued "Auditors' Report on Internal Control of SAIC Motor Corporation Limited" (De Shi Bao (Shen) Zi (17) No. S00109). For details, please refer to relevant announcements of the Company.

If the Company release internal control report or not: Yes

**X. Others**

Applicable N/A

**Section X Circumstances about Corporate Bonds**

Applicable N/A

## Section XII List of Documents Available For Inspection

List of Documents Available For Inspection	Financial statements with signatures of legal person, responsible person of accounting professional and accountant in charge
List of Documents Available For Inspection	Auditor report with signatures of accounting firm and certificated accountants
List of Documents Available For Inspection	Announcement and document released on paper of CSRC during reporting period

Board of Directors: Chen Hong

Date of Approval by the board: April 6, 2017

Other revised information

Not Applicable

SAIC MOTOR CORPORATION LIMITED

Financial Statements and Auditors' Report  
For the Year Ended December 31, 2016

SAIC MOTOR CORPORATION LIMITED

FINANCIAL STATEMENTS AND AUDITORS' REPORT  
For the Year Ended December 31, 2016

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## AUDITOR'S REPORT

De Shi Bao (Shen) Zi (17) No. P00888

To the shareholders of SAIC Motor Corporation Limited:

We have audited the accompanying financial statements of SAIC Motor Corporation Limited ("SAIC Motor"), which comprise the consolidated and the company's balance sheets as of December 31, 2016, and the consolidated and the company's income statements, the consolidated and the company's statements of changes in shareholders' equity and the consolidated and the company's cash flow statements for the year then ended, and the notes to the financial statements.

### **1. Management's responsibility for the financial statements**

Management of SAIC Motor is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises to achieve fair presentation of the financial statements. (2) designing, implementing and maintaining internal control that is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

### **2. Auditor's responsibility**

Our responsibility is to express our audit opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. China Standards on Auditing require that we comply with the Code of Ethics for Chinese Certified Public Accountants and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. While making those risk assessments, the certified public accountants consider the internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. 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.

## AUDITOR'S REPORT - continued

De Shi Bao (Shen) Zi (17) No. P00888

### 3. Opinion

In our opinion, the consolidated and the company's financial statements of SAIC Motor present fairly, in all material respects, the financial position of SAIC Motor as of December 31, 2016, and the consolidated and the company's results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

Deloitte Touche Tohmatsu  
Certified Public Accountants LLP  
Shanghai, China

Chinese Certified Public Accountant  
Yuan Shouqing  
Ma Tiantian  
March 31, 2017

*The auditors' report and the accompanying financial statements are English translations of the Chinese auditors' report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.*

DECEMBER 31, 2016

## Consolidated Balance Sheet

Unit: RMB

Item	Notes	December 31, 2016	December 31, 2015
<b>Current assets:</b>			
Cash and bank balances	(VI)1	105,932,535,526.29	72,672,666,192.62
Financial assets at fair value through profit or loss	(VI)2	1,559,753,224.57	1,221,103,619.65
Notes receivable	(VI)3	30,038,463,383.46	36,273,968,771.39
Accounts receivable	(VI)4	30,662,080,933.17	29,332,370,952.75
Prepayments	(VI)5	20,529,658,025.70	13,388,651,691.99
Interest receivable		330,661,934.30	382,043,515.93
Dividends receivable	(VI)6	1,622,991,754.82	1,597,857,015.27
Other receivables	(VI)7	6,960,725,526.23	5,080,900,116.77
Financial assets purchased under resale agreements	(VI)8	978,112,755.49	-
Inventories	(VI)9	37,039,781,805.92	37,243,441,948.98
Assets classified as held for sale		-	27,459,029.83
Non-current assets due within one year	(VI)10	52,837,948,607.91	29,213,526,240.21
Other current assets	(VI)11	42,452,846,627.08	44,821,975,435.22
<b>Total current assets</b>		<b>330,945,560,104.94</b>	<b>271,255,964,530.61</b>
<b>Non-current assets:</b>			
Loans and advances	(VI)12	46,220,053,713.07	34,676,090,843.68
Available-for-sale financial assets	(VI)13	50,484,749,497.34	65,495,009,648.25
Long-term receivables	(VI)14	1,957,243,976.67	801,879,818.41
Long-term equity investments	(VI)15	62,677,189,671.79	59,019,671,405.86
Investment properties	(VI)16	2,546,831,984.39	2,684,961,353.45
Fixed assets	(VI)17	47,053,906,445.66	38,690,585,922.68
Construction in progress	(VI)18	13,266,057,505.24	11,856,268,860.79
Intangible assets	(VI)19	10,794,050,663.91	8,360,918,797.39
Development expenditure	(VI)20	2,391,298.20	4,298,394.04
Goodwill	(VI)21	668,658,526.45	463,459,170.13
Long-term deferred expenses	(VI)22	1,542,669,098.09	1,286,897,910.97
Deferred tax assets	(VI)23	20,852,244,252.47	16,991,606,228.73
Other non-current assets	(VI)24	1,616,530,785.83	1,368,345,230.79
<b>Total non-current assets</b>		<b>259,682,577,419.11</b>	<b>241,699,993,585.17</b>
<b>TOTAL ASSETS</b>		<b>590,628,137,524.05</b>	<b>512,955,958,115.78</b>

DECEMBER 31, 2016

## Consolidated Balance Sheet - Continued

Unit: RMB

Item	Notes	December 31, 2016	December 31, 2015
<b>Current liabilities:</b>			
Short-term borrowings	(VI)25	8,728,150,584.10	4,908,346,545.97
Customer deposits and deposits from banks and other financial institutions	(VI)26	43,145,588,464.38	44,384,484,259.05
Loans from banks and other financial institutions	(VI)27	27,400,000,000.00	23,429,657,800.31
Financial liabilities at fair value through profit or loss	(VI)28	-	7,486,291.00
Notes payable	(VI)29	11,740,912,162.92	7,282,802,230.82
Accounts payable	(VI)30	104,730,635,798.55	99,034,578,618.58
Receipts in advance	(VI)31	22,675,737,991.07	18,317,063,798.28
Financial assets sold under repurchase agreements		49,999,900.00	-
Employee benefits payable	(VI)32	10,154,726,765.87	8,406,294,056.51
Taxes payable	(VI)33	13,913,799,886.15	8,692,447,359.26
Interest payable		445,071,370.07	230,220,570.51
Dividends payable	(VI)34	255,265,008.62	448,541,726.94
Other payables	(VI)35	45,367,709,948.89	38,646,826,463.17
Non-current liabilities due within one year	(VI)36	8,673,620,748.14	4,974,248,176.38
Other current liabilities	(VI)37	200,154,593.51	230,091,563.68
<b>Total current liabilities</b>		<b>297,481,373,222.27</b>	<b>258,993,089,460.46</b>
<b>Non-current liabilities:</b>			
Long-term borrowings	(VI)38	4,285,992,305.58	1,398,811,144.23
Bonds payable	(VI)39	14,160,128,076.50	8,208,109,400.04
Long-term payable		184,416,188.05	12,010,354.00
Long-term employee benefits payable	(VI)40	6,309,621,019.47	6,018,478,333.05
Special payable	(VI)41	824,105,091.72	902,125,492.72
Provisions	(VI)42	12,238,453,168.78	9,869,134,713.81
Deferred income	(VI)43	17,836,094,586.61	13,803,658,069.28
Deferred tax liabilities	(VI)23	2,211,579,861.31	2,833,255,427.98
<b>Total non-current liabilities</b>		<b>58,050,390,298.02</b>	<b>43,045,582,935.11</b>
<b>TOTAL LIABILITIES</b>		<b>355,531,763,520.29</b>	<b>302,038,672,395.57</b>
<b>SHAREHOLDERS' EQUITY:</b>			
Share capital	(VI)44	11,025,566,629.00	11,025,566,629.00
Capital reserve	(VI)45	39,807,249,252.90	38,939,769,815.73
Other comprehensive income	(VI)46	9,966,472,713.03	10,916,793,233.73
Special reserve		335,356,348.86	275,789,416.38
Surplus reserve	(VI)47	32,254,579,593.08	26,728,261,764.70
General risk reserve		1,738,792,163.43	844,919,712.17
Retained earnings	(VI)48	96,792,960,860.43	86,397,638,086.22
<b>Total shareholders' equity attributable to shareholders of the Company</b>		<b>191,920,977,560.73</b>	<b>175,128,738,657.93</b>
Minority interests		43,175,396,443.03	35,788,547,062.28
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>235,096,374,003.76</b>	<b>210,917,285,720.21</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>590,628,137,524.05</b>	<b>512,955,958,115.78</b>

The accompanying notes form part of the financial statements.

The financial statements on pages 3 to 130 were signed by the following:

Head of the Company

Chief Financial Officer

Head of Accounting Department



DECEMBER 31, 2016

## Balance Sheet of the Company

Unit: RMB

Item	Notes	December 31, 2016	December 31, 2015
<b>Current assets:</b>			
Cash and bank balances		55,541,206,630.65	53,896,855,196.85
Notes receivable	(XV)1	2,363,400,812.00	2,064,855,456.00
Accounts receivable	(XV)2	823,392,904.40	838,938,654.90
Prepayments		313,917,621.52	235,168,640.76
Interest receivable		442,731,121.17	582,762,654.73
Dividends receivable		1,191,890,107.96	1,393,127,747.64
Other receivables	(XV)3	1,309,158,264.18	1,123,787,791.35
Inventories	(XV)4	1,963,030,745.72	1,686,337,023.61
Non-current assets due within one year		-	464,000,000.00
Other current assets		2,750,028,980.15	2,646,545,079.90
<b>Total current assets</b>		<b>66,698,757,187.75</b>	<b>64,932,378,245.74</b>
<b>Non-current assets:</b>			
Available-for-sale financial assets	(XV)5	10,646,215,752.00	7,775,944,851.05
Long-term equity investments	(XV)6	97,435,336,309.14	87,047,436,773.87
Investment properties	(XV)7	300,437,834.77	310,977,948.29
Fixed assets	(XV)8	4,615,196,962.72	3,991,148,046.26
Construction in progress	(XV)9	511,542,527.73	764,034,160.92
Intangible assets	(XV)10	1,357,491,250.40	1,399,393,378.74
Development expenditure	(XV)10	-	-
Other non-current assets		12,166,816,125.13	7,595,536,291.58
<b>Total non-current assets</b>		<b>127,033,036,761.89</b>	<b>108,884,471,450.71</b>
<b>TOTAL ASSETS</b>		<b>193,731,793,949.64</b>	<b>173,816,849,696.45</b>

DECEMBER 31, 2016

## Balance sheet of the Company - Continued

Unit: RMB

Item	Notes	December 31, 2016	December 31, 2015
<b>Current liabilities:</b>			
Short-term borrowings		500,000,000.00	-
Accounts payable		15,855,274,854.57	10,077,574,279.58
Receipts in advance		1,388,133,388.31	1,383,138,953.65
Employee benefits payable	(XV)11	2,526,191,281.11	2,036,723,433.58
Taxes payable		532,019,418.47	81,819,053.93
Other payables		1,855,010,583.86	2,226,473,576.34
Non-current liabilities due within one year	(XV)12	569,797,570.00	249,019,844.71
<b>Total current liabilities</b>		<b>23,226,427,096.32</b>	<b>16,054,749,141.79</b>
<b>Non-current liabilities:</b>			
Long-term employee benefits payable	(XV)13	3,729,383,850.39	3,339,937,865.69
Special payables	(XV)14	822,960,091.72	863,767,352.72
Provisions	(XV)15	1,342,327,510.96	1,238,399,125.71
Deferred income	(XV)16	527,301,786.46	486,400,776.62
Deferred tax liabilities	(XV)17	402,317,976.24	421,477,341.10
<b>Total non-current liabilities</b>		<b>6,824,291,215.77</b>	<b>6,349,982,461.84</b>
<b>TOTAL LIABILITIES</b>		<b>30,050,718,312.09</b>	<b>22,404,731,603.63</b>
<b>SHAREHOLDERS' EQUITY:</b>			
Share capital		11,025,566,629.00	11,025,566,629.00
Capital reserve	(XV)18	50,924,492,456.98	50,924,492,456.98
Other comprehensive income	(XV)19	2,827,492,771.52	3,195,353,753.27
Surplus reserve		32,254,579,593.08	26,728,261,764.70
Retained earnings		66,648,944,186.97	59,538,443,488.87
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>163,681,075,637.55</b>	<b>151,412,118,092.82</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>193,731,793,949.64</b>	<b>173,816,849,696.45</b>

The accompanying notes form part of the financial statements.

DECEMBER 31, 2016

## Consolidated Income Statement

Unit: RMB

Item	Notes	Year Ended December 31, 2016	Year Ended December 31, 2015
<b>I. Total operating income</b>		756,416,165,065.29	670,448,223,139.34
Including: Operating income	(VI)49	746,236,741,228.56	661,373,929,792.65
Interest income	(VI)50	9,117,963,901.15	8,295,161,232.11
Fee and commission income	(VI)51	1,061,459,935.58	779,132,114.58
Less: Total operating costs		738,563,673,025.25	656,253,568,393.27
Including: Operating costs	(VI)49	650,218,105,936.37	585,832,883,216.26
Interest expenses	(VI)50	2,118,097,016.20	2,347,899,980.15
Fee and commission expenses	(VI)51	67,820,339.84	44,605,113.33
Taxes and levies	(VI)52	7,520,718,033.98	6,544,198,929.46
Selling expenses	(VI)53	47,503,416,645.57	35,537,515,509.27
Administrative expenses	(VI)54	28,258,363,189.63	23,329,485,273.44
Financial expenses	(VI)55	(332,319,541.95)	(231,192,097.17)
Impairment losses of assets	(VI)56	3,209,471,405.61	2,848,172,468.53
Add: Gain (loss) from changes in fair values	(VI)57	(10,023,468.92)	(285,516,870.56)
Investment income	(VI)58	30,572,263,291.07	29,663,134,420.97
Including: Income from investments in associates and JCEs		27,751,499,506.33	26,631,281,828.54
Foreign exchange gains		18,271,097.34	15,758,109.29
<b>II. Operating Profit</b>		48,433,002,959.53	43,588,030,405.77
Add: Non-operating income	(VI)59	3,313,765,181.06	3,666,663,216.93
Including: Gains from disposal of non-current assets		369,860,085.83	130,869,909.39
Less: Non-operating expenses	(VI)60	1,254,310,678.05	1,445,017,136.44
Including: Losses from disposal of non-current assets		216,270,785.25	385,789,730.40
<b>III. Total profit</b>		50,492,457,462.54	45,809,676,486.26
Less: Income tax expenses	(		

DECEMBER 31, 2016

## Income Statement of the Company

Unit: RMB

Item	Notes	Year Ended December 31, 2016	Year Ended December 31, 2015
<b>I. Operating income</b>	(XV)20	33,523,982,028.22	17,007,469,320.41
Less: Operating costs	(XV)20	27,908,021,210.00	15,638,660,056.78
Taxes and levies		713,154,833.78	400,441,079.30
Selling expenses		4,229,523,960.44	2,643,246,645.61
Administrative expenses		6,759,056,672.18	5,889,424,398.40
Financial expenses		(1,232,286,841.92)	(1,323,292,047.16)
Impairment losses of assets	(XV)21	246,009,777.41	1,120,503,033.68
Add: Investment income	(XV)22	32,446,515,522.96	30,934,319,046.09
Including: Income from investments in associates and JCEs		23,046,941,236.04	22,024,257,822.65
<b>II. Operating profit</b>		27,347,017,939.29	23,572,805,199.89
Add: Non-operating income		337,895,705.32	1,083,785,133.86
Including: Gains from disposal of non-current assets		18,639.48	185,123,580.06
Less: Non-operating expenses		53,324,502.69	196,091,048.97
Including: Losses from disposal of non-current assets		1,086,187.34	6,338,958.38
<b>III. Total profit</b>		27,631,589,141.92	24,460,499,284.78
Less: Income tax expenses		-	-
<b>IV. Net Profit</b>		27,631,589,141.92	24,460,499,284.78
<b>V. Other comprehensive income (loss), net of tax</b>		(367,860,981.75)	430,237,141.74
(I) Other comprehensive income (loss) that will not be reclassified subsequently to profit or loss		(334,724,093.58)	(113,665,129.31)
1.Changes in net liabilities or net assets due to remeasurement of defined benefit plans		(334,724,093.58)	(113,665,129.31)
(II) Other comprehensive income (loss) that may be reclassified subsequently to profit or loss		(33,136,888.17)	543,902,271.05
1. Shares of other comprehensive income that may be reclassified subsequently to profit or loss of invested entities under equity method in future		75,432,846.02	29,672,456.00
2. Changes in fair value of available-for-sale financial assets		(108,569,734.19)	514,229,815.05
<b>VI. Total comprehensive income</b>		27,263,728,160.17	24,890,736,426.52

The accompanying notes form part of the financial statements.



## Cash Flow Statement of the Company

Unit: RMB

Item	Notes	Year Ended December 31, 2016	Year Ended December 31, 2015
<b>I. Cash flow from operating activities:</b>			
Cash receipts from the sale of goods and rendering of services		38,052,265,317.38	20,231,228,325.19
Other cash receipts relating to operating activities		1,615,152,421.88	2,256,750,827.09
<b>Sub-total cash inflow from operating activities</b>		<b>39,667,417,739.26</b>	<b>22,487,979,152.28</b>
Cash payments for goods purchased and services rendered		26,343,886,833.35	14,628,684,928.65
Cash payments to and on behalf of employees		2,986,336,223.28	2,585,902,282.17
Payments of various types of taxes		660,325,762.55	410,716,525.43
Other cash payments relating to operating activities		7,472,027,086.69	5,416,433,825.44
<b>Sub-total cash outflow relating to operating activities</b>		<b>37,462,575,905.87</b>	

## Consolidated Statement of Changes in Shareholders' Equity

Unit: RMB

Item	Shareholders' equity attributable to shareholders of the Company							Minority interests	Total shareholders' equity
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	General risks reserve	Retained earnings		
Balance as of January 1, 2016	11,025,566,629.00	38,939,769,815.73	10,916,793,233.73	275,789,416.38	26,728,261,764.70	844,919,712.17	86,397,638,086.22	175,128,738,657.93	210,917,285,720.21
Changes during the year	-	867,479,437.17	(950,320,520.70)	59,566,932.48	5,526,317,828.38	893,872,451.26	10,395,322,774.21	16,792,238,902.80	24,179,088,283.55
(I) Total comprehensive income	-	-	(950,320,520.70)	-	-	-	32,008,610,688.65	31,058,290,167.95	42,957,181,661.76
(II) owners' contribution	-	-	-	-	-	-	-	5,688,827,866.09	5,688,827,866.09
(III) Profit distribution	-	691,909.88	-	-	5,526,317,828.38	893,872,451.26	(21,613,287,914.44)	(15,192,405,724.92)	(24,454,333,541.45)
1. Appropriation of surplus reserve	-	-	-	-	5,526,317,828.38	-	(5,526,317,828.38)	-	-
2. Distribution to shareholders	-	-	-	-	-	-	(14,994,770,615.44)	(14,994,770,615.44)	(9,032,296,312.50)
3. Appropriation to general risk reserve	-	-	-	-	-	893,872,451.26	(893,872,451.26)	-	-
4. Others	-	691,909.88	-	-	-	-	(198,327,019.36)	(197,635,109.48)	(427,266,613.51)
(IV) Special reserve	-	-	-	59,566,932.48	-	-	-	59,566,932.48	69,185,970.30
1. Provision for special reserve	-	-	-	89,562,781.54	-	-	-	89,562,781.54	114,152,662.90
2. Use of special reserve	-	-	-	(29,995,849.06)	-	-	-	(29,995,849.06)	(44,966,692.60)
(V) Others	-	866,787,527.29	-	-	-	-	-	866,787,527.29	(81,773,673.15)
1. Changes due to changes in the scope of consolidation during the year	-	-	-	-	-	-	-	16,719,684.40	16,719,684.40
2. Changes due to changes of proportion of capital contribution to subsidiaries during the year	-	811,774,445.98	-	-	-	-	-	811,774,445.98	(41,635,980.00)
3. Others	-	55,013,081.31	-	-	-	-	-	55,013,081.31	(56,857,377.55)
Balance as of December 31, 2016	11,025,566,629.00	39,807,249,252.90	9,966,472,713.03	335,356,348.86	32,254,579,593.08	1,738,792,163.43	96,792,960,860.43	191,920,977,560.73	235,096,374,003.76

YEAR ENDED DECEMBER 31, 2016

## Consolidated Statement of Changes in Shareholders' Equity - Continued

Unit: RMB

Item	Shareholders' equity attributable to shareholders of the Company								Minority interests	Total shareholders' equity
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	General risks reserve	Retained earnings	Sub-total		
Balance as of January 1, 2015	11,025,566,629.00	37,986,599,121.54	9,703,495,421.66	181,962,263.44	21,836,161,907.74	844,919,712.17	76,085,680,916.97	157,664,385,972.52	27,334,691,042.39	184,999,077,014.91
Changes during the year	-	953,170,694.19	1,213,297,812.07	93,827,152.94	4,892,099,856.96	-	10,311,957,169.25	17,464,352,685.41	8,453,856,019.89	25,918,208,705.30
(I) Total comprehensive income	-	-	1,213,297,812.07	-	-	-	29,793,790,723.65	31,007,088,535.72	10,108,253,231.64	41,115,341,767.36
(II) Owners' contribution	-	-	-	-	-	-	-	-	731,025,925.94	731,025,925.94
(III) Profit distribution	-	1,641,152.55	-	-	4,892,099,856.96	-	(19,481,833,554.40)	(14,588,092,544.89)	(8,899,227,681.13)	(23,487,320,226.02)
1. Appropriation of surplus reserve	-	-	-	-	4,892,099,856.96	-	(4,892,099,856.96)	-	-	-
2. Distribution to shareholders	-	-	-	-	-	-	(14,333,236,617.70)	(14,333,236,617.70)	(8,644,162,539.85)	(22,977,399,157.55)
3. Others	-	1,641,152.55	-	-	-	-	(256,497,079.74)	(254,855,927.19)	(255,065,141.28)	(509,921,068.47)
(IV) Special reserve	-	-	-	93,827,152.94	-	-	-	93,827,152.94	(190,588.71)	93,636,564.23
1. Provision for special reserve	-	-	-	96,313,710.21	-	-	-	96,313,710.21	3,364,228.93	99,677,939.14
2. Use of special reserve	-	-	-	(2,486,557.27)	-	-	-	(2,486,557.27)	(3,554,817.64)	(6,041,374.91)
(V) Others	-	951,529,541.64	-	-	-	-	-	951,529,541.64	6,513,995,132.15	7,465,524,673.79
1. Changes due to changes in the scope of consolidation during the year	-	-	-	-	-	-	-	-	4,718,647,016.24	4,718,647,016.24
2. Changes due to changes of proportion of capital contribution to subsidiaries during the year	-	938,708,711.25	-	-	-	-	-	938,708,711.25	1,789,807,776.81	2,728,516,488.06
3. Others	-	12,820,830.39	-	-	-	-	-	12,820,830.39	5,540,339.10	18,361,169.49
Balance as of December 31, 2015	11,025,566,629.00	38,939,769,815.73	10,916,793,233.73	275,789,416.38	26,728,261,764.70	844,919,712.17	86,397,638,086.22	175,128,738,657.93	35,788,547,062.28	210,917,285,720.21



Statement of Changes in Shareholders' Equity of the Company

Unit: RMB

Item	Share capital	
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## Statement of Changes in Shareholders' Equity of the Company - Continued

Unit: RMB

Item	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total shareholders' equity
Balance as of January 1, 2015	11,025,566,629.00	50,924,492,456.98	2,765,116,611.53	21,836,161,907.74	54,303,280,678.75	140,854,618,284.00
Changes during the year	-	-	430,237,141.74	4,892,099,856.96	5,235,162,810.12	10,557,499,808.82
(I) Total comprehensive income	-	-	430,237,141.74	-	24,460,499,284.78	24,890,736,426.52
(II) Profit distribution	-	-	-	4,892,099,856.96	(19,225,336,474.66)	(14,333,236,617.70)
1. Appropriation of surplus reserve	-	-	-	4,892,099,856.96	(4,892,099,856.96)	-
2. Distribution to shareholders	-	-	-	-	(14,333,236,617.70)	(14,333,236,617.70)
<b>Balance as of December 31, 2015</b>	11,025,566,629.00	50,924,492,456.98	3,195,353,753.27	26,728,261,764.70	59,538,443,488.87	151,412,118,092.82

**I. GENERAL**

SAIC Motor Corporation Limited (hereinafter referred to as the “Company”) is a stock limited company exclusively initiated by Shanghai Automotive Industry Corporation (Group) (hereinafter referred to as “SAIC”) as approved by [1997] No.41 issued by Shanghai Municipal People’s Government and by Hu Zheng Si [1997] No.104 issued by Shanghai Securities Management Office in August, 1997. The Company received the legal entity business license with Registration No. 310000000000840, and the operating period is infinite. On

SAIC MOTOR CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

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**I. GENERAL - continued**

As of December 31, 2016, the Company's total share capital was RMB 11,025,566,629.00 in 11,025,566,629 shares, of which SAIC held 8,191,449,931 shares, accounting for 74.30% of the total shares, Yuejin held 413,919,141 shares, accounting for 3.75% of the total shares, SIG held 197,012,346 shares, accounting for 1.79% of the total shares, and other public shareholders held 2,223,185,211 shares, accounting for 20.16% of the total shares.

Business scope of the Company includes manufacturing and sales of automobiles, motorcycles, tractors and other motor vehicles, and power trains and automobile parts, domestic trading (except those under special provisions), advisory services, export of self-manufactured products and technology, import of machinery and equipment, spare parts, raw and supplementary materials, and technology needed in the business operating (except goods and technology forbidden to import and export by Chinese government), rental of cars and machinery and equipment, industrial investment, periodical publishing, advertisements in the Company's own media, import and export business of goods and technology (Any project that requires to be approved by law can only be carried out after approval by relevant authorities).

The Company's parent company is SAIC, which is a state-owned enterprise supervised by Shanghai SASAC.

Refer to Note (VIII) "interests in other entities" for details of the scope of consolidated financial statements of the year. Refer to note (VII) "Changes in the scope of consolidation" for details of changes in the scope of consolidation during the year.

**II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") adopt Accounting Standards for Business Enterprises (hereinafter referred to as "ASBE") and other related regulations issued by the Ministry of Finance of the People's Republic of China. In addition, the Group discloses financial information in accordance with "Information Disclosure and Preparation and Reporting Rules for Companies Offering Securities to the Public No. 15 - General Provisions on Financial Reporting (Revised in 2014)".

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**

**1. Statement of compliance with ASBE**

The financial statements of the Company have been prepared in accordance with ASBE, and present truly and completely, the consolidated and the Company's financial position as of December 31, 2016, and the consolidated and the Company's results of operations and cash flows for the year then ended.

**2. Basis of accounting and principle of measurement**

The Group has adopted the accrual basis of accounting. Except for certain financial instruments which are measured at fair value, the Company has adopted the historical cost as the principle of measurement of the financial statements. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

Under the basis of historical cost, assets are measured by amount of cash or cash equivalents paid for purchase or fair value of paid consideration. Liabilities are measured by funds or amount of assets received by current obligation or amount of contract, or anticipated cash and cash equivalents paid for repayment of liabilities in daily routines.

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, regardless of whether that price is directly observable or estimated using another valuation technique. Fair value for measurement and disclosure purposes in the financial statements is determined on such a basis.

SAIC MOTOR CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

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### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

#### 6. Business combination and preparation of consolidated financial statements - continued

##### 6.2 Business combination not involving enterprises under common control and goodwill

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. Where a business combination not involving enterprises under common control is achieved in stages that involve multiple transactions, the cost of combination is the sum of the consideration paid at the acquisition date and the fair value at the acquisition date of the acquirer's previously held interest in the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities, acquired by the acquirer in a business combination, that meet the recognition criteria shall be measured at fair value at the acquisition date.

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognized as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognizes the remaining difference immediately in profit or loss for the current period.

Goodwill arising on a business combination is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements.

##### 6.3 Preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control is the power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns. If changes of related facts and situations lead to changes of related elements of control, the Group will undertake reassessment.

The combination of subsidiaries begins with controlling the subsidiary by the Group, and ends with the Group's losing control of the subsidiary.

For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**6. Business combination and preparation of consolidated financial statements - continued**

6.3 Preparation of consolidated financial statements - continued

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control or the party being absorbed under merger by absorption are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company.

All significant intra-group balances and transactions are eliminated on consolidation.

The portion of subsidiaries' equity that is not attributable to the Company is treated as minority interests and presented as "minority interests" in the consolidated balance sheet within shareholders' equity. The portion of net profits or losses of subsidiaries for the period attributable to minority shareholders is presented as "minority interests" in the consolidated income statement below the "net profit" line item.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount are still allocated against minority interests.

Acquisition of minority interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the Company's interests and minority interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the minority interests are adjusted and the fair value of the consideration paid or receipts is adjusted to capital reserve under shareholders' equity. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained earnings.

For the stepwise acquisition of equity interest till acquiring control after a few transactions and leading to business combination not under common control, this should be dealt with for whether this belongs to 'package deal': if it belongs to 'a bundled transaction', transactions will be dealt as transaction to acquire control. If it does not belong to 'a bundled transaction', transactions to acquire control on acquisition date will be under accounting treatment, the fair value of acquiree's shares held before acquisition date will be revalued, and the difference between fair value and book value will be recognized in profit or loss of current period; if acquiree's shares held before acquisition date involve in changes of other comprehensive income and other equity of owners under equity method, this will be transferred to income of acquisition date.

When the Group loses control over a subsidiary due to disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognized as investment income in the period in which control is lost, and goodwill is offset at the same time. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.



**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**6. Business combination and preparation of consolidated financial statements - continued**

**6.3 Preparation of consolidated financial statements - continued**

When the Group loses control of a subsidiary in two or more arrangements (transactions), terms and conditions of the arrangements (transactions) and their economic effects are considered. One or more of the following

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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**8. Recognition criteria of 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.

**9. Translation of transactions and financial statement denominated in foreign currencies**

9.1 Transactions denominated in foreign currencies

A foreign currency transaction is recorded, on initial recognition, by applying the spot exchange rate on the date of the transaction.

At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognized in profit or loss for the period, except that (i) exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalization are capitalized as part of the cost of the qualifying asset during the capitalization period, (ii) exchange differences related to hedging instruments for the purpose of hedging against foreign currency risks are accounted for using hedge accounting, (iii) exchange differences arising from available-for-sale non-monetary items (such as shares) denominated in foreign currencies and changes in the carrying amounts (other than the amortized cost) of available-for-sale monetary items are recognized as other comprehensive income.

When the consolidated financial statements include foreign operation(s), if there is foreign currency monetary item constituting a net investment in a foreign operation, exchange difference arising from changes in exchange rates are recognized as “exchange differences arising on translation of financial statements denominated in foreign currencies” in other comprehensive income, and in profit and loss for the period upon disposal of the foreign operation.

Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions and the amounts in functional currency remain unchanged. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Difference between the re-translated functional currency amount and the original functional currency amount is treated as changes in fair value (including changes of exchange rate) and is recognized in profit and loss or as other comprehensive income.

9.2 Translation of financial statements denominated in foreign currencies

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMB using the following method: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date, shareholders' equity items except for retained earnings are translated at the spot exchange rates at the dates on which such items arose, all items in the income statement as well as items reflecting the distribution of profits are translated at the spot exchange rates on the dates of the transactions, the opening balance of retained earnings is the translated closing balance of the previous year's retained earnings, the closing balance of retained earnings is calculated and presented on the basis of each translated income statement and profit distribution item. The difference between the translated assets and the aggregate of liabilities and shareholders' equity items is separately presented as the exchange differences arising on translation of financial statements denominated in other comprehensive income under the shareholders' equity in the balance sheet.

Cash flows arising from a transaction in foreign currency and the cash flows of a foreign subsidiary are translated at the spot exchange rate on the date of the cash. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciling item and presented separately in the cash flow statement as “effect of exchange rate changes on cash and cash equivalents”.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**9. Translation of transactions and financial statement denominated in foreign currencies - continued**

9.2 Translation of financial statements denominated in foreign currencies - continued

The opening balances and the comparative figures of previous year are presented at the translated amounts in the previous year's financial statements.

On disposal of the Group's entire interest in a foreign operation, or upon a loss of control over a foreign operation due to disposal of certain interest in it or other reasons, the Group transfers the accumulated exchange differences arising on translation of financial statements of this foreign operation attributable to the owners' equity of the Company and presented under shareholders' equity, to profit or loss in the period in which the disposal occurs.

When the Group decreases equity interest in a foreign operation without losing control by partial disposal or other means, the proportionate share of accumulated exchange differences arising on translation of financial statements are re-attributed to minority interests and are not recognized in profit and loss. For partial disposals of equity interests in foreign operations which are associates or joint ventures, the proportionate share of the accumulated exchange differences arising on translation of financial statements of foreign operations is reclassified to profit or loss.

**10. Financial instruments**

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognized in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognized amounts.

10.1 Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period, using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial asset or financial liability (without considering future credit losses), and also considers all fees paid or received between the parties to the contract giving rise to the financial asset and financial liability that are an integral part of the effective interest rate, transaction costs, and premiums or discounts, etc.

10.2 Classification, recognition and measurement of financial assets

On initial recognition, the Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

10.2.1 Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL include financial assets held for trading and those designated as at fair value through profit or loss.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**10. Financial instruments - continued**

10.2 Classification, recognition and measurement of financial assets - continued

10.2.1 Financial assets at fair value through profit or loss ("FVTPL") - continued

A financial asset is classified as held for trading if one of the following conditions is satisfied: (i) It has been acquired principally for the purpose of selling in the near term, or (ii) On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking, or (iii) It is a derivative that is not designated and effective as a hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

A financial asset may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: (i) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring assets or recognizing the gains or losses on them on different bases, or (ii) The financial asset forms part of a group of financial assets or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis; (iii) The hybrid financial instrument combines financial asset with embedded derivatives.

Financial assets at FVTPL are subsequently measured at fair value. Any gains or losses arising from changes in the fair value and any dividend or interest income earned on the financial assets are recognized in profit or loss.

10.2.2 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group's management 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. Gain or loss arising from derecognition, impairment or amortization is recognized in profit or loss.

10.2.3. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables by the Group include notes receivable, accounts receivable, interest receivable, dividends receivable, and other receivables.

Loans and receivables are subsequently measured at amortized cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortization is recognized in profit or loss.

10.2.4. Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated on initial recognition as available for sale, and financial assets that are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognized as other comprehensive income, except that impairment losses and exchange differences related to amortized cost of monetary financial assets denominated in foreign currencies are recognized in profit or loss, until the financial assets are derecognized, at which time the gains or losses are released and recognized in profit or loss.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

#### 10. Financial instruments - continued

##### 10.2 Classification, recognition and measurement of financial assets - continued

##### 10.2.4. Available-for-sale financial assets - continued

Interests obtained and the dividends declared by the investee during the period in which the available-for-sale financial assets are held, are recognized in investment gains.

For investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivative financial assets that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost.

##### 10.3 Impairment of financial assets

The Group assesses at each balance sheet date the carrying amounts of financial assets other than those at fair value through profit or loss. If there is objective evidence that a financial asset is impaired, the Group determines the amount of any impairment loss. Objective evidence that a financial asset is impaired is evidence that, arising from one or more events that occurred after the initial recognition of the asset, the estimated future cash flows of the financial asset, which can be reliably measured, have been affected.

Objective evidence that a financial asset is impaired includes the following observable events:

- (1) Significant financial difficulty of the issuer or obligor,
- (2) A breach of contract by the borrower, such as a default or delinquency in interest or principal payments,
- (3) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower,
- (4) It becoming probable that the borrower will enter bankruptcy or other financial reorganizations,
- (5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer,
- (6) Upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. Such observable data includes:
  - Adverse changes in the payment status of borrower in the group of assets;
  - Economic conditions in the country or region of the borrower which may lead to a failure to pay the group of assets,
- (7) Significant adverse changes in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor,
- (8) A significant or prolonged decline in the fair value of an investment in an equity instrument. At each balance sheet date, the Group assesses available-for-sale equity instruments on an item-by-item basis. Impairment is indicated when the fair value of an equity instrument is lower than its initial investment cost over 50% (including 50%) or the fair value has been lower than its initial investment cost for over 12 months (including 12 months).
- (9) Other objective evidence indicating there is an impairment of a financial asset.

- Impairment of financial assets measured at amortized cost

If financial assets carried at amortized cost are impaired, the carrying amounts of the financial assets are reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of reduction is recognized as an impairment loss in profit or loss. If, subsequent to the recognition of an impairment loss on financial assets carried at amortized cost, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognized, the previously recognize impairment loss is reversed. However, the reversal is made to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**10. Financial instruments - continued**

10.3 Impairment of financial assets - continued

- Impairment of financial assets measured at amortized cost - continued

For a financial asset that is individually significant, the Group assesses the asset individually for impairment. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment. Assets for which an impairment loss is individually recognized are not included in a collective assessment of impairment.

- Impairment of available-for-sale financial assets

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value previously recognized directly in other comprehensive income is reclassified from other comprehensive income to profit or loss. The amount of the cumulative loss that is reclassified from capital reserve to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

If, subsequent to the recognition of an impairment loss on available-for-sale financial assets, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognized as other comprehensive income, while the amount of reversal of impairment loss on available-for-sale debt instruments is recognized in profit or loss.

- Impairment of financial assets measured at cost

If an impairment loss has been incurred on an investment in unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, or on a derivative financial asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of reduction is recognized as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognized.

10.4 Transfer and derecognition of financial assets

Transfer of the Group's financial assets, includes following two situations:

- (1) The contractual right of receiving cash flow of financial assets has been transferred,
- (2) Although the financial assets have been transferred, the Group retains the contractual right of receiving cash flow of financial assets and undertakes obligation of paying received cash flow to final recipient,
  - When receiving cash flow from financial assets, the obligation of paying to final recipients should be undertaken. The Group incurs short-term advance payment, and has the right of recovering all advances and receiving interests calculated by bank loan interest, meeting the criteria;
  - According to agreement of contract, the financial assets cannot be sold or taken as collateral, but they can be the guarantee of paying cash flow to final recipients;
  - Obligation of paying received cash flow to final recipients. The Group has no right of using cash flow to reinvest, except that the Group uses cash and cash equivalents to invest during interval of two payments. The Group reinvests according to contract agreement, and the investment income should be paid to final recipients according to contract agreement.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

#### 10. Financial instruments - continued

##### 10.4 Transfer and derecognition of financial assets - continued

A financial asset or a part of a financial asset will be derecognized if one of the following conditions is satisfied:

- (1) Contractual right of receiving cash flow from the financial asset terminates;
- (2) The financial asset has been transferred, and meets one of the following conditions:
  - The Group has transferred almost all risks and reward of the financial asset;
  - The Group has not retained or transferred ownership of the financial asset, and not keeps control on the financial asset.

If the financial asset has been transferred and the risks and reward of its ownership has not been retained, and the control of the financial asset has not been transferred, the Group will recognize related financial asset according to the extent of the Group's continuing involvement in the transferred asset.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (i) the carrying amount of the financial asset transferred, and (ii) the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized in other comprehensive income, is recognized in profit or loss.

##### 10.5 Assets securitization

As a part of operating activities, the Group has securitized certain credit assets. The Group normally transfers such assets to structured entities, which issues securities to investors. The conditions of derecognition of financial assets are set out in Note (III) 10.4. When applying the conditions of derecognition of financial assets, the Group considers the degree to which the risks and rewards of the assets are transferred to structured entities and the degree to which the Group can exercise control over the structured entities. For credit assets securitization not meeting derecognition conditions, relevant financial assets are not derecognized, fund raised from third party will be treated as financing.

##### 10.6 Classification, recognition and measurement of financial liabilities

Debt and equity instruments issued by the Group are classified into financial liabilities or equity on the basis of the substance of the contractual arrangements and the economic nature not merely its legal form.

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities.

##### 10.6.1 Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL consist of financial liabilities held for trading and those designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if one of the following conditions is satisfied:

- (1) It has been acquired principally for the purpose of repurchasing in the near term;
- (2) On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking;
- (3) It is a derivative, except for a derivative that is a designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**10. Financial instruments - continued**

10.6 Classification, recognition and measurement of financial liabilities - continued

10.6.1 Financial liabilities at fair value through profit or loss - continued

A financial liability may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: (1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring liabilities or recognizing the gains or losses on them on different bases, or (2) The financial liability forms part of a group of financial liabilities or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis; or (3) The hybrid financial instrument with related embedded derivatives which meets the requirements.

Financial liabilities at FVTPL are subsequently measured at fair value. Any gains or losses arising from changes in the fair value or any dividend or interest expenses related to the financial liabilities are recognized in profit or loss.

10.6.2 Other financial liabilities

For a derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, it is subsequently measured at cost. Except for financial guarantee contracts, financial liabilities and loan commitments are subsequently measured at amortized cost using the effective interest method, with gain or loss arising from derecognition or amortization recognized in profit or loss.

10.6.3. Financial guarantee contracts

A financial guarantee contract is a contract by which the guarantor and the lender agree that the guarantor would settle the debts or bear obligations in accordance with terms of the contract in case the borrower fails to settle the debts. Financial guarantee contracts that are not designated as financial liabilities at fair value through profit or loss are initially measured at their fair values less the directly attributable transaction costs. Subsequent to initial recognition, they are measured at the higher of: (i) the amount determined in accordance with "Accounting Standard for Business Enterprises No. 13-Contingencies", and (ii) the amount initially recognized less cumulative amortization recognized in accordance with the principles set out in "Accounting Standard for Business Enterprises No. 14-Revenue".

10.7 Derecognition of Financial Liabilities

The Group derecognizes a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the Group (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognizes a financial liability or a part of it, it recognizes the difference between the carrying amount of the financial liability (or part of the financial liability) derecognized and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.



**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**10. Financial instruments - continued**

10.8 Derivatives and embedded derivatives

Derivative financial instruments include forward exchange contracts etc. Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently re-measured at fair value. The resulting gain or loss is recognized in profit or loss unless the derivative is designated and highly effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

An embedded derivative is separated from the hybrid instrument, where the hybrid instrument is not designated as a financial asset or financial liability at fair value through profit or loss, and treated as a standalone derivative if 1) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, and 2) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. If the Group is unable to measure the embedded derivative separately either at acquisition or at a subsequent balance sheet date, it designates the entire hybrid instrument as a financial asset or financial liability at fair value through profit or loss.

10.8.1 Convertible loan notes

Convertible loan notes issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that is settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument. On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity instrument, is included in capital reserve (other capital reserve-share conversion option).

In subsequent periods, the liability component of the convertible loan notes is carried at amortized cost using the effective interest method. The conversion option classified as equity remains in equity. No gain or loss is recognized in profit or loss upon conversion or expiration of the option.

Transaction costs incurred for the issue of convertible loan notes are allocated to the liability component and equity component in proportion to their respective fair values. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortized over the period of the convertible loan notes using the effective interest method.

10.9 Offsetting financial assets and financial liabilities

Where the Group has a legal right that is currently enforceable to set off the recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

10.10 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued (including refinanced), repurchased, sold and written off by the Group are recognized as changes of equity. Change of fair value of equity instruments is not recognized by the Group. Transaction costs related to equity transaction are deducted from equity. The Group recognizes the distribution to holders of the equity instruments as distribution of profits, and dividends paid do not affect total amount of shareholders equity.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued****1. Receivables**11.1 Receivables that are individually significant and for which bad debt provision is individually assessed

Basis or monetary criteria for determining an individually significant receivable	A receivable that exceeds RMB100 million or other receivable that exceeds RMB50 million is deemed as an individually significant receivable by the Group.
Method of determining provision for receivables that are individually significant and for which bad debt provision is individually assessed	For receivables that are individually significant, the Group assesses the receivables individually for impairment. For a financial asset that is not impaired individually, the Group includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Receivables for which an impairment loss is individually recognized are not included in a collective assessment of impairment.

11.2 Receivables for which bad debt provision is collectively assessed on a portfolio basis

Basis for determining a portfolio	The Group classifies the receivables that are not individually significant and those that are individually significant but are not impaired individually into groups of financial assets according to the similarity and relevance of credit risk characteristics. These credit risks usually reflect the debtors' ability to pay the amounts due at maturity under contractual terms of related assets and are related to the estimation of future cash flows of the assets subject to assessment.
Bad debt provision method for a portfolio	While assessing the provision of bad debt of the Group, the provision is measured by historical loss experience and the existing loss between current economic situation and expected receivable portfolio, according to the structure of the Group and credit risk characteristics(aging of receivables), and the provision for bad debts is determined by aging analysis.

11.3 Receivables that are not individually significant but for which bad debt provision is individually assessed

Reasons for individual bad debt provision	The receivables that prove the impairment of financial assets due to serious financial difficulties of the debtor and for other reasons are subject to individual assessment, and provision is made for bad debts.
Method of determining provision for receivables	Individual determination method

**2. Inventories**12.1 Categories of inventories

The Group's inventories mainly include raw materials, work-in-progress, finished goods or goods on hand and property under development. Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition.

12.2 Valuation method of inventories upon delivery

Upon delivery of inventories, the weighted average method is used to assign the actual cost of inventories.

Inventories are accounted for using the planned costing method upon delivery. Cost variances are computed at the end of month to adjust planned costs to actual costs.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**12. Inventories - continued**

12.3 Basis for determining net realizable value of inventories and provision methods for decline in value of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realizable value is determined on the basis of conclusive evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events.

For inventories, provision for inventory depreciation is made according to the difference between the cost of an individual inventory item and its realizable net value.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realizable value of inventories is higher than their cost, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

12.4 Inventory count system

The perpetual inventory system is maintained for stock system.

12.5 Amortization method for low cost and short-lived consumable items and packaging materials

Packaging materials and low cost and short-lived consumable items are amortized using the immediate write-off method.

Other reusable materials are amortized using the immediate write-off method.

**13. Assets classified as held for sale**

When a component or non-current assets (except deferred tax assets) of the Group meets all the following conditions, the Group classifies such assets as held for sale: the component or non-current assets are available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets; the Group has decided to dispose the component or non-current assets; the Group has signed an irrevocable transfer agreement with the transferee; the transfer is to be completed within one year. Non-current assets held for sale are not accounted for using equity method, not depreciated or amortized, and are measured at the lower of carrying amount and fair value less costs to disposal.

**14. Long-term equity investments**

14.1. Determination of control, joint control and significant influence

Control is achieved when the investor has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee, and the ability to use its power to affect its returns. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When assessing whether the investor can has control or significant influence over the investee, it has considered potential voting rights (e.g. exercisable convertible bonds and warrants) held by the investor and other parties.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**14. Long-term equity investments - continued**

14.2 Determination of initial investment cost

For a long-term equity investment acquired through business combination involving enterprises under common control, shares of book value of owners' equity of combined party in financial statements of ultimate controlling party are recognized as initial investment cost of long-term equity investment at combination date. The difference between initial investment cost of long-term equity investment and cash paid, non-cash assets transferred and book value of liabilities assumed, is adjusted in capital reserve. If the balance of capital reserve is not sufficient, any excess is adjusted to retained earnings. If the consideration of the combination is satisfied by the issue of equity securities, the initial investment cost of the long-term equity investment is the share of book value of owners' equity of the acquired entity in the ultimate controlling party's consolidated financial statements at the date of combination. The aggregate face value of the shares issued is accounted for as share capital. The difference between the initial investment cost and the aggregate face value of the shares issued is adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess is adjusted to retained earnings. Where equity interests in an acquiree are acquired in stages through stepwise transactions ultimately constituting a business combination involving entities under common control, the acquirer shall determine if these transactions are considered to be "a bundled transaction". If yes, these transactions are accounted for as a single transaction where control is obtained. If no, the initial investment cost of the long-term equity investment is the share of book value of owners' equity of the acquired entity in the ultimate controlling party's consolidated financial statements at the date of combination. The difference between the initial investment cost and the sum of carrying amount of equity investments previously held in the acquiree and the new investment cost is adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess is adjusted to retained earnings. Other comprehensive income recognized for the previously held equity investments by accounting treatment of equity method or available-for-sale financial assets is not subject to accounting treatment temporarily.

For a long-term equity investment acquired through business combination not involving enterprises under common control, the investment cost of the long-term equity investment is the cost of acquisition. Where equity interests in an acquiree are acquired in stages through multiple transactions ultimately constituting a business combination not involving entities under common control, the acquirer shall determine if these transactions are considered to be "a bundled transaction". If yes, these transactions are accounted for as a single transaction where control is obtained. If no, the sum of carrying amount of equity investments previously held in the acquiree and the new investment cost is deemed as the initial investment cost of long-term equity investments that was changed to be accounted for using cost method. If the equity previously held was accounted for using the equity method, the corresponding other comprehensive income is not subject to accounting treatment temporarily. If the equity investment previously held was classified as available-for-sale financial assets, the difference between the fair value and carrying amount, together with the accumulated fair value previously included in other comprehensive income are transferred to profit or loss for the period.

The expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services and other associated administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred.

Long-term equity investment acquired otherwise than through a business combination is initially measured at its cost. When the entity is able to exercise significant influence or joint control (but not control) over an investee due to additional investment, the cost of long-term equity investments is the sum of the fair value of previously-held equity investments determined in accordance with "Accounting Standard for Business Enterprises No.22 - Financial Instruments Recognition and Measurement" and the additional investment cost.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**14. Long-term equity investments - continued**

14.3 Subsequent measurement and recognition of profit or loss

14.3.1. Long-term equity investment accounted for using the cost method

Long-term equity investments in subsidiaries are accounted for using the cost method in the Company's separate financial statements. A subsidiary is an investee that is controlled by the Group.

Under the cost method, a long-term equity investment is measured at initial investment cost. When additional investment is made or the investment is recouped, the cost of the long-term equity investment is adjusted accordingly. Investment income is recognized in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

14.3.2. Long-term equity investment accounted for using the equity method

The Group accounts for investment in associates and joint ventures using the equity method. An associate is an entity over which the Group has significant influence and a joint venture is an entity over which the Group exercises joint control along with other investors.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognized in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognizes its share of the net profit or loss of the investee for the period as investment income or loss for the period. The Group recognizes its share of the investee's net profit or loss based on the fair value of the investee's individual separately identifiable assets, etc. at the acquisition date after making appropriate adjustments to conform with the Group's accounting policies and accounting period. Unrealized profits or losses resulting from the Group's transactions with its associates and joint ventures are recognized as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated. However, unrealized losses resulting from the Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated. Changes in owners' equity of the investee other than net profit or loss are correspondingly adjusted to the carrying amount of the long-term equity investment, and recognized as other comprehensive income which is included in the capital reserve.

The Group discontinues recognizing its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognized according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Group resumes recognizing its share of those profits only after its share of the profits exceeds the share of losses previously not recognized.

For long-term equity investments in associates and joint ventures which had been held by the Group before its first-time adoption of ASBE on January 01, 2007, where the initial investment cost of a long-term equity investment exceeds the Group's interest in the investee's net assets at the time of acquisition, the excess is amortized and is recognized in profit or loss on a straight line basis over the original remaining life.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**14. Long-term equity investments - continued**

14.4. Disposal of long-term equity investments

On disposal of a long term equity investment, the difference between the proceeds actually received and the carrying amount of receivables is recognized in profit or loss for the period. For a long-term equity investment accounted for using the equity method, the amount included in the owners' equity attributable to the percentage interest disposed is transferred to profit or loss for the period. For a long-term equity investment accounted for using the cost method, if it is still accounted for cost method after disposal, other comprehensive income recognized before controlling the investee according to equity method or recognition and measurement of financial instruments, account for them on the basis of related assets and liabilities, and recognized in profit or loss for proportion; change of owners' equity except for net profit or loss, other comprehensive income and profit distribution is recognized in profit or loss of current period.

The Group loses control on investee due to disposal of part of shares, during preparing separate financial statement, remaining shares after disposal can make joint control or significant influence on investee, are accounted under equity method, and adjust them as they are accounted under equity method from acquisition date; if remaining shares after disposal cannot make joint control or significant influence on investee, they are accounted according to recognition and measurement of financial instrument, and the difference between fair value on date of losing control and book value is recognized in profit or loss of current period. Before the Group controls the investee, other comprehensive income recognized due to equity method or recognition and measurement of financial instruments, account for them on the basis of related assets and liabilities, and recognized in profit or loss for proportion; change of owners' equity except for net profit or loss, other comprehensive income and profit distribution is recognized in profit or loss of current period. Remaining shares after disposal are accounted under equity method, other comprehensive income and other owners' equity are carried forward as proportion; remaining shares after disposal are accounted due to recognition and measurement of financial instruments other comprehensive income and other owners' equity are all carried forward.

For the Group loses joint control or significant influence on investee after part disposal of shares, remaining shares after disposal are accounted according to recognition and measurement of financial instruments, the difference between fair value at the date of losing joint control or significant influence and book value is recognized in profit or loss of current period. Other comprehensive income recognized under equity method, is accounted on the basis of related assets or liabilities when stop using equity method, change of owners' equity except for net profit or loss, other comprehensive income and profit distribution is recognized in profit or loss of current period

The Group loses control on subsidiaries through stepwise transactions of disposal, if transactions are a bundled transaction, all transactions are seemed as one transaction of disposal investment on subsidiaries, difference between amount of disposal and book value of long-term equity investment, is recognized as other comprehensive income, and recognized in profit or loss when losing control.

**15. Investment properties**

Investment property is property held to earn rentals or for capital appreciation or both. It includes 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 measured initially at cost. Subsequent expenditures incurred for such investment property are included in the cost of the investment property if it is probable that economic benefits associated with an investment property will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

The Group uses the cost model for subsequent measurement of investment property, and adopts a depreciation or amortization policy for the investment property which is consistent with that for buildings or land use rights.

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

**III.**

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**16. Fixed assets - continued**

16.4 Other explanations

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognized. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognized in profit or loss for the period.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and account for any change as a change in an accounting estimate.

**17. Construction in progress**

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period, borrowing costs capitalized before it is ready for intended use and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset when it is ready for intended use.

**18. Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalized when expenditures for such asset and borrowing costs are incurred and 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. Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. 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. Capitalization is suspended until the acquisition, construction or production of the asset is resumed. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings. During the capitalization period, exchange differences related to a specific-purpose borrowing denominated in foreign currency are all capitalized. Exchange differences in connection with general-purpose borrowings are recognized in profit or loss in the period in which they are incurred.



**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued****19. Intangible assets**19.1 Intangible assets

Intangible assets include land use rights, non-patent technology, royalty, software license, patents, and trademark etc.

An intangible asset is measured initially at cost. When an intangible asset with a finite useful life is available for use, its original cost less net residual value and any accumulated impairment losses is amortized over its estimated useful life using the straight-line method.

Category	Amortization method	Useful life (year)
Land use right	Straight-line method	40 - 50
Non-patent technology	Straight-line method	3 - 10
Royalty	Straight-line method	10 - 20
Software license	Straight-line method	5 - 10
Patents	Straight-line method	3 - 10
Trademark	Straight-line method	10

For an intangible asset with a finite useful life, the Group reviews the useful life and amortization method at the end of the period, and makes adjustments when necessary.

19.2 Internal research and development expenditure

Expenditure during the research phase is recognized as an expense in the period in which it is incurred.

Expenditure during the development phase that meets all of the following conditions at the same time is recognized as intangible asset. Expenditure during development phase that does not meet the following conditions is recognized in profit or loss for the period:

- (1) It is technically feasible to complete the intangible asset so that it will be available for use or sale,
- (2) The Group has the intention to complete the intangible asset and use or sell it,
- (3) The Group can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset,
- (4) The availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset, and
- (5) The expenditure attributable to the intangible asset during its development phase can be reliably measured.

If the expenditures cannot be distinguished between the research phase and development phase, the Group recognizes all of them in profit or loss for the period.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**20. Impairment of long-term assets**

The Group assesses at each balance sheet date whether there is any indication that long-term equity investment, investment property, fixed assets and construction in progress and the intangible assets with a finite useful life may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. Recoverable amount is the higher of net value of fair value of assets or assets group less disposal expenses and present value of anticipated future cash flow.

If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognized in profit or loss for the period.

Goodwill is at least undertaken impairment test at balance sheet date. When goodwill is undertaken impairment test, it is combined with related asset group or asset group portfolio. From the acquisition date, the book value of goodwill is divided into asset group or asset portfolio benefited from synergy effect of the Company, if the recoverable amount of asset group or asset portfolio including divided goodwill is less than its book value, corresponding impairment loss is recognized. Firstly, amount of impairment loss should offset the book value of goodwill of asset group or asset portfolio, and offset book value of other assets according to proportion of other assets in asset group or asset portfolio.

Once the impairment loss of such assets is recognized, it is not be reversed in any subsequent period.

**21. Long-term prepaid expenses**

Long-term prepaid expenses represent expenses incurred that should be borne and amortized over the current and subsequent periods (together of more than one year). Long-term prepaid expenses are amortized using the straight-line method over the expected periods in which benefits are derived.

**22. Employee benefits**

22.1 Accounting treatment of short-term benefits

Actually occurred short-term employee benefits are recognized as liabilities, with a corresponding charge to the profit or loss for the period or in the costs of relevant assets in the accounting period in which employees provide services to the Group. Staff welfare expenses incurred by the Group are recognized in profit or loss for the period or the costs of relevant assets based on the actually occurred amounts when it actually occurred. Non-monetary staff welfare expenses are measured at fair value.

Payment made by the Group of social security contributions for employees such as premiums or contributions on medical insurance, work injury insurance and maternity insurance, etc. and payments of housing funds, as well as trade union fund and employee education fund provided in accordance with relevant requirements, are calculated according to prescribed bases and percentages in determining the amount of employee benefits and recognized as relevant liabilities, with a corresponding charge to the profit or loss for the period or the costs of relevant assets in the accounting period in which employees provide services.

22.2 Accounting treatment of post-employment benefits

Post-employment benefits are classified into defined contribution plans and defined benefit plans.

During the accounting period of rendering service to employees of the Group, amount which should be paid according to defined contribution plans is recognized as liabilities, and recognized in profit or loss or related costs of assets.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**22. Employee benefits - continued**

22.2 Accounting treatment of post-employment benefits - continued

For defined benefit plans, the Group calculates defined benefit plan obligations using projected unit credit method and the service cost resulting from employee service in the current period is recorded in profit or loss or the cost of related assets. Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income (including interest income of planned assets, interest expenses of defined benefit plan liabilities and effect of asset ceiling); and
- Remeasurement of net liabilities or net assets of defined benefit plans.

Service costs and net interest of net liabilities and net assets of defined benefit plans are recognized in profit or loss of current period or costs of related assets. Remeasurements of the net defined benefit liability (asset) (including actuarial gains and losses, the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset), and any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset)) are recognized in other comprehensive income.

Deficit or surplus from present value of obligation of defined benefit plans less fair value of planned asset of defined benefit plans are recognized as net liabilities or net assets of a defined benefit plan. When the defined benefit plan has a surplus, the defined benefit asset is measured at the lower of the surplus in the defined benefit plan and asset ceiling.

22.3 Accounting treatment of termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group can no longer unilaterally withdraw the offer of the termination benefit and when the Group recognizes any related restructuring costs.

The Group provides early retirement benefits to employees who accept arrangement of early retirement. Early retirement is that the Group pays salaries and social insurance to employees whose age is below the statutory retirement age, and they quit their jobs voluntarily approved by management of the Group. The Group pays early retirement benefits to early retirement employees from the date of early retirement arrangement to statutory retirement age of employees. The Group accounts for early retirement benefits using the same accounting policy for termination benefits. When recognition criteria for termination benefits are met, the Group recognizes the salaries and social insurance of early retirement employees for the period from the date termination of service to the date of statutory retirement as liabilities, and recognizes the cost in profit or loss of current period. The difference arising from actuarial gains and losses and adjustment of benefit standards is recognized in profit or loss of current period when it incurs.

22.4 Accounting treatment of other long-term employee benefit

For other long-term employee benefits, where the definition of defined contribution plans is met, it is accounted for according to related requirements of defined contribution plans. Otherwise, net liabilities or net assets of such other long-term employee benefit are recognized and measured according to related requirements of defined benefit plans. At balance sheet date, cost of employee benefit generated from other long-term employee benefit comprises service cost, net interest of net liabilities or net assets of other long-term employee benefit and changes arising from remeasurement of net liabilities or net assets. Net value of these items is recognized in profit or loss or cost of related assets.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**23. Provisions**

Provisions are recognized when the Group has a present obligation related to a contingency such as products quality assurance, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

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, and the amount of reimbursement recognized does not exceed the carrying amount of the provision.

**24. Revenue**

24.1 Revenue from sale of goods

Revenue from sale of goods is recognized when (i) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, (ii) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, (iii) the amount of revenue can be measured reliably, (iv) it is probable that the associated economic benefits will flow to the Group, and (v) the associated costs incurred or to be incurred can be measured reliably.

24.2 Revenue from rendering of services

Revenue from rendering of services is recognized when (1) the amount of revenue can be measured reliably, (2) it is probable that the associated economic benefits will flow to the enterprise, (3) the stage of completion of the transaction can be determined reliably, and (4) the associated costs incurred or to be incurred can be measured reliably. Revenue from rendering of services is recognized using the percentage of completion method at the balance sheet date. The stage of completion of a transaction for rendering for services is determined based on the proportion that costs incurred to date bear to the estimated total costs of the transaction.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognized only to the extent of the costs incurred that will be recoverable, and the costs incurred are recognized as expenses for the period. When it is not probable that the costs incurred will be recovered, revenue is not recognized.

**25. Government grants**

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. Government grants are classified into government grants related to assets and government grants related to income according the subjects required by the Government documents.

A government grant is recognized only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognized immediately in profit or loss for the period.

25.1 Identification and accounting treatment of government grants related to assets

The Group's government grants include land eviction grant, subsidy for fixed assets purchase and technical transformation, because the grants are the government grants received by the Group to purchase or construct long-term assets, these grants are accounted for as government grants related to assets.

The government grants related to assets are recognized as deferred income, and recognized in profit or loss in using the straight-line method over the useful life of the relevant assets.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**25. Government grants- continued**

25.2 Identification and accounting treatment of government grants related to income

The Group's government grants mainly include allowance for project development and fiscal subsidies. These government grants are accounted for as government grants related to income.

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 period.

For repayment of a government grant already recognized, if there is related deferred income, the repayment is offset against the carrying amount of the deferred income, and any excess is recognized in profit or loss for the period. If there is no related deferred income, the repayment is recognized immediately in profit or loss for the period.

Relocation compensation received for relocation in the public interests

If the Group relocates for the benefits of the public interests such as overall planning of urban and rural areas and receives relocation compensation appropriated by the government directly from its fiscal budget, it recognizes such income as special payable. The income attributable to compensation for losses of fixed assets and intangible assets, related expenses, losses from suspension of production incurred during the relocation and reconstruction period, and purchases of assets after the relocation is transferred from special payable to deferred income and is accounted for as either a government grant related to an asset or a government grant related to income based on its nature. Any surplus of relocation compensation after deducting the amount transferred to deferred income is recognized as capital reserve.

**26. Deferred tax assets/ deferred tax liabilities**

The income tax expenses include current income tax and deferred income tax.

26.1 Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

26.2 Deferred tax assets and deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the balance sheet liability method.

Deferred tax is generally recognized for all temporary differences. Deferred tax assets for deductible temporary differences are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognized.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**26. Deferred tax assets/ deferred tax liabilities - continued**

26.2 Deferred tax assets and deferred tax liabilities - continued

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realized or the liability is settled.

Current and deferred tax expenses or income are recognized in profit or loss for the period, except when they arise from transactions or events that are directly recognized in other comprehensive income or in shareholders' equity, in which case they are recognized in other comprehensive income or in shareholders' equity, and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilized. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

26.3 Offset of income tax

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

**27. Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

27.1 Accounting treatment of operating lease

27.1.1 The Group as lessee under operating leases

Operating lease payments are recognized on a straight-line basis over the term of the relevant lease, and are either included in the cost of related asset or charged to profit or loss for the period. Initial direct costs incurred are charged to profit or loss for the period. Contingent rents are charged to profit or loss in the period in which they are actually incurred.

27.1.2 The Group as lessor under operating leases

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs with more than an insignificant amount are capitalized when incurred, and are recognized in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred. Contingent rents are charged to profit or loss in the period in which they actually arise.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**27. Leases - continued**

27.2 Accounting treatment of finance lease

27.2.1 The Group as lessee under finance leases

Recognition and measurement of finance leased assets are set out in notes (III) 16.3 identification, valuation and depreciation method for fixed assets under finance lease.

Unrecognized finance charge is recognized as current finance charge by effective interest method during the lease term. Contingent rental is recognized in profit or loss when incurred. Minimum lease payment net of unrecognized finance charge is presented as long-term liabilities and long-term liabilities due within one year.

27.2.2 The Group as lessor under finance leases

At the commencement of the lease term, the aggregate of the minimum lease receivable at the inception of the lease and the initial direct costs is recognized as a finance lease receivable, and the unguaranteed residual value is recorded at the same time. The difference between the aggregate of the minimum lease receivable, the initial direct costs and the unguaranteed residual value, and the aggregate of their present values is recognized as unearned finance income.

Unearned finance income is recognized as finance income for the period using the effective interest method over the lease term. Contingent rents are credited to profit or loss in the period in which they are actually incurred.

The net amount of finance lease receivables less unearned finance income is separated into long-term debts receivable and the portion of long-term debts receivable due within one year for presentation.

**28. Other important accounting policies and accounting estimates**

28.1 Transfer of assets under repurchase agreement

28.1.1 Financial assets purchased under resale agreements

According to agreement, financial assets to be sold on certain future date are not recognized in balance sheet. Cost paid to purchase such assets, is presented in balance sheet as financial assets purchased under resale agreements. The difference between price to purchase and price to sell is calculated by effective interest method, recognized in interest income.

28.1.2 Financial assets sold under repurchase agreements

According to agreement, financial assets to be purchased on future certain date are not recognized in balance sheet. Cash received from sale of such assets, is presented in balance sheet as financial assets sold under repurchase agreements. The difference between price to purchase and price to sell is calculated by effective interest method, recognized in interest expense.

28.2 Debt restructuring

Recording of debt restructuring obligation as the debtor

When a debt is settled by cash in a debt restructuring, the difference between the carrying amount of the debt and the cash actually paid is recognized in profit or loss for the period. When a debt is satisfied by a transfer of non-cash asset(s), the difference between the carrying amount of the debt and the fair value of the non-cash asset(s) transferred is recognized in profit or loss for the period. The difference between the fair value of the non-cash asset(s) transferred and its (their) carrying amount(s) is recognized in profit or loss for the period.

When a debt is converted into capital in a debt restructuring, the difference between the carrying amount of the debt and the fair value of the capital issued to the creditor is recognized in profit or loss for the period.

**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued**

**28. Other important accounting policies and accounting estimates - continued**

28.2 Debt restructuring - continued

*Recording of debt restructuring obligation as the debtor - continued*

When a debt restructuring involves the modification of other terms of a debt, the restructured debt is recorded at the fair value of the debt with the modified terms. The difference between the carrying amount of the original debt and the recorded amount of the restructured debt is recognized in profit or loss for the period.

When a debt restructuring adopts a combination of various methods, the carrying amount of the debt is reduced by, and in the sequence of, the cash payment, the fair value of the non-cash asset(s) transferred and the fair value of the capital issued to the creditor, and is then accounted for using the same treatment as the above debt restructuring involving the modification of other terms of a debt.

28.3 Safe production fund

Safe production fund accrued according to relevant regulations is recognized in the cost of relevant products or profit or loss for the current period and is recorded as special reserve. Accounting treatments for the use of safe production fund are distinguished whether fixed assets are formed, for those in the nature of expenses are directly charged against special reserve, for those which form part of fixed assets, the accumulated cost is recognized in fixed assets when it is ready for intended use, meanwhile special reserve is reversed at the same amount and depreciation is recognized at the same amount.

**IV. BASIS OF DETERMINING SIGNIFICANT ACCOUNTING POLICIES AND KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES**

In the application of the Group's accounting policies, which are described in Note III, the Group is required to make judgments, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately, due to the inherent uncertainty of the operating activities. These judgments, estimates and assumptions are based on historical experiences of the Group's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates.

The aforementioned judgments, estimates and assumptions are reviewed regularly on a going concern basis. The effect of a change in accounting estimate is recognized in the period of the change, if the change affects that period only; or recognized in the period of the change and future periods, if the change affects both.

The followings are the critical judgments that the Group has made in the process of applying the accounting policies and that have significant effect on the amounts recognized in the financial statements:

Bad debt provision for receivables

The Group recognizes bad debt provision for receivables based on the assessment of the collectability of receivables. When there are indications that the collectability of receivables is in doubt, the Group recognizes bad debt provision. The management needs to make assumptions and judgement according to history of the collection, aging and financial condition of debtors when estimating bad debt provision, so the estimate of bad debt provision has uncertainty. If actual bad debt or re-estimate result is different from the current estimate, the difference will affect the book value of receivables during the period of changing estimate.

Provision for decline in value of inventory

The Group recognizes provision for decline in value of inventories based on estimate of the net realizable value of inventories. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion, the estimated costs necessary to make the sale and related taxes. When there is any indication that net realizable value of inventory is lower than its cost, provision for decline in value of inventories is recognized. The determination of net realizable value involves judgment and estimate. If there is difference between re-estimate result and current estimate, the difference will affect book value of inventories during the period of changing estimate.



**IV. BASIS OF DETERMINING SIGNIFICANT ACCOUNTING POLICIES AND KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES - continued**

Impairment of non-current assets

The Group assesses at balance sheet date whether there is any indication that the non-current assets excluding financial assets may be impaired. If there is any indication that the book value of such non-current assets is not recoverable, the Group makes impairment assessment. Provision for impairment of an asset or an asset group is calculated by the lower of book value and recoverable amount. Recoverable amount of an asset or an asset group is determined by the higher of fair value less cost of disposal and the present value of the future cash flows of an asset or an asset group. When estimating present value of the future cash flows, the management needs to estimate the future cash flow and determine appropriate discount rate. When calculating fair value less cost of disposal, the fair value is the price that would be received to sell an asset in an orderly transaction between market participants. If re-estimated recoverable amount is lower than current estimate, the difference will affect book value of asset during the period of changing.

Estimated useful life and residual value of fixed assets

The Group determines the useful life and estimated net residual value of a fixed asset based on the historical experience in the actual useful life and net residual value of fixed assets with similar function and nature and can be significantly changed by technology renovation and other factors. When the estimated useful life and net residual value become different from the current estimate, the Group will change the useful life and estimated residual, and treat it as changes in accounting estimate.

Capitalization of development expenditure

Development expenditures which meet the criteria set out in Note (III) 19.2 are capitalized, otherwise such expenditures are expensed. Judgment and estimation are required when determining whether development expenditures are capitalized or expensed.

Estimate of provision for warranty

Warranty is estimated for expenditures and claims related to products sold. The Group estimates and makes corresponding provision for warranty based on contract terms and history experience. Provision for warranty involves judgment and estimate. If there is difference between re-estimate result and current estimate, the difference will affect book value of provisions during the period of changing.

Recognition of deferred tax assets

As of end of the year and beginning of the year, the Group recognized deferred tax assets amounting to RMB20,852,244,252.47 and RMB 16,991,606,228.73, respectively. Realization of deferred tax assets majorly depends on the future deductible taxable profits, and the tax rate of the period when deductible loss and temporary differences are utilized. If it is probable that sufficient taxable profit will not be available in future periods or the applicable tax rate is lower than the estimation to allow the benefit of the deferred tax asset to be realized, the carrying amount of the deferred tax asset is reversed and recognized in the profit or loss. In addition, as stated in Note (VI) 23, at the beginning and the end of the year, it was uncertain whether the Group could obtain sufficient taxable profits in the future, certain deductible losses and deductible temporary differences were not recognized as deferred tax assets.

Actuarial valuation of defined benefit plans obligation

The Group provides benefits to retired employees, employees in position and early-retired employees and this supplementary retirement benefits, which are defined benefit plans. The Group engaged professional institution to conduct actuarial valuation for liabilities and expenses of defined benefit plans.

The amount of the supplementary retirement benefit expenses and liabilities are calculated by assumptions. The Group determined discount rate on the basis of government bonds rate, death rate on the basis of "China Life Insurance Mortality Table (2010-2013)" and benefit increase rate on basis of price index. If there is difference between reassessment of related assumptions and current assessment, the difference will change liabilities of defined benefit plans and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

## V TAXES

Major categories of taxes and tax rates of the Group:

Category of tax	Basis of tax computation/type of income	Tax rate
Value-Added Tax (Note 1)	Sales of goods, rendering of processing and repair and replacement services, and tangible movable property rental service	17%
	Transportation service	11%
	Modern service (excluding real estate leases and tangible movable property rental services) (including research and technical services, and logistics support services, etc.)	6%
	Immovable property rental services	11% or 5%
	Financial services	6%
Consumption tax	Sales of automobiles by vehicle manufacturer	1% - 25%
Business tax (Note 1)	Immovable property rental services and Financial services	5%
Enterprise income tax (Note 2)	Enterprise taxable income	15%, 25%

Note 1: According to *Notice on Full Launch of the Pilot Scheme on Levying Value-added Tax in Place of Business Tax* (Cai Shui [2016] No. 36) which was jointly issued by Ministry of Finance and State Administration of Taxation, from May 1, 2016, the work to levy value added tax in place of business tax has been implemented all over the country, hence taxpayers of business tax regarding construction, real estate, finance and lifestyle services, etc. are all included in the pilot scope, paying VAT instead of business tax. The transition from business tax to VAT has been implemented over real estate leases and financial services of the Group from May 1, 2016.

Note 2: Enterprise income tax (hereinafter referred to as “EIT”) rates of the Company and major subsidiaries of the current year are as follows:

- (1) According to “Enterprise Income Tax Law of the People’s Republic of China” (hereinafter referred to as “EIT Law”) and other related regulations, the Company is recognized as a High-Technology Enterprise which is qualified to get the state’s special support. In 2014, the Company passed the reassessment of High-Technology Enterprise and the qualification is effective from 2014 to 2016. So the applicable income tax rate for the Company is 15% for the current year.
- (2) SGMW is located in Liuzhou, Guangxi, which is covered in grand western development area. On August 20, 2014, “Catalogue of Encouraged Industries in the Western Region (Order of The National Development and Reform Commission No.15) has included vehicle manufacturing and special vehicle manufacturing in the catalogue of encouraged industries of Guangxi and Chongqing. According to “Circular on the Issues Concerning Related Tax Policies for the In-depth Implementation of the West Development Strategy ” (Cai Shui[2011]No. 58), SGMW’s headquarter in Liuzhou Guangxi and Chongqing Branch are subject to the EIT rate of 15%.
- (3) According to the EIT Law and other relevant regulations, SAIC Motor Transmission Co., Ltd., and Shanghai Diesel Engine Co., Ltd. (“Shanghai Diesel”) were recognized as High-Technology Enterprises which was qualified to get the country’s special support. In 2014, SAIC Motor Transmission Co., Ltd. and Shanghai Diesel passed the reassessment of High-Technology Enterprise and the qualification is effective from 2014 to 2016. Therefore, these companies are subject to the EIT rate of 15% for the current year.
- (4) According to the EIT Law, SAIC Volkswagen Sales Co., Ltd., SAIC General Motors Sales Co., Ltd., SAIC Finance Co., Ltd. (“SFC”), SAIC-GMAC Automotive Finance Co., Ltd. (“GMAC”), China United Automotive System Co., Ltd., HUAYU Automotive Systems Co., Ltd. (“HASCO”), SAIC Maxus Vehicle Co., Ltd. (“SAIC Maxus”), Anji Automotive Logistics Co., Ltd. (“Anji Logistics”), Shanghai Automotive Industry Sales Co., Ltd. (“Industry Sales”), Shanghai Automobile Import & Export Co., Ltd., SAIC Motor Equity Investment Co., Ltd., Donghua Automobile Industrial Co., Ltd. (“Donghua”), Shanghai Sunwin Bus Co., Ltd. (“Shanghai Sunwin”), Shanghai Shanghong Real Estate Co., Ltd. (“Shanghong Real Estate”) and SAIC Investment Management (“Investment Management”) Co., Ltd. are subject to the EIT rate of 25%.
- (5) Income tax rates of the foreign subsidiary for the current year follow tax law in their respective tax jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

VI NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

Unit: RMB

Item	December 31, 2016	December 31, 2015
Cash:		
RMB	3,441,288.71	3,553,935.92
Others	15,383,142.14	1,100,484.73
Bank balances:		
RMB	87,761,973,691.12	58,384,291,242.76
USD	7,478,083,760.36	5,155,788,675.66
EUR	871,596,053.01	204,129,479.95
GBP	284,997,059.40	203,021,553.30
THB	238,419,291.79	279,928,242.26
HKD	181,356,158.83	32,621,550.22
JPY	15,761,641.33	10,890,368.06
Others	154,113,164.26	278,091,752.17
Other currencies:		
RMB	8,899,863,588.13	8,119,248,907.59
Others	27,546,687.21	-
Total	105,932,535,526.29	72,672,666,192.62
Including: Cash and Bank Balances in Foreign Territory	8,676,874,973.09	5,456,895,031.97

Details for restricted bank balances are as follows:

Unit: RMB

Item	December 31, 2016	December 31, 2015
Bank balances:		
-Pledged for bank acceptances	3,465,421,530.07	2,484,174,743.38
-Pledged for letters of credit, etc.	495,636.07	26,689,101.03
-Others	4,424,894.02	10,062,122.40
Other currencies		
-SFC's restricted deposits at the People's Bank of China (Note)	7,963,317,790.63	7,677,759,407.12
-Deposits for bank draft	354,397,814.00	299,811,376.00
-Others	59,310,909.00	66,675,171.24
Total	11,847,368,573.79	10,565,171,921.17

Note: The balances deposited at SFC and GMAC represent deposit reserves required to be deposited in the central bank according to the regulations of the People's Bank of China and cannot be used in the operating activities of SFC and GMAC.

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

**VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued**

**2. Financial assets at fair value through profit or loss**

Unit: RMB

Item	Fair value at December 31, 2016	Fair value at December 31, 2015
Held-for-trading financial assets	8,542,400.00	111,413,005.47
Including: Equity instruments	8,542,400.00	111,413,005.47
Designated as financial assets at fair value through profit or loss	1,551,210,824.57	1,109,690,614.18
Including: Equity instruments	1,551,210,824.57	1,109,690,614.18
Total	1,559,753,224.57	1,221,103,619.65

Note: At the year-end, the equity instruments with fair value amounted to RMB 150,109,198.93 has been pledged as collateral for borrowings, refer to Note VI, 38.

**3. Notes receivable**

(1) Details of notes receivable are as follows:

Unit: RMB

Item	December 31, 2016	December 31, 2015
Bank acceptances	29,711,490,453.19	35,508,680,679.43
Commercial acceptances	326,972,930.27	765,288,091.96
Total	30,038,463,383.46	36,273,968,771.39

(1) At the year-end, detail of bank acceptances that were pledged as collateral is as follow:

Unit: RMB

Item	December 31, 2016
Bank acceptances (Note 1)	792,100,803.00
Short-term borrowing collaterals(Note 2)	29,610,000.00
Total	821,710,803.00

Note1: Notes receivable were pledged as collateral to issue bank acceptances.

Note2: Refer to Note VI, 25.

**4. Accounts receivable**

(1) Disclosure of accounts receivable by categories:

Unit: RMB

Category	December 31, 2016					December 31, 2015				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	%	Amount	%		Amount	%	Amount	%	
Receivables for individually significant items and with individual provision for bad debts	-	-	-	-	-	-	-	-	-	-
Receivables with provisions that were assessed by credit risk characteristics	31,750,039,675.48	100.00	1,087,958,742.31	100.00	30,662,080,933.17	29,975,370,402.04	100.00	642,999,449.29	100.00	29,332,370,952.75
Receivables for individually non-significant items but individual provision for bad debts	-	-	-	-	-	-	-	-	-	-
Total	31,750,039,675.48	100.00	1,087,958,742.31	100.00	30,662,080,933.17	29,975,370,402.04	100.00	642,999,449.29	100.00	29,332,370,952.75

**VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued****4. Accounts receivable - continued**

(1) Disclosure of accounts receivable by categories – continued :

Aging analysis of accounts receivable is as follows:

Unit: RMB

Aging	December 31, 2016			
	Book value		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

5. Prepayments - continued

(2) Top five balances of prepayments:

Unit: RMB

Name	Relationship with the Group	Amount	Aging	Proportion to total prepayments (%)
Company 1	JCE	15,422,722,168.90	Within 1 year	75.12
Company 2	Third party	661,873,309.87	Within 1 year	3.22
Company 3	Third party	364,131,673.43	Within 1 year	1.77
Company 4	Third party	289,711,304.83	Within 1 year	1.41
Company 5	Third party	201,661,728.90	Within 1 year	0.98
Total		16,940,100,185.93		82.50

6. Dividends receivable

Unit: RMB

Item	December 31, 2016	December 31, 2015
Dividends receivable due from JCEs	1,456,101,750.12	1,512,344,555.68
Dividends receivable due from associates	160,904,835.18	85,512,459.59
Others	5,985,169.52	-
Total	1,622,991,754.82	1,597,857,015.27

7. Other receivables

(1) Disclosure of other receivables by categories:

Unit: RMB

Category	December 31, 2016					December 31, 2015				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	%	Amount	%		Amount	%	Amount	%	
Other receivables for individually significant items and with individual provision for bad debts	136,599,388.17	1.84	136,599,388.17	29.33	-	136,628,388.17	2.46	136,628,388.17	29.39	-
Other receivables with provisions that were assessed by credit risk characteristics	7,289,861,118.42	98.16	329,135,592.19	70.67	6,960,725,526.23	5,409,131,386.28	97.54	328,231,269.51	70.61	5,080,900,116.77
Receivables for individually non-significant items but individual provision for bad debts	-	-	-	-	-	-	-	-	-	-
Total	7,426,460,506.59	100.00	465,734,980.36	100.00	6,960,725,526.23	5,545,759,774.45	100.00	464,859,657.68	100.00	5,080,900,116.77

Aging analysis for other receivables is as follows:

Unit: RMB

Aging	December 31, 2016			
	Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	6,094,244,320.85	83.60	82,351,164.99	1.35
1-2 years	858,918,345.00	11.78	77,500,260.76	9.02
2-3 years	124,369,854.03	1.71	46,378,193.12	37.29
Over 3 years	212,328,598.54	2.91	122,905,973.32	57.88
Total	7,289,861,118.42	100.00	329,135,592.19	4.51

**VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued****7. Other receivables - continued**

(2) Bad debt provision, withdrawal or reversal and written-off:

During the year, bad debt provision, withdrawal or reversal, and written-off are RMB 31,374,745.86, RMB 64,443,174.59 and RMB 61,753,151.17 respectively. For increased bad debt provision due to changes in the foreign exchange rate during the year, the amount is RMB7,441,690.00. For increased bad debt provision due to changes in the scope of consolidation during the year, the amount is RMB90,171,509.31. For decreased bad debt provision due to changes in the scope of consolidation during the year, the amount is RMB1,916,296.73.

(3) Disclosure of other receivables by nature:

Unit: RMB

Nature of other receivables	December 31, 2016	December 31, 2015
New energy subsidies	2,627,398,500.00	697,096,000.00
Disposal of assets	661,009,144.34	610,934,992.61
Advances to project	719,846,342.06	958,416,772.30
Guarantees, deposits, etc.	3,418,206,520.19	3,279,312,009.54
Total	7,426,460,506.59	5,545,759,774.45

(4) Top five balances of other receivables:

Unit: RMB

Name	Relationship with the Group	Amount	Aging	Proportion to total other receivables (%)
Company 1	Third party	1,844,438,500.00	Within 2 years	24.84
Company 2	Third party	731,468,000.00	Within 2 years	9.85
Company 3	Third party	661,009,144.34	Within 3 year	8.90
Company 4	Third party	275,026,667.31	Within 1 year	3.70
Company 5	Third party	131,217,108.40	Within 1 year	1.77
Total		3,643,159,420.05		49.06

**8. Financial assets purchased under resale agreements**

Unit: RMB

Item	Closing balance	Opening balance
Financial assets purchased under resale agreements	978,112,755.49	-

**9. Inventories**

(1) Categories of inventories

Unit: RMB

Item	December 31, 2016			December 31, 2015		
	Book balance	Provision	Book value	Book balance	Provision	Book value
Raw materials	5,914,159,801.87	428,835,962.75	5,485,323,839.12	5,055,503,400.22	561,857,444.53	4,493,645,955.69
Work-in- process	1,444,784,240.35	72,329,980.44	1,372,454,259.91	1,341,485,023.66	67,769,542.40	1,273,715,481.26
Finished goods or goods on hand	31,337,867,616.08	1,155,863,909.19	30,182,003,706.89	32,498,000,327.63	1,193,408,856.41	31,304,591,471.22
Development costs	-	-	-	171,489,040.81	-	171,489,040.81
Total	38,696,811,658.30	1,657,029,852.38	37,039,781,805.92	39,066,477,792.32	1,823,035,843.34	37,243,441,948.98

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

9. Inventories - continued

(2) Provision for decline in value of inventories

Unit: RMB

Categories of inventories	December 31, 2015	Increase due to changes in the scope of consolidation	Provision	Decrease during the year		December 31, 2016
				Reversal	Write-off	
Raw materials	561,857,444.53	13,872,251.64	134,403,139.01	11,175,452.10	270,121,420.33	428,835,962.75
Work-in-process	67,769,542.40	15,213,604.70	28,298,769.18	5,477,474.74	33,474,461.10	72,329,980.44
Finished goods or goods on hand	1,193,408,856.41	68,084,697.30	464,508,624.67	56,857,846.63	513,280,422.56	1,155,863,909.19
Total	1,823,035,843.34	97,170,553.64	627,210,532.86	73,510,773.47	816,876,303.99	1,657,029,852.38

(3) Circumstances of provision for decline in value of inventories

Item	Basis of provision for decline in value of inventories	Reason for reversal of provision
Raw materials	Lower of cost or net realizable value	Value recovery
Work-in-process	Lower of cost or net realizable value	Value recovery
Finished goods or goods on hand	Lower of cost or net realizable value	Value recovery

10. Non-current assets due within one year

Unit: RMB

Item	December 31, 2016	December 31, 2015
Long-term loans due within one year (Note (VI)12)	51,361,586,216.03	28,168,396,145.83
Long-term receivables due within one year (Note (VI)14)	1,476,362,391.88	772,710,099.76
Other non-current assets due within one year (Note (VI)24)	-	272,419,994.62
Total	52,837,948,607.91	29,213,526,240.21

11. Other current assets

Unit: RMB

Item	December 31, 2016	December 31, 2015
Short-term loans issued by SFC and GMAC	40,180,882,384.43	41,881,892,666.99
Input VAT to be deducted	2,205,423,854.16	1,325,267,276.57
Prepaid and deferred costs	409,873,637.22	416,181,577.57
Short-term entrusted loans	334,200,000.00	569,500,000.00
Wealth management products	315,000,000.00	550,000,000.00
Discount held by SFC	161,111,370.11	787,852,506.47
Receivables investment	-	168,053,082.54
Sub-total	43,606,491,245.92	45,698,747,110.14
Less: Impairment loss on other current assets	1,153,644,618.84	876,771,674.92
Total	42,452,846,627.08	44,821,975,435.22

12. Loans and advances

Unit: RMB

Item	December 31, 2016	December 31, 2015
Long-term loans issued by SFC and GMAC	100,304,364,038.49	64,569,467,693.25
Less: Impairment loss on loans	2,722,724,109.39	1,724,980,703.74
Net book value of long-term loans issued	97,581,639,929.10	62,844,486,989.51
Less: Long-term loans due within one year (Note (VI)10)	51,361,586,216.03	28,168,396,145.83
Long-term loans due after one year	46,220,053,713.07	34,676,090,843.68



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YEAR ENDED DECEMBER 31, 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

13. Available-for-sale financial assets

(1) Available-for-sale financial assets:

Unit: RMB

Item	December 31, 2016	December 31, 2015
Available-for-sale debt instruments	1,896,097,086.38	522,074,000.78
Available-for-sale equity instruments	48,588,652,410.96	64,972,935,647.47
-measured at fair value	48,334,334,570.96	64,775,823,055.47
-measured at cost	254,317,840.00	197,112,592.00
Total	50,484,749,497.34	65,495,009,648.25

(2) Available-for-sale financial assets measured at fair value:

Unit: RMB

Categories of available-for-sale financial assets	December 31, 2016		
	Available-for-sale debt instruments	Available-for-sale equity instruments	Total
Costs of equity instruments / amortized cost of debt instrument	36,618,020,336.06	1,894,818,086.59	38,512,838,422.65
Fair value	48,334,334,570.96	1,896,097,086.38	50,230,431,657.34
Accumulated amount of changes of fair value recognized in other comprehensive income	11,849,930,334.45	1,278,999.79	11,851,209,334.24
Impairment provisions	133,616,099.55	-	133,616,099.55

(3) Available-for-sale financial assets measured at cost:

Unit: RMB

Investees	Book value			Provision for impairment			Equity interest held by the Company as of the year end (%)	Cash bonus in 2016
	December 31, 2015	Increase during the year	Decrease during the year	December 31, 2016	December 31, 2015	Increase during the year	December 31, 2016	
GM Korea Company	494,566,740.00	-	-	494,566,740.00	494,566,740.00	-	494,566,740.00	<10.00
Tianjin Lovol Heavy Industries Co., Ltd.	10,000,000.00	-	-	10,000,000.00	-	-	-	<10.00
Guoqi (Beijing) Lightweight of Automobile Technology Research Institute Co., Ltd.	3,000,000.00	-	-	3,000,000.00	-	-	-	<10.00
Shanghai International Trust & Investment Co., Ltd.	119,560,000.00	51,000,000.00	-	170,560,000.00	-	-	-	<10.00
Jiangsu Zijin Rural Commercial Bank Co., Ltd.	28,984,200.00	-	-	28,984,200.00	-	-	-	<1.00
Shanghai Shangguotou Asset Management Co., Ltd.	2,440,000.00	-	-	2,440,000.00	-	-	-	<10.00
Others	43,060,629.06	15,584,100.00	28,392.00	58,616,337.06	9,932,237.06	9,350,460.00	19,282,697.06	3,115,121.81
Total	701,611,569.06	66,584,100.00	28,392.00	768,167,277.06	504,498,977.06	9,350,460.00	513,849,437.06	3,563,330.45

(4) Impairment loss on available-for-sale financial assets:

Unit: RMB

	Available-for-sale equity instruments
Impairment provisions at the beginning of the year	514,256,597.06
Provision	138,101,339.55
Write-off	4,892,400.00
Impairment provisions at the end of the year	647,465,536.61

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

**VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued**

**14. Long-term receivables**

(1) Disclosure of long-term receivables by categories:

Unit: RMB

Item	December 31, 2016			December 31, 2015		
	Book balance	Provision	Book value	Book balance	Provision	Book value
Finance lease receivables (Note)	3,321,631,176.88	174,920,771.68	3,146,710,405.20	2,033,575,655.00	479,280,062.90	1,554,295,592.10
Including: unearned finance income	631,829,911.49	-	631,829,911.49	227,802,778.61	-	227,802,778.61
Installment sales	263,245,963.35	-	263,245,963.35	-	-	-
Long-term receivables arising from assets transfer	-	-	-	5,312,253.90	-	5,312,253.90
Others	23,650,000.00	-	23,650,000.00	14,982,072.17	-	14,982,072.17
Sub-total	3,608,527,140.23	174,920,771.68	3,433,606,368.55	2,053,869,981.07	479,280,062.90	1,574,589,918.17
Less: Long-term receivables due within one year (Note (VI)10)	1,476,362,391.88	-	1,476,362,391.88	772,710,099.76	-	772,710,099.76
Long-term receivables due after one year	2,132,164,748.35	174,920,771.68	1,957,243,976.67	1,281,159,881.31	479,280,062.90	801,879,818.41

Note: At the year-end, finance lease receivables of RMB 697,443,555.32 were pledged to banks as collateral for loans, refer to Note (VI) 25, 38.

(2) Bad debt provision, withdrawal or reversal and written-off:

During the year, bad debt provision, and written-off are RMB 62,561,519.24 and RMB 366,920,810.46 respectively.

**15. Long-term equity investments**

(1) Details of long-term equity investments are as follows:

Unit: RMB

	December 31, 2016	December 31, 2015
Investments in JCEs	56,000,910,164.67	53,262,588,682.38
Investments in associates	8,613,202,335.09	7,638,294,178.07
-Elimination of unrealized gross profit, etc.	(1,878,680,827.29)	(1,822,969,453.91)
Total	62,735,431,672.47	59,077,913,406.54
Less: Impairment	58,242,000.68	58,242,000.68
Net book value	62,677,189,671.79	59,019,671,405.86

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

## VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 15. Long-term equity investments - continued

(2) Details of long-term equity investments are as follows:

Unit: RMB

Invested companies	December 31, 2015	Increase (decrease) during the year	December 31, 2016	Equity interest held by the Company as of the year-end (%)		Impairment at the year-end	Provision for impairment for the year
				Directly	Indirectly		
<b>JCEs</b>							
SAIC Volkswagen Automotive Co., Ltd.	20,426,731,263.83	608,334,038.49	21,035,065,302.32	50.00	-	-	-
Pan Asia Technical Automotive Center Co., Ltd.	592,237,413.62	72,909,694.00	665,147,107.62	50.00	-	-	-
Shanghai Jieneng Automotive Technology Co., Ltd. (Note 3)	19,997,583.22	(323,352.49)	19,674,230.73	-	10.00	-	-
Shanghai Advanced Traction Battery Systems Co., Ltd. (Note 3)	23,868,453.68	5,832,218.59	29,700,672.27	-	51.00	-	-
SAIC General Motors Co., Ltd.	16,187,811,638.36	(94,735,858.31)	16,093,075,780.05	50.00	-	-	-
SAIC GM Dong Yue Motors Co., Ltd.	569,623,625.35	33,367,430.19	602,991,055.54	25.00	25.00	-	-
Shanghai GM Dong Yue Powertrain Co., Ltd.	1,588,050,079.37	(32,980,939.40)	1,555,069,139.97	25.00	25.00	-	-
Shanghai GM (Shenyang) Norsom Motors Co., Ltd.	700,996,754.53	(46,924,844.20)	654,071,910.33	25.00	25.00	-	-
ZF Transmissions Shanghai Co., Ltd. (Note 3)	216,510,080.75	(28,674,621.54)	187,835,459.21	-	49.00	-	-
Shanghai SAIC Magneti Marelli Powertrain Co., Ltd.	99,065,379.76	19,672,716.59	118,738,096.35	-	50.00	-	-
United Automotive Electronic Systems Co., Ltd. (Note 3)	2,963,757,221.03	810,922,683.77	3,774,679,904.80	-	49.00	-	-
Nanjing Iveco Automobile Co., Ltd.	1,521,789,847.16	(176,431,029.35)	1,345,358,817.81	-	50.00	-	-
Shanghai MHI Engine Co., Ltd.	67,458,721.84	(14,538,069.80)	52,920,652.04	-	50.00	-	-
Shanghai Onstar Telematics Co., Ltd.	81,047,314.52	4,533,628.62	85,580,943.14	-	50.00	-	-
Nanjing Automotive Forging Co., Ltd.	144,726,144.11	14,691,944.30	159,418,088.41	-	50.00	-	-
Tianjin Zhongxing Auto Parts Co., Ltd.	25,181,072.10	(132,387.72)	25,048,684.38	-	50.00	-	-
Contitech Fluid Shanghai Co., Ltd. (Note 3)	26,742,430.63	(1,793,065.11)	24,949,365.52	-	49.00	-	-
Shanghai Inteva Automotive Parts Co., Ltd.	77,457,501.58	21,465,908.77	98,923,410.35	-	50.00	-	-
Shanghai TRW Automotive Safety Systems Co., Ltd.	182,422,222.54	(24,475,772.46)	157,946,450.08	-	50.00	-	-
Boschi Huayu Steering Systems Co., Ltd. (Note 3)	1,193,870,889.25	102,518,873.30	1,296,389,762.55	-	49.00	-	-
Shanghai Koito Automotive Lamp Co., Ltd.	733,956,617.46	38,602,894.43	772,559,511.89	-	50.00	-	-

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

15. Long-term equity investments - continued

(2) Details of long-term equity investments are as follows - continued:

Invested companies	December 31, 2015	Increase (decrease) during the year	December 31, 2016	Equity interest held by the Company as of the year-end (%)		Impairment at the year-end	Provision for impairment for the year
				Directly	Indirectly		
<b>JCEs - continued</b>							
Kolbenschmidt shanghai piston Co., Ltd.	234,797,262.06	33,066,557.79	267,863,819.85	-	50.00	-	-
Shanghai Valeo Automotive Electrical Systems Co., Ltd.	400,379,003.05	45,989,061.32	446,368,064.37	-	50.00	-	-
Shanghai Kolbenschmidt Pierburg Shanghai Nonferrous Components Co., Ltd.	427,771,262.70	69,081,159.79	496,852,422.49	-	50.00	-	-
Shanghai GKN Drive System Co., Ltd. (Note 3)	1,364,379,192.91	111,086,534.88	1,475,465,727.79	-	45.00	-	-
Dongfeng Yanfeng Automotive Trim Systems Co., Ltd.	91,848,306.00	47,511,578.00	139,359,884.00	-	50.00	-	-
Shanghai Sachs Powertrain Components Parts System Co., Ltd.	123,988,295.85	938,377.20	124,926,673.05	-	50.00	-	-
Shanghai Behr Thermal System Co., Ltd.	336,780,695.86	48,447,965.10	385,228,660.96	-	50.00	-	-
Yan Feng Gabriel (Shanghai) Automotive Safety Systems Co., Ltd.(Note 3)	340,012,345.00	277,542,851.00	617,555,196.00	-	50.10	-	-
Yanfeng Plastic Omnium Automotive Exterior Trimming System Co., Ltd. (Note 3)	570,961,815.00	43,312,973.00	614,274,788.00	-	50.05	-	-
Hua Dong Teksid Automotive Foundry Co., Ltd.	231,084,603.37	(866,181.73)	230,218,421.64	-	50.00	-	-
Pierburg Huayu Pump Technology Co. Ltd. (Note 6)	7,752,917.76	20,839,008.97	28,591,926.73	-	50.00	-	-
Founding of Yanfeng Visteon Investment Co., Ltd.	262,570,938.00	55,240,433.00	317,811,371.00	-	50.00	-	-
Dongfeng Yanfeng Shiyan Automotive Trim Systems Co., Ltd.	182,919,776.00	(9,355,761.00)	173,564,015.00	-	50.00	-	-
Yanfeng Johnson Controls Automotive Seating Mechanical Parts Co., Ltd.	266,032,610.00	47,091,730.00	313,124,340.00	-	50.00	-	-
KS HUAYU Alu Tech GmbH	153,179,079.40	41,995,329.60	195,174,409.00	-	50.00	-	-
CRH Automotive Systems (Shenyang) Co., Ltd.	50,320,715.00	(160,137.00)	50,160,578.00	-	50.00	-	-
Huayu Continental Brake Systems (Chongqing) Co., Ltd.(Note 6)	33,483,041.86	36,730,113.73	70,213,155.59	-	50.00	-	-
Shanghai Anji Riyou Vehicle Transportation Co., Ltd. (Note 3)	25,831,518.04	16,923,635.64	42,755,153.68	-	51.00	-	-

Unit: RMB

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

15. Long-term equity investments - continued

(2) Details of long-term equity investments are as follows - continued:

Unit: RMB

Invested companies	December 31, 2015	Increase (decrease) during the year	December 31, 2016	Equity interest held by the Company as of the year-end (%)		Impairment at the year-end	Provision for impairment for the year
				Directly	Indirectly		
<b>JCEs - continued</b>							
Anji Car Rental Co., Ltd.	225,508,873.10	(3,153,108.00)	222,355,765.10	-	50.00	-	-
Beijing Boruiyechuan Car Service Co., Ltd.	66,624,384.38	(11,753,625.57)	54,870,758.81	-	50.00	-	-
Shanghai Volkswagen Automotive Anting Sales&Service Co., Ltd. (Note2)	-	1,737,133.67	1,737,133.67	-	50.00	-	-
SAIC Qingdao Clean Energy Bus Co., Ltd.(Note3)	96,759,632.62	(344,759.85)	96,414,872.77	-	51.02	-	-
Others	49,377,741.65	246,327,175.00	295,704,916.65				
<b>Subtotal of joint ventures</b>	<b>53,262,588,682.38</b>	<b>2,738,321,482.29</b>	<b>56,000,910,164.67</b>				
<b>Associates</b>							
Shanghai Volkswagen Powertrain Co., Ltd.	1,919,177,286.87	49,203,526.86	1,968,380,813.73	40.00	-	-	-
Volkswagen Transmission (Shanghai ) Co., Ltd.							

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

15. Long-term equity investments - continued

(2) Details of long-term equity investments are as follows - continued:

Unit: RMB

Invested companies	December 31, 2015	Increase (decrease) during the year	December 31, 2016	Equity interest held by the Company as of the year-end (%)		Impairment at the year-end	Provision for impairment for the year
				Directly	Indirectly		
<b>Associates - continued</b>							
Shanghai Meridian Magnesium Products Co., Ltd.	76,642,043.14	22,919,107.66	99,561,150.80	-	40.00	-	-
Shanghai Xingsheng Gasket Co., Ltd.	30,328,925.49	872,927.60	31,201,853.09	-	40.00	-	-
Shanghai Boze Auto Parts Co., Ltd.	115,275,367.67	(5,356,032.27)	109,919,335.40	-	40.00	-	-
Valeo Shanghai Automotive Electric Motors & Wiper System Co., Ltd.	111,960,487.49	17,055,059.73	129,015,547.22	-	27.00	-	-
Shanghai Inteva Automotive Door Systems Co., Ltd.	135,808,922.43	16,224,455.79	152,033,378.22	-	40.00	-	-
Shanghai LEAR STEC Automotive Parts Co., Ltd.	144,158,218.89	6,245,146.22	150,403,365.11	-	45.00	-	-
Sanden (Suzhou) Precision Parts Co., Ltd.	41,387,965.42	3,181,800.18	44,569,765.60	-	35.00	-	-
Wuhan TACHI-S Johnson Controls Automotive Seat Co., Ltd.	34,537,614.00	2,668,551.00	37,206,165.00	-	20.00	-	-

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

## VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 15. Long-term equity investments - continued

(2) Details of long-term equity investments are as follows - continued:

Unit: RMB

Invested companies	December 31, 2015	Increase (decrease) during the year	December 31, 2016	Equity interest held by the Company as of the year-end (%)		Impairment at the year-end	Provision for impairment for the year
				Directly	Indirectly		
<b>Associates - continued</b>							
Nanjing Valeo Clutch Co., Ltd.	68,262,416.66	11,776,912.72	80,039,329.38	-	25.00	-	-
Qingdao Toyo Heat Exchanger Co., Ltd.	51,012,815.18	1,342,518.65	52,355,333.83	-	26.00	-	-
Nanjing Anji Mingjie Automobile Sales And Service Co., Ltd.	1,009,245.74	85,635.34	1,094,881.08	-	49.00	-	-
Shanghai Shanke Automotive Culture Communication Co., Ltd.	280,082.03	(18,410.60)	261,671.43	-	45.45	-	-
Anji Nyk Logistics (Thailand) Co., Ltd.	10,980,399.48	3,632,956.26	14,613,355.74	-	49.00	-	-
Chongqing Jiangsheng Automotive Logistics Co., Ltd.(Note2)	-	80,114,638.91	80,114,638.91	-	49.00	-	-
Beijing Zhongqi Lifa Automotive Sales Services Co., Ltd. (Note 5)	3,190,689.52	(3,190,689.52)	-	-	-	-	-
Shanghai Wanxiang New Energy Bus Co., Ltd.	89,097,179.68	4,870,669.25	93,967,848.93	-	49.00	-	-
Sunrise Power Co., Ltd.	43,151,675.28	(1,328,208.51)	41,823,466.77	-	34.19	-	-
Shanghai Zhiji Information Technology Co., Ltd. (Note2)	-	7,106,834.95	7,106,834.95	-	35.00	-	-
Shanghai SAIC Futong Investment Management Center (Note 5)	70,625,324.42	(70,625,324.42)	-	-	-	-	-
SAIC James (Shannan) Equity Investment Fund Partnership Enterprise	22,987,892.06	5,609,646.17	28,597,538.23	-	39.98	-	-
Sailing Capital International (Shanghai) Co., Ltd. (Note 6, 8)	1,635,098,284.84	532,926,398.47	2,168,024,683.31	-	22.20	-	-
Shanghai SAIC Huankai Investment Management Co., Ltd.	160,717,730.52	(104,631,202.06)	56,086,528.46	-	37.50	30,325,460.00	-
SAIC Tangtian Investment Management Center	14,938,430.24	2,180,115.15	17,118,545.39	-	37.69	-	-
Beijing Hainachuan Johnson Controls Automotive Components Co., Ltd.(Note2、 9)	-	9,298,904.00	9,298,904.00	-	51.00	-	-
Shanghai Shangqi Equity Investment Fund First Section Partnership Enterprise	58,294,168.64	4,865,948.34	63,160,116.98	-	45.16	-	-
Sailing Capital Management Co., Ltd.	76,813,149.77	1,515,648.54	78,328,798.31	-	18.18	-	-
Shanghai Integrated Circuit Industry Investment Fund Management Co., Ltd.(Note2)	-	3,000,000.00	3,000,000.00	-	30.00	-	-
Others	47,164,538.55	9,693,428.93	56,857,967.48				
<b>Subtotal of associates</b>	<b>7,638,294,178.07</b>	<b>974,908,157.02</b>	<b>8,613,202,335.09</b>			<b>58,242,000.68</b>	-
<b>Total</b>	<b>60,900,882,860.45</b>	<b>3,713,229,639.31</b>	<b>64,614,112,499.76</b>			<b>58,242,000.68</b>	-

**VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued**

**15. Long-term equity investments - continued**

(2)Details of long-term equity investments are as follows: - continued

Note 1: During the year, the subsidiary of the Group, Anji Logistics disposed of part of the equity in its subsidiaries, Shanghai Anfu Logistics Co., Ltd. and Shanghai Anji Xunda Automobile Transportation Co., Ltd over which the control was lost, therefore, became JCEs of the Group, refer to Note VII,2.

Note 2: Such companies are new investments of the Group for the year.

Note 3: Pursuant to the Articles of Association, these companies are JCEs of the Group as significant financial and operating decisions should achieve unanimous consent.

Note 4: Investments in such companies are accounted for using equity method and the book value is zero.

Note 5: Such companies have been disposed of for the year.

Note 6: During the year, the shareholders of these companies contribute additional capital by cash to the company at the original shareholding ratio, of which the Group increased its total capital by RMB 802,500,000.00

Note 7: During the year, the Group obtained the control over SAIC-IVECO Hongyan Commercial Vehicle Co., Ltd. ("SAIC-IVECO Hongyan"), which has been included in the scope of the consolidated financial statements. Chongqing Henglong Hongyan Automotive Steering Co., Ltd is an associate of SAIC-IVECO Hongyan, therefore it becomes an associate of the Group.

Note 8: At the end of the year, the carrying amount of the long-term equity investment of RMB 650,407,404.99 has been pledged as collateral for bank loans, refer to Note VI, 38.

Note 9: The Group has significant influence on the company according to the Articles of Association, which shall be accounted for using equity method.



**VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued****16. Investment properties**

(1) Movements of investment properties measured at cost are as follows:

Unit: RMB

Item	Buildings	Land use right	Total
<b>I. Cost</b>			
December 31, 2015	3,110,629,421.33	749,206,807.71	3,859,836,229.04
Transfer from construction in progress during the year	80,540,193.91	-	80,540,193.91
Transfer from intangible assets during the year	-	22,839,030.01	22,839,030.01
Transfer from fixed assets during the year	499,946,288.68	-	499,946,288.68
Disposals during the year	418,445,780.69	59,585,241.17	478,031,021.86
Transfer to intangible assets during the year	-	16,870,135.00	16,870,135.00
Transfer to building for self-use during the year	72,669,866.29	-	72,669,866.29
December 31, 2016	3,200,000,256.94	695,590,461.55	3,895,590,718.49
<b>II. Accumulated depreciation and amortization</b>			
December 31, 2015	1,033,483,993.26	141,390,882.33	1,174,874,875.59
Provision during the year	117,964,400.30	14,353,737.84	132,318,138.14
Transfer from intangible assets during the year	-	92,470.00	92,470.00
Transfer from fixed assets during the year	321,667,576.66	-	321,667,576.66
Disposals during the year	249,390,521.16	16,905,329.99	266,295,851.15
Transfer to intangible assets during the year	-	726,486.00	726,486.00
Transfer to building for self-use during the year	13,171,989.14	-	13,171,989.14
December 31, 2016	1,210,553,459.92	138,205,274.18	1,348,758,734.10
<b>III. Net book value</b>			
December 31, 2016	1,989,446,797.02	557,385,187.37	2,546,831,984.39
December 31, 2015	2,077,145,428.07	607,815,925.38	2,684,961,353.45

(2) Details of the investment properties that have not been obtained the certificates of titles are as follows:

Unit: RMB

Item	Book value as at December 31, 2016	Reasons why certificates of title have not been obtained
Buildings	199,173,394.75	In progress

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015

## VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 17. Fixed assets

## (1) General

Unit: RMB

Item	Buildings	Machinery and equipment	Electronic equipment, furniture and fixtures	Transportation vehicles	Mold	Total
<b>I. Cost</b>						
December 31, 2015	20,410,955,306.81	42,013,643,946.54	4,109,388,464.39	2,339,542,972.64	5,816,717,605.02	74,690,248,295.40
Purchase during the year	35,438,044.11	461,541,602.54	165,804,891.47	105,961,837.09	37,368,732.42	806,115,107.63
Transfer from construction in progress during the year	2,552,630,543.04	8,551,192,628.59	641,142,312.37	553,540,919.59	1,050,695,730.68	13,349,202,134.27
Transfer from investment properties during the year	72,669,866.29	-	-	-	-	72,669,866.29
Increases due to changes in the scope of consolidation during the year	1,314,135,190.29	1,716,571,770.38	213,262,493.98	398,301,005.45	83,866,679.00	3,726,137,139.10
Increases (decrease) due to changes in the exchange rate during the year	48,848,768.95	140,630,829.12	13,650,736.36	1,248,576.62	11,183,452.27	215,562,363.32
Transfer to construction in progress during the year	-	8,149,749.44	39,911.24	34,057.00	-	8,223,717.68
Transfer to investment properties during the year	499,946,288.68	-	-	-	-	499,946,288.68
Decreases due to changes in the scope of consolidation during the year	7,191,232.08	692,901.05	10,203,022.96	231,827,375.31	-	249,914,531.40
Disposals and retirement during the year	431,060,097.57	1,838,514,899.33	285,033,671.14	195,205,017.70	434,521,792.93	3,184,335,478.67
December 31, 2016	23,496,480,101.16	51,036,223,227.35	4,847,972,293.23	2,971,528,861.38	6,565,310,406.46	88,917,514,889.58
<b>II. Accumulated depreciation</b>						
December 31, 2015	5,350,856,444.16	18,151,045,564.82	2,504,556,893.90	1,335,043,559.07	2,207,431,108.77	29,548,933,570.72
Provision during the year	903,014,833.55	4,190,517,331.53	550,734,779.01	251,976,761.89	704,629,449.31	6,600,873,155.29
Transfer from investment properties during the year	13,171,989.14	-	-	-	-	13,171,989.14
Increases due to changes in the scope of consolidation during the year	373,188,080.09	892,998,282.56	123,930,478.36	92,769,191.69	-	1,482,886,032.70
Increases (decrease) due to changes in the exchange rate during the year	5,141,548.58	38,490,446.99	2,179,112.63	720,429.78	2,159,185.48	48,690,723.46
Transfer to construction in progress during the year	-	4,239,015.33	35,920.12	30,651.30	-	4,305,586.75
Transfer to investment properties during the year	321,667,576.66	-	-	-	-	321,667,576.66
Decreases due to changes in the scope of consolidation during the year	3,258,714.97	664,458.23	7,222,725.41	199,846,671.11	-	210,992,569.72
Disposals during the year	146,379,284.72	1,305,117,890.07	203,441,184.62	180,722,099.56	275,994,834.85	2,111,655,293.82
December 31, 2016	6,174,067,319.17	21,963,030,262.27	2,970,701,433.75	1,299,910,520.46	2,638,224,908.71	35,045,934,444.36
<b>III. Impairment</b>						
December 31, 2015	349,684,358.38	3,553,993,666.22	62,710,744.11	19,381,807.91	2,464,958,225.38	6,450,728,802.00
Provision during the year	5,847,740.96	281,181,118.49	12,926,085.22	126,607.14	432,423,912.89	732,505,464.70
Increases due to changes in the scope of consolidation during the year	9,667,740.59	13,840,744.50	2,425,078.06	30,066.86	-	25,963,630.01
Increases (decrease) due to changes in the exchange rate during the year	-	(2,188,916.18)	-	-	11,929,515.70	9,740,599.52
Transfer from investment properties during the year	-	38,251,253.89	-	-	11,726,495.73	49,977,749.62
Disposals and retirement during the year	21,048,302.59	143,646,128.23	38,621,688.10	290,031.47	247,636,095.90	451,242,246.29
December 31, 2016	344,151,537.34	3,741,431,738.69	39,440,219.29	19,248,450.44	2,673,402,053.80	6,817,673,999.56
<b>IV. Net book value</b>						
December 31, 2016	16,978,261,244.65	25,331,761,226.39	1,837,830,640.19	1,652,369,890.48	1,253,683,443.95	47,053,906,445.66
December 31, 2015	14,710,414,504.27	20,308,604,715.50	1,542,120,826.38	985,117,605.66	1,144,328,270.87	38,690,585,922.68

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

17. Fixed assets - continued

(2) Details of fixed assets that the certificates of title were not obtained are as follows:

Unit: RMB

Item	December 31, 2016	Reasons why certificates of title have not been obtained
Buildings	3,971,647,084.04	In progress

(3) At the year-end, buildings with net book value of RMB 511,486,206.21 were pledged as collateral for bank borrowings, refer to Note (VI) 38 for more details.

18. Construction in progress

(1) Details of the construction in process are as follows:

Unit: RMB

Item	December 31, 2016			December 31, 2015		
	Book balance	Impairment	Book value	Book balance	Impairment	Book value
Dual clutch transmission project and relocation	995,010,222.00	8,076,341.87	986,933,880.13	935,068,153.05	46,327,595.76	888,740,557.29
Project of technology improvement and capacity expansion of SGMW	3,453,995,153.62	-	3,453,995,153.62	4,774,627,248.61	11,726,495.73	4,762,900,752.88
Project of technology improvement and capacity expansion of Huizhong	401,138,655.97	200,000.00	400,938,655.97	451,423,660.72	200,000.00	451,223,660.72
Construction of MG Pukou base phase II of NAGC	664,952,853.30	-	664,952,853.30	258,349,637.10	235,913.07	258,113,724.03
Donghua CP4 logistics supporting project	72,383,091.65	175,469.40	72,207,622.25	107,749,229.11	1,050,329.40	106,698,899.71
Donghua Pukou Qiaolin project	522,294,877.53	-	522,294,877.53	128,163,439.80	-	128,163,439.80
Project of technology improvement and capacity expansion of Shanghai Diesel	82,639,408.11	31,716,626.11	50,922,782.00	142,829,859.15	31,716,626.11	111,113,233.04
Project of technology improvement and capacity expansion of Yanfeng Johnson	3,020,524,412.44	17,925,517.00	3,002,598,895.44	2,228,396,947.62	17,134,493.00	2,211,262,454.62
Project of passenger vehicles of self-owned brands	137,340,667.63	-	137,340,667.63	235,490,387.31	-	235,490,387.31
Project of R&D centre expansion	247,985,602.61	-	247,985,602.61	430,488,863.55	-	430,488,863.55
Project of construction of port of Anji Logistics	1,156,078,551.66	-	1,156,078,551.66	1,179,238,809.66	-	1,179,238,809.66
Project of self-owned brand of Commercial Vehicles	1,383,240,937.23	222,747.30	1,383,018,189.93	714,314,610.92	222,747.30	714,091,863.62
Project of photovoltaic generation of Asset Management	151,945,303.82	-	151,945,303.82	96,354,428.16	-	96,354,428.16
Project of self-owned brand in Thailand	3,930,643.12	-	3,930,643.12	21,689,179.18	-	21,689,179.18
Project of Import and export international distribution center	159,639,795.82	-	159,639,795.82	3,433,220.69	-	3,433,220.69
Project of Global Chexiang periodic lease	172,438,153.50	-	172,438,153.50	10,436,757.06	-	10,436,757.06
Project of Shanghong Real Estate Changfeng	186,223,224.40	-	186,223,224.40	-	-	-
Others	512,612,652.51	-	512,612,652.51	246,828,629.47	-	246,828,629.47
Total	13,324,374,206.92	58,316,701.68	13,266,057,505.24	11,964,883,061.16	108,614,200.37	11,856,268,860.79

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

18. Construction in progress - continued

(2) Movement of major construction in progress:

Unit: RMB

Name of item	Budget	December 31, 2015	Increase during the year	Transfer to fixed assets upon completion	Other decreases during this year	December 31, 2016	Proportion of project investment to the budget (%)	Project progress	Accumulated interest capitalized	Including: interest capitalized	Rate of interest capitalized (%)	Sources of funds
Dual clutch transmission project and relocation	6,623,150,680.28	935,068,153.05	1,218,048,706.86	1,140,954,256.09	17,152,381.82	995,010,222.00	85	Under construction	77,016,066.49	3,943,394.18	5.10	Self-financed and raised funds
Project of technology improvement and capacity expansion of SGMW	21,760,477,524.16	4,774,627,248.61	3,508,207,750.01	4,720,158,555.80	108,681,289.20	3,453,995,153.62	89	Under construction				Self-financed
Project of technology improvement and capacity expansion of Huizhong	3,054,529,945.44	451,423,660.72	450,446,128.44	500,731,133.19	-	401,138,655.97	91	Under construction				Self-financed
Construction of MG Pukou base phase II of NAGC	5,823,707,927.23	258,349,637.10	1,401,799,893.62	986,699,799.79	8,496,877.63	664,952,853.30	45	Under construction				Self-financed
Donghua CP4 logistics supporting project	510,113,744.32	107,749,229.11	173,699,787.15	126,676,705.17	82,389,219.44	72,383,091.65	72	Under construction				Self-financed
Donghua Pukou Qiaolin project	2,022,841,151.01	128,163,439.80	394,131,437.73	-	-	522,294,877.53	75	Under construction				Self-financed
Project of technology improvement and capacity expansion of Shanghai Diesel	2,694,897,410.00	142,829,859.15	80,043,947.10	136,624,301.14	3,610,097.00	82,639,408.11	57	Under construction				Self-financed
Project of technology improvement and capacity expansion of Yanfeng Johnson	6,082,368,003.15	2,228,396,947.62	4,211,553,150.95	3,021,843,203.57	397,582,482.56	3,020,524,412.44	68	Under construction	38,334,441.02	13,114,009.84	5.98	Self-financed and raised funds
Project of passenger vehicles of self-owned brands	13,057,086,276.48	235,490,387.31	801,532,212.53	894,225,716.42	5,456,215.79	137,340,667.63	63	Under construction				Self-financed and raised funds
Project of R&D centre expansion	3,757,673,219.00	430,488,863.55	299,991,216.05	458,803,492.49	23,690,984.50	247,985,602.61	78	Under construction				Self-financed and raised funds
Project of construction of port of Anji Logistics	3,890,571,229.00	1,179,238,809.66	498,588,430.19	496,399,771.63	25,348,916.56	1,156,078,551.66	77	Under construction				Self-financed
Project of self-owned brand of Commercial Vehicles	5,666,933,637.00	714,314,610.92	871,230,174.83	197,170,811.72	5,133,036.80	1,383,240,937.23	49	Under construction				Self-financed and raised funds
Project of photovoltaic generation of Asset Management	1,263,310,000.00	96,354,428.16	324,853,591.03	263,276,868.86	5,985,846.51	151,945,303.82	87	Under construction	11,514,032.26	897,071.39	4.90	Self-financed
Project of self-owned brand in Thailand	97,822,756.15	21,689,179.18	92,946,777.79	104,940,470.24	5,764,843.61	3,930,643.12	73	Under construction				Self-financed
Project of Import and export international distribution center	499,019,875.00	3,433,220.69	156,206,575.13	-	-	159,639,795.82	32	Under construction				Self-financed
Project of Global Chexiang periodic lease	291,905,000.00	10,436,757.06	212,874,047.45	39,438,367.82	11,434,283.19	172,438,153.50	77	Under construction				Self-financed
Project of Shanghong Real Estate Changfeng	2,460,418,777.73	-	186,223,224.40	-	-	186,223,224.40	44	Under construction				Self-financed
Others	535,973,448.50	246,828,629.47	678,716,304.44	261,258,680.34	151,673,601.06	512,612,652.51		Under construction				Self-financed
Total	80,092,800,604.45	11,964,883,061.16	15,561,093,355.70	13,349,202,134.27	852,400,075.67	13,324,374,206.92			126,864,539.77	17,954,475.41		

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

18. Construction in progress - continued

(3) Changes of construction in process are as follows:

Unit: RMB

Item	Amount
December 31, 2015	11,964,883,061.16
Purchase during the year	15,375,554,134.46
Increases due to changes in the scope of consolidation during the year	143,651,447.31
Transfer from fixed assets	3,918,130.93
Increase due to changes in exchange rates during the year	37,969,643.00
Disposal and retirement during the year	126,722,417.51
Transfer to investment properties during the year	80,540,193.91
Transfer to fixed assets upon completion	13,349,202,134.27
Transfer to intangible assets upon completion	505,716,064.87
Transfer to long-term prepaid expenses	139,421,399.38
December 31, 2016	13,324,374,206.92

(4) Impairment of constructions in progress

Unit: RMB

Item	December 31, 2015	Increase	Transfer to fixed assets	Decrease	December 31, 2016	Reason for impairment
Transmission and clutch etc.	46,327,595.76	-	38,251,253.89	-	8,076,341.87	Lack of capacity utilization
Dalian Shanghai Diesel product line and plant construction	31,716,626.11	-	-	-	31,716,626.11	Termination of the project
Yanfeng trim, seat, electronic technology renovation project	17,134,493.00	791,024.00	-	-	17,925,517.00	Termination of the project
Project of technology improvement and capacity expansion of SGMW	11,726,495.73	-	11,726,495.73	-	-	Lack of capacity utilization
Construction of MG Pukou base	235,913.07	-	-	235,913.07	-	Changes of products portfolio
Project of technology improvement and capacity expansion of Shanghai Huizhong	200,000.00	-	-	-	200,000.00	Termination of the project
Others	1,273,076.70	-	-	874,860.00	398,216.70	Termination of the project
Total	108,614,200.37	791,024.00	49,977,749.62	1,110,773.07	58,316,701.68	

(5) At the year-end, constructions in progress with net book value of RMB 347,693,524.48 were pledged as collateral for bank borrowings, refer to Note (VI) 38 for more details.

SAIC MOTOR CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

19. Intangible assets

(1) General

Unit: RMB

Item	Land use right	Know-how	Royalties	Software	Patent	Trademark right	Others	Total
I. Cost								
December 31, 2015	8,151,379,436.22	2,961,774,408.55	58,113,500.00	1,437,845,534.42	1,033,952,252.05	244,174,681.78	929,908,829.30	14,817,148,642.32
Purchase during the year	1,708,638,751.63	36,210,600.00	-	66,993,609.71	-	20,471,698.11	15,100,177.31	1,847,414,836.76
Transfer from construction in progress during the year	169,247,829.62	-	-	336,468,235.25	-	-	-	505,716,064.87
Transfer from investment properties during the year	16,870,135.00	-	-	-	-	-	-	16,870,135.00
Increases due to changes in the scope of consolidation during the year	741,199,825.01	525,379,939.63	120,453,788.21	76,198,734.47	-	-	-	1,463,232,287.32
Increases (decrease) due to changes in the exchange rate during the year	44,837,901.49	11,395,374.02	-	5,231,188.35	-	-	1,177,872.25	62,642,336.11
Transfer to investment properties during the year	22,839,030.01	-	-	-	-	-	-	22,839,030.01
Disposals during the year	230,719,786.55	21,621,162.74	-	9,054,825.27	-	-	-	261,395,774.56
December 31, 2016	10,578,615,062.41	3,513,139,159.46	178,567,288.21	1,913,682,476.93	1,033,952,252.05	264,646,379.89	946,186,878.86	18,428,789,497.81
II. Accumulated amortization								
December 31, 2015	864,957,244.01	1,870,227,629.34	8,956,883.33	810,783,760.34	952,644,979.29	67,394,047.99	913,049,207.41	5,488,013,751.71
Provision during the year	187,970,594.63	223,891,732.58	19,981,666.71	293,507,027.67	4,848.48	24,331,490.57	1,550,795.31	751,238,155.95
Transfer from investment properties during the year	726,486.00	-	-	-	-	-	-	726,486.00
Increases due to changes in the scope of consolidation during the year	68,873,603.02	210,358,558.68	120,453,788.21	59,931,042.13	-	-	-	459,616,992.04
Increases (decrease) due to changes in the exchange rate during the year	238,123.53	186,049.37	-	1,157,198.36	-	-	858,050.00	2,439,421.26
Transfer to investment properties during the year	92,470.00	-	-	-	-	-	-	92,470.00
Disposals during the year	56,940,053.91	21,621,162.74	-	5,628,408.49	-	-	-	84,189,625.14
December 31, 2016	1,065,733,527.28	2,283,042,807.23	149,392,338.25	1,159,750,620.01	952,649,827.77	91,725,538.56	915,458,052.72	6,617,752,711.82
III. Impairment								
December 31, 2015	3,612,787.25	867,389,047.72	4,714,950.00	11,249,308.25	81,250,000.00	-	-	968,216,093.22
Provision during the year	-	-	-	26,974,186.00	-	-	-	26,974,186.00
Increases due to changes in the scope of consolidation during the year	-	21,165,563.03	-	-	-	-	-	21,165,563.03
Increases (decrease) due to changes in the exchange rate during the year	-	630,279.83	-	-	-	-	-	630,279.83
December 31, 2016	3,612,787.25	889,184,890.58	4,714,950.00	38,223,494.25	81,250,000.00	-	-	1,016,986,122.08
IV. Net book value								
December 31, 2016	9,509,268,747.88	340,911,461.65	24,459,999.96	715,708,362.67	52,424.28	172,920,841.33	30,728,826.14	10,794,050,663.91
December 31, 2015	7,282,809,404.96	224,157,731.49	44,441,666.67	615,812,465.83	57,272.76	176,780,633.79	16,859,621.89	8,360,918,797.39

**VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued****19. Intangible assets - continued**

(2) Details of land use right that the certificates of title were not obtained are as follows:

Unit: RMB

Item	Book value as at December 31, 2016	Reasons why certificates of title have not been obtained
Land use right	635,945,419.75	In progress

(3) At the year-end, land use right with net book value of RMB 345,554,901.61 was pledged as collateral of bank borrowings, refer to Note (VI) 38 for more details.

**20. Development expenditure**

Unit: RMB

Item	December 31, 2015	Increase	Recognized in profit and loss	December 31, 2016
Research expenditures	-	1,747,582,755.73	1,747,582,755.73	-
Development expenditures	4,298,394.04	7,661,128,132.65	7,663,035,228.49	2,391,298.20
Total	4,298,394.04	9,408,710,888.38	9,410,617,984.22	2,391,298.20

Development expenditures accounts for 81.43% of total research and development expenditures during the year.

**21. Goodwill**

(1) Cost

Unit: RMB

Invested company	December 31, 2015	Increase	December 31, 2016
SAIC-GMAC Automotive Finance Co., Ltd.	333,378,433.68	-	333,378,433.68
Shanghai ANJI-CEVA Automotive Logistics Co., Ltd.	290,248.50	-	290,248.50
Chongqing Yanfeng Johnson Automotive Parts Systems Co., Ltd.	71,566,642.00	-	71,566,642.00
Shanghai Diesel	6,994,594.88	-	6,994,594.88
Nanya Motor	11.11	-	11.11
Shanghai International Auto Operation Service Co., Ltd.(Note)	-	142,443,867.15	142,443,867.15
Zhejiang Lishui Yidong New Energy Automobile Operation Service Co., Ltd.(Note)	-	2,820,855.59	2,820,855.59
Zhejiang Quzhou Yidong New Energy Automobile Operation Service Co., Ltd.(Note)	-	946,936.57	946,936.57
Shanghai Sunwin (Note)	-	53,349,858.83	53,349,858.83
Others	54,129,251.07	7,081,712.43	61,210,963.50
Total	466,359,181.24	206,643,230.57	673,002,411.81

Note: Refer to Note (VII) 1 for more details.

(2) Impairment of goodwill

Unit: RMB

Invested company	December 31, 2015	December 31, 2016
Nanya Motor	11.11	11.11
Others	4,343,874.25	2,900,000.00
Total	4,343,885.36	2,900,011.11

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

22. Long-term deferred expenses

Unit: RMB

Item	December 31, 2016	December 31, 2015
Improvement expenditure of fixed assets under operating lease	1,418,742,827.92	1,119,722,789.23
Mould costs	39,353,782.84	45,272,945.57
Others	84,572,487.33	121,902,176.17
Total	1,542,669,098.09	1,286,897,910.97

23. Deferred tax assets/deferred tax liabilities

(1) Deferred tax assets and corresponding deductible temporary differences:

Unit: RMB

Item	December 31, 2016		December 31, 2015	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Assets impairment	4,880,915,302.40	1,029,305,854.33	3,755,865,314.72	776,975,236.04
Temporary difference arising from depreciation of fixed assets	268,947,349.62	82,181,535.99	379,489,327.73	74,697,400.62
Temporary difference arising from amortization of intangible assets	34,078,677.95	8,519,669.49	30,374,680.54	6,976,237.08
Deferred income	3,638,031,465.98	810,984,333.00	780,475,628.43	132,784,411.30
Available-for-sale financial assets measured at fair value	11,045,568.75	2,761,392.19	-	-
Designated as financial assets at fair value through profit or loss, measured at fair value	38,578,679.20	9,644,669.80	176,754,071.86	44,188,517.97
Liabilities accrued but not deductible before tax	75,062,149,882.14	17,506,538,688.17	63,266,074,034.69	14,898,103,108.92
Unrealized profit elimination	3,776,495,582.93	933,377,928.72	3,062,815,088.07	763,193,843.52
Others	1,996,068,627.30	470,667,109.31	1,289,824,566.60	298,327,587.56
Total	89,706,311,136.27	20,853,981,181.00	72,741,672,712.64	16,995,246,343.01

(2) Deferred tax liabilities that cannot be offset:

Unit: RMB

Item	December 31, 2016		December 31, 2015	
	Taxable temporary differences	Differed tax liabilities	Taxable temporary differences	Differed tax liabilities
Financial assets designated at FVTPL	33,486,499.41	8,371,624.85	4,663,287.47	1,165,821.87
Available-for-sale financial assets measured at fair value	8,283,001,715.22	1,792,619,247.19	10,304,528,728.55	2,279,150,529.28
Fair value adjustment on fixed assets, intangible assets and other assets obtained from business combination not involving enterprises under common control	718,907,732.84	195,320,895.87	1,536,495,456.72	477,025,450.18
Temporary difference of depreciation of fixed assets	585,038,636.84	195,745,017.96	223,973,100.12	65,679,865.78
Others	100,868,421.94	21,260,003.97	56,661,549.97	13,873,875.15
Total	9,721,303,006.25	2,213,316,789.84	12,126,322,122.83	2,836,895,542.26



NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

23. Deferred tax assets/deferred tax liabilities

(3) Deferred tax assets offset by deferred tax liabilities

Unit: RMB

Item	Deferred tax assets offset by deferred tax liabilities at December 31, 2016	Net amount of deferred tax assets (liabilities) at December 31, 2016	Deferred tax assets offset by deferred tax liabilities at December 31, 2015	Net amount of deferred tax assets (liabilities) at December 31, 2015
Differed tax assets	1,736,928.53	20,852,244,252.47	3,640,114.28	16,991,606,228.73
Differed tax liabilities	1,736,928.53	2,211,579,861.31	3,640,114.28	2,833,255,427.98

(4) Details of unrecognized deferred tax assets

Unit: RMB

Item	December 31, 2016	December 31, 2015
Deductible losses and deductible temporary differences	57,297,306,279.01	51,688,894,332.72

(5) Changes of the net amount of the deferred tax assets (liabilities) during the year were as follows:

Item	Unit: RMB
December 31, 2015	14,158,350,800.75
Increase due to changes in the scope of consolidation during the year	7,768,735.08
Decrease due to changes in the scope of consolidation during the year	(7,632,631.20)
Recognized in profit and loss of the year	3,992,884,812.25
Recognized in equity during the year	489,292,674.28
December 31, 2016	18,640,664,391.16

24. Other non-current assets

Unit: RMB

Item	December 31, 2016	December 31, 2015
Prepayment of long-term assets	1,079,379,099.74	903,330,115.04
Long-term entrust loans	162,500,000.00	212,500,000.00
Receivables investment	20,314,711.46	136,209,997.31
Continuous involvement in the financial assets	-	136,209,997.31
Others	354,336,974.63	252,515,115.75
Net book value of other non-current assets	1,616,530,785.83	1,640,765,225.41
Less: Other non-current assets due within one year (Note 1)(Note (VI) 10)	-	272,419,994.62
Total	1,616,530,785.83	1,368,345,230.79

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

**VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued**

**25. Short-term borrowings**

Unit: RMB

Item	December 31, 2016	December 31, 2015
Credit loans	8,561,150,675.10	4,744,742,704.38
Guaranteed loans (Note 1)	120,472,000.00	41,014,584.00
Pledge loans (Note 2)	46,527,909.00	122,589,257.59
Total	8,728,150,584.10	4,908,346,545.97

Note1: At the end of the year, guaranteed loans were jointly secured by Shanghai International Automobile City (Group) Co., Ltd. and Shanghai International Automobile City Anting Cooperative Development Co., Ltd.

Note2: At the end of the year, the pledged loan of RMB29,610,000.00 was pledged on the basis of bank acceptance of the same amount, refer to Note VI, 3; and the pledged loan of RMB 15,000,000.00 was pledged on the basis of the accounts receivable of book value of RMB 18,750,000.00, refer to Note VI, 4; and the pledged loan of RMB 1,917,909.00 was pledged on the basis of financing leases receivable of the book value of RMB 2,414,688.71, refer to Note VI, 14.

**26. Customer deposits and deposits from banks and other financial institutions**

Unit: RMB

Item	December 31, 2016	December 31, 2015
Enterprises' deposits held by SFC	32,052,974,582.88	35,816,147,988.13
Short-term deposits held by SFC	11,092,613,881.50	8,568,336,270.92
Total	43,145,588,464.38	44,384,484,259.05

**27. Loans from banks and other financial institutions**

Unit: RMB

Item	December 31, 2016	December 31, 2015
Loans from banks and other financial institutions	27,400,000,000.00	23,429,657,800.31

**28. Financial liabilities at fair value through profit or loss**

Unit: RMB

Item	December 31, 2016	December 31, 2015
Derivative financial liabilities - forward exchange contracts	-	7,486,291.00

**29. Notes payable**

Unit: RMB

Item	December 31, 2016	December 31, 2015
Bank acceptances	11,282,658,659.61	6,918,482,365.68
Commercial acceptances	458,253,503.31	364,319,865.14
Total	11,740,912,162.92	7,282,802,230.82

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

**VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued**

**30. Accounts payable**

Unit: RMB

Item	December 31, 2016	December 31, 2015
Accounts payable for purchase of materials and equipment, etc.	104,730,635,798.55	99,034,578,618.58

**31. Receipts in advance**

Unit: RMB

Item	December 31, 2016	December 31, 2015
Receipt in advance arising from sales of vehicles, materials and parts, etc.	22,675,737,991.07	18,317,063,798.28

**32. Employee benefits payable**

(1) Details of employee benefits payable are as follows:

Unit: RMB

Item	December 31, 2016	December 31, 2015
Short-term employee benefits	9,734,329,613.58	8,084,885,358.17
Post-employment benefit - Defined contribution plans	144,098,846.39	87,960,194.45
Termination benefits	276,298,305.90	233,448,503.89
Total	10,154,726,765.87	8,406,294,056.51

(2) Details of short-term employee benefits are as follows:

Unit: RMB

Item	December 31, 2016	December 31, 2015
Payroll, bonus, allowance and compensation	6,614,956,715.32	5,311,986,647.58
Staff incentive and welfare fund	2,226,544,468.32	2,020,176,466.19
Social security contributions	212,398,413.19	94,055,823.64
Housing funds	33,001,259.33	56,031,004.88
Trade union fund and employee education fund	393,986,178.45	372,723,356.19
Others	253,442,578.97	229,912,059.69
Total	9,734,329,613.58	8,084,885,358.17

(3) Defined contribution plans

Unit: RMB

Item	December 31, 2016	December 31, 2015
Basic pensions	135,142,808.41	77,015,260.54
Unemployment insurance	7,102,440.80	8,099,390.15
Corporate annuity	1,853,597.18	2,845,543.76
Total	144,098,846.39	87,960,194.45

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

33. Taxes payable

Unit: RMB

Item	December 31, 2016	December 31, 2015
Enterprise income tax	6,700,366,290.81	4,210,331,586.66
Value added tax	5,553,772,308.77	2,983,852,747.41
Consumption tax	512,938,290.10	401,790,235.33
Education surcharge	315,512,578.21	219,747,160.35
City construction and maintenance tax	221,750,110.38	169,296,231.44
Individual income tax	240,924,446.99	176,284,584.98
River management fees	134,312,857.65	126,712,176.29
Land use tax	43,497,267.77	17,355,617.74
Business tax	-	291,041,280.21
Others	190,725,735.47	96,035,738.85
Total	13,913,799,886.15	8,692,447,359.26

34. Dividends payable

Unit: RMB

Item	December 31, 2016	December 31, 2015
Dividends payable of subsidiaries due to minority shareholders	255,265,008.62	448,541,726.94

35. Other payables

Unit: RMB

Item	December 31, 2016	December 31, 2015
Sales commission and discount	32,719,303,776.85	26,3(18 <</MCI5a)'

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

**VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued**

**36. Non-current liabilities due within one year - continued**

(1) Long-term borrowings due within one year

Unit: RMB

Item	December 31, 2016	December 31, 2015
Credit loans	918,413,043.16	314,087,999.92
Pledged loans	259,713,343.00	200,165,092.79
Mortgaged loans	24,000,000.00	50,000,000.00
Guaranteed loans	2,905,423.50	-
Total	1,205,031,809.66	564,253,092.71

(2) Bonds payable due within one year

Unit: RMB

Item	December 31, 2016	December 31, 2015
Bonds payable	2,162,290,339.13	-

(3) Provisions due within one year

Unit: RMB

Item	December 31, 2016	December 31, 2015
Products quality warranty	5,275,810,147.35	3,924,402,439.03
Others	28,513,190.00	485,592,644.64
Total	5,304,323,337.35	4,409,995,083.67

(4) Long-term payables due within one year

Unit: RMB

Item	December 31, 2016	December 31, 2015
Long-term payables	1,975,262.00	-

**37. Other current liabilities**

Unit: RMB

Item	December 31, 2016	December 31, 2015
Accrued expenses	136,154,565.63	205,734,205.76
Pending Output VAT payables	64,000,027.88	24,357,357.92
Total	200,154,593.51	230,091,563.68

**VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued****38. Long-term borrowings**

Unit: RMB

Item	December 31, 2016	December 31, 2015
Credit loans (Note 1)	2,716,438,075.01	955,312,147.65
Mortgaged loans (Note 2)	1,093,753,513.16	240,676,759.18
Guaranteed loans (Note 3)	1,063,475,674.72	435,675,330.11
Pledged loans (Note 4)	617,356,852.35	331,400,000.00
Sub-total	5,491,024,115.24	1,963,064,236.94
Less: Long-term borrowings due within one year (Note (VI)36)	1,205,031,809.66	564,253,092.71
Total	4,285,992,305.58	1,398,811,144.23

Note 1: At the year-end, the credit loan of RMB 230,000,000.00 was the post-pledged bank loan of SAIC-IVECO Hongyan, a subsidiary of the Group, which was the credit loan in the construction period of the project of Annual Output of 300,000 Axles, and the axle properties and machinery and equipment will be pledged after the Project is completed. As at the year-end, the assets of the project of Annual Output of 300,000 Axles were not qualified for the pledge registration, the SAIC-IVECO Hongyan and the borrower have not yet signed the collateral contract.

Note2: At the year-end, investments of equity instruments with fair value of RMB 150,109,198.93 were pledged to secure loans of RMB 104,000,000.00, refer to Note VI, 2; financial leases receivable with the book value of RMB 695,028,866.61 was pledged to secure loans of RMB 689,753,515.16 as collateral, refer to Note VI, 14; long-term equity investments with the book value of RMB 650,407,404.99 were pledged to secure loans of RMB 300,000,000.00 as collateral, refer to Note VI, 15.

Note3: At the year-end, the guaranteed loans of RMB 874,656,224.22 were jointly secured by the Company and CP Motor Holding Co., Ltd.; the guaranteed loans of RMB 180,103,180.00 were jointly secured by Shanghai International Automobile City (Group) Co., Ltd. and Shanghai International Automobile City Xin'anting Union Development Co., Ltd.; the guaranteed loans of RMB 8,716,270.50 were jointly secured by the subsidiary of the Group, HASCO and E.C.I. Group Co., Ltd.

Note4: At the year-end, land use rights with the net book value of RMB 90,612,793.50, fixed assets-buildings with the net book value of RMB 262,083,530.75 and construction in progress with the net value of RMB 276,751,172.14 were pledged to secure loans of RMB 478,500,000.00, refer to Note VI, 17,18,19; fixed assets-buildings with the net book value of RMB 179,330,483.59 and the net book value of RMB 52,741,782.00 were pledged to secure loans of RMB 28,400,000.00, refer to Note VI, 17, 19; fixed assets- buildings with the net book value of RMB 70,072,191.87 were pledged to secure loans of RMB 50,200,000.00, refer to Note VI, 17; construction in progress with the net book value of RMB 70,942,352.34 and land use rights with the net book value of RMB 202,200,326.11 were pledged as collaterals to secure loans of RMB 60,256,852.35, refer to Note VI, 18,19.

**39. Bonds payable**

Unit: RMB

Category	December 31, 2016	December 31, 2015
Corporate bonds of HASCO (Note 1)	2,700,490,000.00	2,700,490,000.00
Non-bank financial institution bonds of GMAC(Note 2)	6,476,807,427.68	1,494,315,403.26
Asset-backed securities of SAIC Finance Co., Ltd. and SAIC GMAC (Note3)	7,145,120,987.95	4,013,303,996.78
Total	16,322,418,415.63	8,208,109,400.04
Less: Bonds payable due within one year( Note (VI) 36)	2,162,290,339.13	-
Bonds payable due after one year	14,160,128,076.50	8,208,109,400.04

**VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued****39. Bonds payable - continued**

Note 1: As approved by China Securities Regulatory Commission Zheng Jian Xu Ke [2013] No. 1380, "Approval of HASCO's Issue of Corporate Bonds", HASCO, the Company's subsidiary, issued corporate bonds of RMB 4,000,000,000 on November 21, 2013 at par value of RMB 100 per bond. The bonds were categorized as two types: Type 1 (two-year bond) and Type 2 (five-year bond attached with interest rate adjustment option for the issuer and put option for the bondholders at the end of the third year). Amount of Type 1 bond is RMB 1,200,000,000 and coupon rate is 5.60% per annum. Amount of Type 2 bond is RMB 2,800,000,000 and coupon rate is 5.72% per annum, no compound interest, payable annually and repayable with principal and interest at maturity. There is no guarantee on the corporate bonds issued. Type 1 bond was fully repaid in 2015.

SFC, the Company's subsidiary, subscribed for RMB 99,510,000.00 of the corporate bonds of HASCO. After inter-group elimination, balance of bonds payable as at the year-end is RMB 2,700,490,000.00.

Note2: GMAC, the Company's subsidiary, issued a three-year bond with fixed interest rates of RMB 1,500,000,000 on March 3, 2014 in inter-bank bond markets. The coupon rate is 5.95% per annum. Interests of the bond shall be paid annually. Maturity date of the bond is March 4, 2017; a three-year bond with fixed interest rates of RMB 3,000,000,000 was issued on January 20, 2016 in inter-bank bond markets. The coupon rate is 3.25 % per annum. Interests of the bond shall be paid annually. Maturity date of the bond is January 20, 2019; a two-year bond with fixed interest rates of RMB 2,000,000,000 was issued on January 20, 2016 in inter-bank bond markets. The coupon rate is 3.1 % per annum. Interests of the bond shall be paid annually. Maturity date of the bond is January 20, 2018;

Note3: GMAC issued a preferred asset-backed security with floated interest rates at par value of RMB 3,580,000,000.00 on June 10, 2015, which will be due on January 26, 2017; preferred asset-backed security with floated interest rates at par value of RMB 2,700,000,000.00 was issued on September 11, 2015, which was estimated to be due on August 26, 2017; preferred asset-backed security with floated interest rates at par value of RMB 2,710,000,000.00 was issued on February 23, 2016, which was estimated to be due on July, 2018; preferred asset-backed security with floated interest rates at par value of RMB 2,710,000,000.00 was issued on February 23, 2016, which was estimated to be due on July, 2018; preferred asset-backed security with floated interest rates at par value of RMB 3,580,000,000.00 was issued on June 22, 2016, which was estimated to be due on April, 2018; SAIC Finance Co., Ltd. issued asset-backed security with fixed interest rates at par value of RMB 2,984,996,268.00 on November 22, 2016.

**40. Long-term employee benefits payable**

(1) Details of long-term employee benefits payable

Unit: RMB

Item	December 31, 2016	December 31, 2015
Post-employment benefit - net liabilities of defined benefit plan	3,770,581,914.49	3,426,678,193.06
Termination benefits	2,129,743,431.09	2,183,634,952.52
Other long-term benefits	409,295,673.89	408,165,187.47
Total	6,309,621,019.47	6,018,478,333.05

**VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued****40. Long-term employee benefits payable - continued**

## (2) Details of defined benefit plans

Unit: RMB

Item	December 31, 2016	December 31, 2015
December 31, 2015	3,426,678,193.06	3,018,996,758.83
Cost of defined benefit plans recognized in profit or loss	164,947,532.52	241,914,777.31
1. Past service cost	50,306,632.49	98,850,675.47
2. Net value of interests	114,640,900.03	143,064,101.84
Cost of defined benefit plans recognized in other comprehensive income	340,223,217.69	247,303,986.71
1. Actuarial losses	340,223,217.69	247,303,986.71
Other movements	(161,267,028.78)	(81,537,329.79)
1. Benefits paid	(161,267,028.78)	(81,537,329.79)
December 31, 2016	3,770,581,914.49	3,426,678,193.06

The Group provided retired employees with defined benefit plans of supplementary post-employment benefits. The Group estimated its commitment to employees after retirement by actuarial valuation, and calculated its liabilities resulted from the supplementary post-employment based on estimation. Liabilities of the plan is estimated based on its future cash outflow at certain benefit increase rate and death rate and discounted to its present value at certain discount rate. The discount rate is determined based on the rate of the government bonds with an expected term and currency that are consistent with the expected term of the obligations at the balance sheet date. The Group recognized the liability according to the results from actuarial valuation, and recognized relevant actuarial gains and losses in other comprehensive income that will not be reclassified subsequently to profit or loss. Past service cost is recognized as profit or loss when the defined benefit plan is revised. Net interest is calculated based on net liabilities of defined benefit plans multiplied by discount rate.

Defined benefit plans of supplementary post-employment benefits expose the Group to actuarial risks such as: interest rate risk, longevity risk and inflation risk. A decrease in the bond interest rate will increase the plan liability. The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants. An increase in the life expectancy of the plan participants will increase the plan's liability. Besides, the present value of the defined benefit plan liability is related to the future payment standards, which is estimated based on inflation rate. Therefore, the increase of inflation rate will increase the plan's liability.

The most recent actuarial valuation of the defined benefit plan liabilities was carried out at December 31, 2016 by professional institution. The present value of the defined benefit obligation and the related service cost were measured using the projected unit credit method.

Significant actuary assumptions for the purposes of the actuarial valuations are discount rate, benefit increase rate and death rate. The discount rates used are 3% - 3.75%. The assumption of death rate was based on "China Life Insurance Mortality Table (2010-2013)".

The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

If the discount rate is 25 basis points higher (lower), the present value of defined benefit plan liabilities would decrease by RMB 193 million (increase by RMB 210 million).

If the benefit increase rate increases (decreases) by 1%, the present value of defined benefit plan liabilities would increase by RMB 694 million (decrease by RMB 505 million).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit liabilities as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

In the above sensitivity analysis, the present value of defined benefit plan liabilities has been calculated using the same method as that applied in calculating the defined benefit plan liabilities recognized in the balance sheet.



NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

## VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 41. Special payable

Unit: RMB

Item	December 31, 2016	December 31, 2015
Special reward fund (Note 1)	822,960,091.72	863,767,352.72
Compensation for relocation (Note 2)	-	38,358,140.00
Others	1,145,000.00	-
Total	824,105,091.72	902,125,492.72

Note 1: Balance of special reward fund was injected by SAIC in 2011 restructuring as stated in Note (I). Such fund is designated for special purpose of rewarding significant contributions to business developments, completion of strategic development objectives (including key annual goals), completion of significant projects or works. The fund is managed as special payables.

Note2: The compensation for relocation was the compensation received from purchasing and storage of part of the Group's right to state-owned land due to the Government's overall planning.

## 42. Provisions

Unit: RMB

Item	December 31, 2016	December 31, 2015
Products quality warranty	14,879,554,558.69	12,162,897,559.10
Expected compensation expenditure	520,978,547.34	510,107,826.57
Liability due to continuing involvement	-	136,209,997.31
Others	2,142,243,400.10	1,469,914,414.50
Sub-total	17,542,776,506.13	14,279,129,797.48
Less: Provisions due within one year (Note (VI) 36)	5,304,323,337.35	4,409,995,083.67
Total	12,238,453,168.78	9,869,134,713.81

## 43. Deferred income

Unit: RMB

Item	December 31, 2016	December 31, 2015
Government grants (Note)	11,466,321,272.24	9,773,158,990.87
Interest received in advance by SFC and GMAC	4,974,686,353.72	3,067,536,824.58
Others	1,395,086,960.65	962,962,253.83
Total	17,836,094,586.61	13,803,658,069.28

Note: Details of deferred income - government grants are as follows:

Unit: RMB

Item	December 31, 2015	Increase	Amount recognized in non-operating income	December 31, 2016	Related to assets/income
Relocation compensation	6,202,320,567.87	2,238,679,403.41	870,053,865.44	7,570,946,105.84	Assets/Income
Subsidies for purchase of long-term assets	2,407,239,484.57	516,899,384.48	230,136,054.37	2,694,002,814.68	Assets
Technical improvement	403,110,418.90	39,406,113.04	21,913,127.91	420,603,404.03	Assets
Subsidies for project development	760,488,519.53	85,668,173.51	65,387,745.35	780,768,947.69	Income
Total	9,773,158,990.87	2,880,653,074.44	1,187,490,793.07	11,466,321,272.24	

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

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**VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued**

**44. Share capital**

Registered capital and paid-in capital of the Company are RMB 11,025,566,629.00, with a par value of RMB1.00 per share. Categories and composition of the shares are as follows:

<b>Year 2016</b>	January 1, 2016 (shares)	Changes (shares) (Note)	December 31, 2016 (shares)	% of shares held at the year-end
Non-restricted shares				
Ordinary shares in RMB				
-SAIC	8,191,449,931	-	8,191,449,931	74.30
-Yuejin	413,919,141	-	413,919,141	3.75
-SAIC Ltd	334,408,775	(137,396,429)	197,012,346	1.79
-SIG	2,085,788,782	137,396,429	2,223,185,211	20.16
-Others	11,025,566,629	-	11,025,566,629	100.00

<b>Year 2015</b>	January 1, 2015 (shares)	Changes (shares) (Note)	December 31, 2015 (shares)	% of shares held at the year-end
Non-restricted shares				
Ordinary shares in RMB				
-SAIC	8,191,449,931	-	8,191,449,931	74.30
-Yuejin	413,919,141	-	413,919,141	3.75
-SAIC Ltd	334,408,775	(334,408,775)	-	-
-SIG	-	334,408,775	334,408,775	3.03
-Others	2,085,788,782	-	2,085,788,782	18.92
Total	11,025,566,629	-	11,025,566,629	100.00

Note: Refer to Note (I).

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

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**VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued**

**45. Capital reserve**

Unit: RMB

Item	January 1	Increase	December 31
<b>Year 2016</b>			
Share premium	37,952,429,864.29	811,774,445.98	38,764,204,310.27
Including: Capital contributed by investors	37,147,780,115.58	-	37,147,780,115.58
Differences arising from business combination involving enterprises under common control	1,454,026,130.62	-	1,454,026,130.62
Effect of changes of investment in subsidiaries (Note 1)	(649,376,381.91)	811,774,445.98	162,398,064.07
Other capital reserves	987,339,951.44	55,704,991.19	1,043,044,942.63
Total	38,939,769,815.73	867,479,437.17	39,807,249,252.90
<b>Year 2015</b>			
Share premium	37,013,721,153.04	938,708,711.25	37,952,429,864.29
Including: Capital contributed by investors	37,147,780,115.58	-	37,147,780,115.58
Differences arising from business combination involving enterprises under common control	1,454,026,130.62	-	1,454,026,130.62
Effect of changes of investment in subsidiaries (Note 2)	(1,588,085,093.16)	938,708,711.25	(649,376,381.91)
Other capital reserves	972,877,968.50	14,461,982.94	987,339,951.44
Total	37,986,599,121.54	953,170,694.19	38,939,769,815.73

Note1: During the year, increase of RMB 779,117,100.34 is resulted from non-public offering events of HASCO, refer to Note VIII, 1(1). Others are resulted from transactions stated in Note y.008

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

46. Other comprehensive income

Unit: RMB

Item	December 31, 2015	During the year					December 31, 2016
		Increase before income tax	Less: Net amount included in other comprehensive income in the prior periods that is transferred to profit or loss of the current period	Less: Income tax expenses	Attributable to shareholders of the Company after income tax	Attributable to minority shareholders after income tax	
I. Other comprehensive income that will not be reclassified subsequently to profit or loss	713,283,968.08	(342,057,942.69)	-	-	(326,278,439.57)	(15,779,503.12)	387,005,528.51
Including: Changes in net liabilities or net assets due to remeasurement of defined benefit plans	713,283,968.08	(340,223,217.69)	-	-	(325,208,427.95)	(15,014,789.74)	388,075,540.13
Shares of other comprehensive income that will not be reclassified subsequently to profit or loss of invested entities under equity method	-	(1,834,725.00)	-	-	(1,070,011.62)	(764,713.38)	(1,070,011.62)
II. Other comprehensive income that may be reclassified subsequently to profit or loss	10,203,509,265.65	(1,152,014,768.17)	-	(489,292,674.28)	(624,042,081.13)	(38,680,012.76)	9,579,467,184.52
Including: Shares of other comprehensive income that may be reclassified subsequently to profit or loss of invested entities under equity method in future	(88,951,389.30)	92,512,148.38	-	-	85,449,035.00	7,063,113.38	(3,502,354.30)
Changes in fair value of available-for-sale financial assets	9,813,439,832.45	(2,020,126,506.26)	-	(489,292,674.28)	(1,335,080,324.33)	(195,753,507.65)	8,478,359,508.12
Exchange differences on translating foreign operations	479,020,822.50	775,599,589.71	-	-	625,589,208.20	150,010,381.51	1,104,610,030.70
Total	10,916,793,233.73	(1,494,072,710.86)	-	(489,292,674.28)	(950,320,520.70)	(54,459,515.88)	9,966,472,713.03

**VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued****47. Surplus reserve**

Unit: RMB

Item	January 1	Provision	December 31
<b>Year 2016</b>			
Statutory surplus reserve	14,173,232,135.62	2,763,158,914.19	16,936,391,049.81
Discretionary surplus reserve	12,555,029,629.08	2,763,158,914.19	15,318,188,543.27
Total	26,728,261,764.70	5,526,317,828.38	32,254,579,593.08
<b>Year 2015</b>			
Statutory surplus reserve	11,727,182,207.14	2,446,049,928.48	14,173,232,135.62
Discretionary surplus reserve	10,108,979,700.60	2,446,049,928.48	12,555,029,629.08
Total	21,836,161,907.74	4,892,099,856.96	26,728,261,764.70

Statutory surplus reserve can be used for making up for losses, expanding operation and increasing the Company's capital.

**48. Retained earnings**

Unit: RMB

Item	2016	2015
Balance at the beginning of year	86,397,638,086.22	76,085,680,916.97
Add: Net profit attributable to the shareholders of the Company	32,008,610,688.65	29,793,790,723.65
Less: Appropriation to statutory surplus reserve of the Company	2,763,158,914.19	2,446,049,928.48
Appropriation to discretionary surplus reserve of the Company	2,763,158,914.19	2,446,049,928.48
Dividends distribution (Note 1)	14,994,770,615.44	14,333,236,617.70
Appropriation to general reserve of SAIC Finance Co., Ltd. and GMAC-SAIC Automotive Finance	893,872,451.26	-
Appropriation to foreign capital reserve of SFC	691,909.88	1,641,152.55
Appropriation to staff incentive and welfare fund of subsidiaries	197,635,109.48	254,855,927.19
Balance at the end of year	96,792,960,860.43	86,397,638,086.22

Note 1: Prior year's cash dividends approved by shareholders' meeting

Pursuant to resolution of 2015 annual general meeting of shareholders on May 26, 2016, the Company distributed cash dividends of RMB13.60 (inclusive of tax) per 10 shares, amounting to RMB 14,994,770,615.44 based on total 11,025,566,629 shares.

Note 2: Profit distribution proposed after the balance sheet date

Pursuant to the proposals made at the 14th meeting of the 6th session of the Board of Directors, the Company planned to distribute cash dividends of RMB 16.50 (inclusive of tax) per 10 shares, based on total 11,683,461,365 shares after appropriation of statutory surplus reserve and discretionary surplus reserve at 10% and 10% of profit after tax of the Company. The dividend distribution plan is yet to be approved by the general meeting of shareholders.

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

**VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued**

**49. Operating income/costs**

(1) Operating income/costs

Unit: RMB

Item	Year Ended December 31, 2016		Year Ended December 31, 2015	
	Operating income	Operating costs	Operating income	Operating costs
Primary operations	729,555,823,879.29	635,731,187,989.11	650,377,398,413.60	576,705,258,472.85
Other operations	16,680,917,349.27	14,486,917,947.26	10,996,531,379.05	9,127,624,743.41
Total	746,236,741,228.56	650,218,105,936.37	661,373,929,792.65	585,832,883,216.26

(2) Primary operations

Unit: RMB

	Year Ended December 31, 2016		Year Ended December 31, 2015	
	Operating income	Operating costs	Operating income	Operating costs
Sales of vehicles	564,301,490,751.90	502,515,928,898.24	505,752,823,943.47	458,925,975,996.17
Sales of parts	144,288,509,910.21	114,859,534,193.23	125,733,526,700.70	101,181,521,349.86
Trading	9,708,826,846.79	9,272,742,731.13	9,899,903,807.26	9,489,601,764.09
Service and others	11,256,996,370.39	9,082,982,166.51	8,991,143,962.17	7,108,159,362.73
Total	729,555,823,879.29	635,731,187,989.11	650,377,398,413.60	576,705,258,472.85

(3) Other operations

Unit: RMB

	Year Ended December 31, 2016		Year Ended December 31, 2015	
	Operating income	Operating costs	Operating income	Operating costs
Sales of raw materials	14,282,385,998.00	13,384,730,421.31	8,057,197,176.62	7,396,867,599.02
Rendering services	987,089,138.10	585,222,654.99	1,126,633,165.54	815,296,727.24
Rental	279,878,506.61	140,593,600.49	444,048,152.32	208,485,092.12
Others	1,131,563,706.56	376,371,270.47	1,368,652,884.57	706,975,325.03
Total	16,680,917,349.27	14,486,917,947.26	10,996,531,379.05	9,127,624,743.41

(4) Operating incomes from the top five customers are as follows:

Unit: RMB

Name	Operating income	Proportion to total operating income (%)
Company 1	40,650,135,804.62	5.45
Company 2	15,628,164,712.21	2.09
Company 3	10,038,842,703.62	1.35
Company 4	7,372,840,222.70	0.99
Company 5	3,886,172,202.20	0.52
Total	77,576,155,645.35	10.40

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

50. Interest income/expenses

Unit: RMB

	Year Ended December 31, 2016		Year Ended December 31, 2015	
	Income	Expenses	Income	Expenses
Interest income/expenses of financial companies	9,117,963,901.15	2,118,097,016.20	8,295,161,232.11	2,347,899,980.15

51. Fee and commission income/ expenses

Unit: RMB

	Year Ended December 31, 2016		Year Ended December 31, 2015	
	Income	Expenses	Income	Expenses
Fee and commission income/expenses of financial companies	1,061,459,935.58	67,820,339.84	779,132,114.58	44,605,113.33

52. Taxes and levies

Unit: RMB

Item	Year Ended December 31, 2016	Year Ended December 31, 2015
Consumption tax	4,062,336,491.94	3,157,787,805.72
City construction and maintenance tax	1,001,511,455.26	823,336,935.45
Education surcharges	1,000,905,752.24	803,909,886.33
Stamp tax	444,831,309.35	421,094,117.42
Business tax	349,850,843.28	750,494,572.27
Property tax	203,642,103.53	185,840,529.25
River management fees and flood prevention surcharge	150,823,932.83	136,498,138.21
land use tax	129,271,233.35	100,658,691.26
Others	177,544,912.20	164,578,253.55
Total	7,520,718,033.98	6,544,198,929.46

53. Selling expenses

Unit: RMB

Item	Year Ended December 31, 2016	Year Ended December 31, 2015
Transportation expenses	13,173,264,244.82	10,241,767,320.73
Advertising expenses	10,821,718,109.03	9,726,993,437.49
After-sales service expenses	5,621,498,130.39	4,649,630,471.12
Others	17,886,936,161.33	10,919,124,279.93
Total	47,503,416,645.57	35,537,515,509.27

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

**VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued**

**54. Administrative expenses**

Unit: RMB

Item	Year Ended December 31, 2016	Year Ended December 31, 2015
Salaries	10,006,176,188.29	7,490,896,632.56
Depreciation and amortization	1,353,498,997.34	1,173,534,596.81
Research and development expenditures	9,410,617,984.22	8,375,540,573.97
Royalties	68,982,351.95	285,147,079.12
Others	7,419,087,667.83	6,004,366,390.98
Total	28,258,363,189.63	23,329,485,273.44

**55. Financial expenses**

Unit: RMB

Item	Year Ended December 31, 2016	Year Ended December 31, 2015
Interest expenses	757,711,561.89	775,397,924.90
Less: Capitalized expenses (Note (VI) 18)	17,954,475.41	11,173,734.14
Less: Interest income	1,120,812,023.58	1,137,501,519.83
Exchange (gain) loss	(60,524,505.06)	97,205,622.17
Others	109,259,900.21	44,879,609.73
Total	(332,319,541.95)	(231,192,097.17)

**56. Impairment losses of assets**

Unit: RMB

Item	Year Ended December 31, 2016	Year Ended December 31, 2015
Bad debt loss	277,712,226.32	(632,726,573.18)
Decline in value of inventories	553,699,759.39	824,528,932.04
Impairment of available-for-sale financial assets	138,101,339.55	-
Impairment of fixed assets	732,505,464.70	1,540,198,379.32
Impairment of construction in process	791,024.00	46,327,595.76
Impairment of intangible assets	26,974,186.00	9,650,976.79
Impairment of loans	1,478,243,531.40	1,060,193,157.80
Impairment of good will	1,443,874.25	-
Total	3,209,471,405.61	2,848,172,468.53

**57. Gain (loss) from changes in fair values**

Unit: RMB

Item	Year Ended December 31, 2016	Year Ended December 31, 2015
Gain (loss) resulting from:		
Financial assets at fair value through profit or loss	(17,509,759.92)	(278,030,579.56)
Financial liabilities at fair value through profit or loss	7,486,291.00	(7,486,291.00)
Total	(10,023,468.92)	(285,516,870.56)



**VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued****58. Investment income**

Unit: RMB

Item	Year Ended December 31, 2016	Year Ended December 31, 2015
Long-term equity investment income under equity method	27,751,818,831.43	26,632,109,451.86
Amortization of long-term equity investment difference	(319,325.10)	(827,623.32)
Gain from business combination not involving enterprises under common control achieved in stages involving multiple transactions (Note)	5,500,000.00	59,646,443.94
Gain on disposal of long-term equity investments	151,463,940.35	190,831,856.24
Gain from financial assets/liabilities at fair value through profit or loss	5,951,572.66	5,106,257.67
Gain from available-for-sale financial assets	2,550,989,869.42	2,643,398,882.64
Gain from financial assets purchased under resale agreements	43,256,616.11	75,211,380.15
Others	63,601,786.20	57,657,771.79
Total	30,572,263,291.07	29,663,134,420.97

Note: Refer to Note (VII) 1.

**59. Non-operating income**

(1) Details of non-operating income are as follows:

Unit: RMB

Item	Year Ended December 31, 2016	Year Ended December 31, 2015
Government grants	2,547,141,715.81	3,116,012,280.67
Gain on disposal of non-current assets	369,860,085.83	130,869,909.39
Compensation received for postponed transactions	139,531,490.00	-
Discount of equity transactions	22,211,562.00	-
Payables waived by creditors	15,705,969.87	4,250,016.80
Acquisition discounts from business combination not involving enterprises under common control (Note)	9,108,139.00	204,657,090.00
Debt restructuring gain	266,280.06	199,000.89
Others	209,939,938.49	210,674,919.18
Total	3,313,765,181.06	3,666,663,216.93

Note: Refer to Note (VII)1(5).

(2) Details of government grants recognized in profit or loss are as follows:

Unit: RMB

Item	Year Ended December 31, 2016	Year Ended December 31, 2015	Related To Assets/Income
Relocation compensation	870,053,865.44	1,266,932,057.38	Assets/Income
Subsidies for purchase of long-term assets	230,136,054.37	125,901,476.26	Assets
Technical improvement	21,913,127.91	23,112,398.21	Assets
Subsidies for project development	91,559,129.31	275,609,807.14	Income
Financial subsidies	1,333,479,538.78	1,424,456,541.68	Income
Total	2,547,141,715.81	3,116,012,280.67	

**VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued****60. Non-operating expenses**

Unit: RMB

Item	Year Ended December 31, 2016	Year Ended December 31, 2015
Relocation	579,493,040.64	746,203,843.09
Loss on disposal of non-current assets	216,270,785.25	385,789,730.40
Indemnity loss to suppliers	62,659,273.01	205,908,776.07
Donations	31,664,018.71	8,315,916.55
Others	364,223,560.44	98,798,870.33
Total	1,254,310,678.05	1,445,017,136.44

**61. Income tax expenses**

Unit: RMB

Item	Year Ended December 31, 2016	Year Ended December 31, 2015
Current income tax expenses	10,523,380,576.45	7,627,818,575.58
Deferred income tax expenses	(3,992,884,812.25)	(1,892,111,312.56)
Total	6,530,495,764.20	5,735,707,263.02

Reconciliation of income tax and accounting profit is as follows:

Unit: RMB

Item	Year Ended December 31, 2016	Year Ended December 31, 2015
Accounting profit	50,492,457,462.54	45,809,676,486.26
Income tax expenses calculated at 15% (Year 2015: 15%)	7,573,868,619.38	6,871,451,472.94
Effect of costs, expenses and losses that are not deductible for tax purposes	197,153,929.11	129,076,834.10
Effect of using previously unrecognized deductible losses and deductible temporary differences for tax purposes	(228,896,690.81)	(468,072,541.17)
Effect of unrecognized deductible losses and deductible temporary differences for tax purposes	1,531,777,880.51	1,792,347,042.00
Adjustment on prior year's income tax according to final settlement	(330,589,044.98)	(302,491,645.24)
Effect of non-taxable revenue	(4,327,873,391.45)	(4,079,148,055.97)
Effect of super tax deduction for research and development expenditures	(201,406,548.03)	(253,475,896.49)
Effect of different tax rates of subsidiaries operating in other jurisdictions	2,316,461,010.47	2,046,020,052.85
Total	6,530,495,764.20	5,735,707,263.02

**62. Other comprehensive income (loss), net of tax**

Please refer to Note (VI) 46 for more details.

**VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued****63. Entrusted business off balance sheet of SFC**

Unit: RMB

	December 31, 2016	December 31, 2015
Entrusted loans	630,000,000.00	433,000,000.00
Entrusted investments	155,347,679.10	161,688,371.88
Total	785,347,679.10	594,688,371.88

**64. Notes to cash flow statement**

Other cash payments relating to financing activities

Unit: RMB

Item	December 31, 2016	December 31, 2015
Increase of restricted cash (including pledge of bank acceptances, etc.)	996,638,269.11	600,447,044.62

**65. Supplementary information to the cash flow statements**

(1) Supplementary information to the cash flow statements

Unit: RMB

Supplementary information	Year Ended December 31, 2016	Year Ended December 31, 2015
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	43,961,961,698.34	40,073,969,223.24
Add: Provision for impairment loss of assets	3,209,471,405.61	2,848,172,468.53
Depreciation of fixed assets	6,600,873,155.29	5,324,578,684.50
Amortization of intangible assets	751,238,155.95	497,656,651.25
Depreciation and amortization of investment properties	132,318,138.14	129,382,372.97
Amortization of long-term deferred expenses	414,905,258.81	292,087,330.45
Losses on disposal of fixed assets, intangible assets and other long-term assets	425,903,740.06	1,001,123,664.10
Losses on changes in fair values	10,023,468.92	285,516,870.56
Financial expenses	739,757,086.48	764,224,190.76
Investment income	(30,572,263,291.07)	(29,663,134,420.97)
Increase in deferred tax assets	(3,855,837,341.92)	(1,863,775,778.47)
Decrease in deferred tax liabilities	(137,047,470.33)	(28,335,534.09)
Increase in inventories	474,259,074.38	2,185,927,394.69
Net increase in repurchase arrangements	(928,112,855.49)	-
Increase in operating receivables	(28,622,254,880.82)	(4,454,292,659.35)
Increase in operating payables	18,771,738,473.70	8,599,474,458.13
Net cash flow from operating activities	11,376,933,816.05	25,992,574,916.30
2. Net movement of cash and cash equivalents:		
Balance at the end of the year	94,085,166,952.50	62,107,494,271.45
Less: Balance at the beginning of the year	62,107,494,271.45	72,071,515,299.46
Net increase (decrease) in cash and cash equivalents	31,977,672,681.05	(9,964,021,028.01)

**VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued****65. Supplementary information to the cash flow statements – continued**

## (2) Cash and cash equivalents

Unit: RMB

Item	December 31, 2016	December 31, 2015
Cash	18,824,430.85	4,654,420.65
Bank deposit	93,515,958,759.94	62,027,836,897.57
Other currencies	550,383,761.71	75,002,953.23
Closing balance of cash and cash equivalents	94,085,166,952.50	62,107,494,271.45

**66. Assets with restricted ownership or use right**

Unit: RMB

Item	Book value at December 31, 2016	Reason of restriction (Please refer to)
Cash and bank balance	11,847,368,573.79	Note (VI) 1
Financial assets at FVTPL	150,109,198.93	Note (VI) 2
Notes receivable	821,710,803.00	Note (VI) 3
Accounts receivable	18,750,000.00	Note (VI) 4
Long-term receivables	697,443,555.32	Note (VI) 14
Long-term equity investments	650,407,404.99	Note (VI) 15
Fixed assets	511,486,206.21	Note (VI) 17
Construction in progress	347,693,524.48	Note (VI) 18
Intangible assets	345,554,901.61	Note (VI) 19
Total	15,390,524,168.33	

**67. Foreign currency monetary items**

Unit: RMB

Item	Balance of foreign currency at December 31, 2016	Exchange rate	Balance of RMB at December 31, 2016
Cash and bank balance			
-USD	1,078,187,734.40	6.9370	7,479,388,313.53
-EUR	122,688,433.05	7.3068	896,459,842.61
-GBP	33,551,252.69	8.5094	285,501,029.64
-THB	1,229,840,808.85	0.1939	238,466,132.84
-HKD	202,746,404.53	0.8945	181,356,658.85
-JPY	265,167,750.28	0.0596	15,803,997.92
-Others			170,280,982.94
Total			9,267,256,958.33
Short-term borrowings			
-USD	40,000,000.00	6.9370	277,480,000.00
-EUR	4,827,851.26	7.3068	35,276,143.59
-JPY	2,014,562,560.00	0.0596	120,067,928.58
-THB	480,000,000.00	0.1939	93,072,000.00
Total			525,896,072.17
Long-term borrowing			
-USD	79,000,000.00	6.9370	548,023,000.00
-THB	4,510,862,425.06	0.1939	874,656,224.22
Total			1,422,679,224.22

Note: Majority of the transactions of the Group are incurred domestically, majority of the assets and liabilities are dominated in RMB. Therefore, there were no significant foreign currency monetary items except cash and borrowings.

## **VII. CHANGES IN THE SCOPE OF CONSOLIDATION**

### **1. Business combination not involving enterprises under common control**

**Significant business combination not involving enterprises under common control of the Group during the year:**

#### **(1) Acquisition of equity interests in Shanghai Sunwin**

Shanghai Sunwin was a joint-venture invested by the Company, VOLVO (China) Investment Bus Co., Ltd. ("VOLVO China") and VOLVO Bus Co., Ltd. ("VOLVO Bus"), holding equity interests of 50.00%, 45.00% and 5.00% respectively. Shanghai Sunwin was a JCE of the Company. In the current year, the Company signed the capital increase agreement with VOLVO China and VOLVO Bus, pursuant to the agreement, the Company unilateral injected the capital of RMB 422,301,294.40 to Shanghai Sunwin. After the capital injection, the Company held 80.50% of the equity in Shanghai Sunwin and obtained majority voting rights on the board. According to the revised Articles of Association of Shanghai Sunwin, the Company has obtained control over Shanghai Sunwin, which became a subsidiary of the Company. Shanghai Sunwin has been included in the scope of the Company's consolidated financial statements since July, 2016.

#### **(2) Acquisition of equity interest of IVECO Hongyan**

IVECO Hongyan was a subsidiary invested by the joint venture of the Company, SAIC-IVECO Hongyan Commercial Vehicle Investment Company Ltd. ("Commercial Vehicle Investment Company"), holding 67.00% of equity interest in IVECO Hongyan. In the current year, the Company acquired 53.92% of the equity interest in IVECO Hongyan from Commercial Vehicle Investment Company at the consideration of RMB 106,740,393.30. After the transaction, the Company held 53.92% of equity interest in IVECO Hongyan and obtained majority voting rights on the board. According to the revised Articles of Association of IVECO Hongyan, the Company obtained the control over IVECO Hongyan, which became a subsidiary of the Company. IVECO Hongyan has been included in the scope of the Company's consolidated financial statements since December 2016.

#### **(3) Business combination not involving enterprises under common control for Global Rental**

Global Chexiang Car Leasing Co., Ltd. ("Global Rental") is a company invested by the subsidiary of the Group, Investment Management and Shanghai International Automobile City (Group) Co., Ltd., holding 51.00% and 49.00% of equity interest in Global Rental respectively, Investment Management had control over Global Rental. In the current year, both shareholders of Global Rental made additional capital injection. Shanghai International Automobile City (Group) Co., Ltd. made additional capital injection by transferring it 76.19% equity interest in Shanghai International Auto Operation Service Co., Ltd; its 70.00% equity interest in Zhejiang Quzhou Yidong New Energy Automobile Operation Service Co., Ltd and its 70.00% equity interest in Zhejiang Lishui Yidong New Energy Automobile Operation Service Co., Ltd. to Global Rental. After the transaction, Global Rental obtained the control over aforementioned enterprises, which have been included in the scope of the consolidated financial statements since November 30, 2016.

#### **(4) Business acquisition of SAIC Maxus**

In the current year, SAIC Maxus, a subsidiary of the Group, entered into a business acquisition agreement and assets acquisition agreement with Nanjing Iveco Automobile Co., Ltd., a joint venture of the Group, pursuant to which SAIC Maxus acquired the Yuejin business operated by Nanjing Iveco Automobile Co., Ltd., and the transaction was completed at December 31, 2016.

**VII. CHANGES IN THE SCOPE OF CONSOLIDATION - continued****1. Business combination not involving enterprises under common control - continued****Significant business combination not involving enterprises under common control of the Group during the year: - continued****Major financial information of the above acquired entities (1) - (4) at the acquisition date**

Unit: RMB

	Fair value (Note 1)	Book value
Identifiable assets:		
Current assets	4,346,129,206.87	4,328,450,294.31
Non-current assets	3,228,457,289.65	2,469,152,627.46
Sub-total of assets	7,574,586,496.52	6,797,602,921.77
Identifiable liabilities:		
Current liabilities	6,454,071,543.86	6,456,531,965.37
Non-current liabilities	476,250,588.63	471,570,167.12
Sub-total of liabilities	6,930,322,132.49	6,928,102,132.49
Total owners' equity	644,264,364.03	(130,499,210.72)
Less: minority interest	93,853,087.06	
Total equity attributable to the shareholders of the Company	550,411,276.97	
Add: Goodwill	199,561,518.14	
Acquisition consideration (Note 2)	749,972,795.11	
Goodwill includes:		
Goodwill of Shanghai Sunwin arising from capital increase	53,349,858.83	
Good will of Global Rental arising from business combination	146,211,659.31	

Note1: Fair value of identifiable net assets and all shareholder's equity of the above acquired entities at the acquisition date has been valued by appraiser.

Note2: Acquisition consideration of Shanghai Sunwin included cash payment of RMB 422,301,294.40 and the previously held long-term equity investments with fair value of RMB 5,500,000.00 (the book value is RMB 0); acquisition consideration of IVECO Hongyan includes cash payment of RMB 106,740,393.30; Global Rental acquired three subsidiaries by issuing share capital of RMB 137,401,261.25 to Shanghai International Automobile City (Group) Co.,Ltd.; SAIC Maxus acquired the Yuejin business at the consideration of RMB 78,029,846.16.

**Net cash outflows of acquired entities due to acquisition of subsidiaries/business for the Group:**

Unit: RMB

	Amount
Cash and cash equivalents held by the acquired subsidiaries /business	43,672,892.03
Less: Cash and cash equivalents paid as acquisition consideration	529,041,687.70
Net cash and cash equivalents outflow for acquisition of subsidiaries/business	(485,368,795.67)

**VII. CHANGES IN THE SCOPE OF CONSOLIDATION - continued****1. Business combination not involving enterprises under common control - continued**

**Significant business combination not involving enterprises under common control of the Group during the year: - continued**

**Results of operation and net cash flows of acquired entities during the period from the acquisition date to the end of the year are as follow:**

Unit: RMB

	Amount
Operating income	1,185,083,472.99
Operating costs and expense	1,343,486,226.80
Total profit(loss)	(158,402,753.81)
Net profit(loss)	(160,516,023.69)
Cash flow from operating activities	12,058,072.40
Cash flow from investing activities	(87,868,676.37)
Cash flow from financing activities	93,621,459.59
Effect of foreign exchange rate changes on cash equivalents	1,101,536.44
Net increase in cash and cash equivalents	18,912,392.06

**(5) Business combination not involving enterprises under common control of the subsidiary of the Group, HASCO for the current year**

In the current year, Yanfeng Automotive Trim Systems Co., Ltd. ("Yanfeng Trim"), a subsidiary of HASCO, acquired 51% equity interest in Beijing Johnson Automotive Trim Co., Ltd. ("Beijing Johnson Trim") from Adient Automotive Interior Investment Co., Limited (formerly known as Johnson Controls Automotive Interior Investment Co., Limited, hereinafter referred as "Adient Interior Investment"). The transaction was completed on October 1, 2016, and Yanfeng Trim obtained control over Beijing Johnson Trim.

**Major financial information of the above acquired entities:**

Unit: RMB

	Fair value (Note )	Book value
Identifiable assets:		
Current assets	259,970,837.00	259,970,839.00
Non-current assets	381,451,201.00	377,789,620.00
Sub-total of assets	641,422,038.00	637,760,459.00
Identifiable liabilities:		
Current liabilities	623,562,940.00	622,647,545.00
Non-current liabilities	623,562,940.00	622,647,545.00
Sub-total of owners' equity	17,859,098.00	15,112,914.00
Less: minority interest	8,750,958.00	
Shareholders' equity attributable to HASCO	9,108,140.00	
Less: Amount of where cost of combination is smaller than the portion of fair value of identifiable net assets	9,108,139.00	
Acquisition consideration	1.00	

Note: Fair value of the above identifiable assets and liabilities are determined based on appraisal report.

**VII. CHANGES IN THE SCOPE OF CONSOLIDATION - continued****1. Business combination not involving enterprises under common control - continued**

**Significant business combination not involving enterprises under common control of the Group during the year: - continued**

**(5) Business combination not involving enterprises under common control of the subsidiary of the Group, HASCO for the current year - continued**

**Net cash receipts of the Group due to the acquisition of subsidiaries**

Unit: RMB

	Amount
Cash and cash equivalents held by the acquired entities on acquisition date	11,088,120.00
Less: Acquisition consideration	1.00
Net cash inflow from acquisition of subsidiaries	11,088,119.00

**Results of operation and net cash flows of acquired subsidiaries during the period from the acquisition date to the end of the year are as follow:**

Unit: RMB

	Amount
Operating income	146,114,031.00
Net profit	13,042,401.00

**2. Disposal of subsidiaries**

(1) Partial disposal of subsidiaries that result in losing control but retaining joint control or significant influence - ANJI Logistics

Shanghai Anfu Logistics Co., Ltd. ("Anfu") was a subsidiary of ANJI Logistics, holding 62.74% of the equity interest. According to the resolution of shareholder meeting of Anfu, ANJI Logistics transferred 13.74% of the equity interest in Anfu to another shareholder, Shanghai West Shanghai Logistics Co., Ltd., therefore, the shareholding of the Group was reduced to 49.00%. According to the revised Article of Association of Anfu, the Group lost control over Anfu but still retains joint control. The consideration payment and equity transfer registration of the transaction was completed on June 30, 2016, since when Anfu has been de-consolidated and accounted for as a JCE.

Shanghai Anji Xunda Automobile Transportation Co., Ltd. ("Anji Xunda") was a subsidiary of ANJI Logistics, holding 56.10% of the equity interest. According to the resolution of shareholder meeting of Anji Xunda, ANJI Logistics unilaterally reduce its capital in Anji Xunda, therefore, the registered capital of Anji Xunda was reduced from RMB 20,500,000.00 to RMB 17,647,059.00, and the shareholding of the Group was reduced to 49.00%. According to the revised Article of Association of Anji Xunda, the Group lost control over Anji Xunda but retains joint control. Anji Logistics received RMB 10,010,700 on June 30, 2016, since when Anji Schindler has been de-consolidated and accounted for as a JCE.



**VII. CHANGES IN THE SCOPE OF CONSOLIDATION - continued****2. Disposal of subsidiaries - continued****Financial information of the disposed subsidiaries at the disposal date:**

Unit: RMB

	Acquisition date
Assets:	
Current assets	707,642,881.69
Non-current assets	53,268,359.48
Sub-total of assets	760,911,241.17
Liabilities:	
Current liabilities	603,716,656.02
Non-current liabilities	603,716,656.02
Sub-total of owners' equity	157,194,585.15
Less: minority interest	62,363,394.62
Shareholders' equity attributable to Anji Logistics	94,831,190.53

**Results of operating and net cash flows of disposed subsidiaries during the period from the start of the year and the disposal date are as follows:**

Unit: RMB

	From the beginning to the disposal date
Operating income	681,052,510.37
Net profit (loss)	(11,956,380.87)
Net increase (decrease) in cash and cash equivalents	(6,790,280.41)

Gains/ (losses) on disposal of subsidiaries:

Unit: RMB

	Gains
Consideration receipts from disposal of subsidiaries	30,694,300.00
Add: Fair value of the remaining fair value	72,120,103.72
Less: net assets according to the original proportion of ownership interest	94,830,348.58
Income from disposal	7,984,055.14

**3. Other changes of the scope of consolidation**

SAIC Group Financial Holding Management Co., Ltd. was established by the Group for the current year and was included in the scope of consolidated financial statements since then, refer to Note VIII, 2.

Other than events above, there were no material changes to the scope of consolidated financial statements during the year.

**VIII. INTERESTS IN OTHER ENTITIES****1. Major transactions of subsidiaries that shares of equity attributable to shareholders of the Company changed but the control over subsidiaries unchanged****(1) Non-public offering of HASCO**

On January 6, 2016, HASCO, a subsidiary of the Company, completed the issuance of non-public offering of A shares, totaling 569,523,809 ordinary shares in RMB. The Company subscribed 286,214,858 shares with 100.00% of equity interests it held in Shanghai Huizhong, and other investors subscribed 283,308,951 shares in cash. After the issuance, HASCO has 3,152,723,984 shares in issue, and the proportion of the Company's shareholding in HASCO was reduced from 60.10% to 58.32%. The effect of the transaction on the Group's consolidated financial statements is as follows:

Unit: RMB

	Amount
Shares of the Company in the net assets of HASCO and Shanghai Huizhong after the non-public offering	20,555,458,093.28
Shares of the Company in the net assets of HASCO and Shanghai Huizhong before the non-public offering	19,776,340,992.94
Difference recognized in capital reserve	779,117,100.34

**(2) Other changes**

- (a) In the transaction described in Note (VII) 1 (3), Investment Management contributes to Global Rental with the 100.00% of equity interest it held in Shanghai Saik Car Rental Co., Ltd. ("Saik Rental"). Upon completion of the transaction, the effective shareholding ratio of the Group to Saik Rental reduced from 100.00% to 51.00% but still has control over it.
- (b) Shanghai Chexiang Automotive Accessory Technology Service Co., Ltd. ("Chexiang Automotive Accessory") is a subsidiary of the Group with an 80.00% shareholding in it. During the year, the Group's subsidiary, Industrial Sales, purchased a 20.00% shareholding in Chexiang Automotive Accessory which held by SAIC. After the transaction, the Group's shareholding in Chexiang Automotive Accessory increased to 100.00%.
- (c) Shanghai Jineng Bus Power System Co., Ltd. ("Jineng Bus") was originally a subsidiary of the Company with a shareholding ratio of 60.00%. During the year, the Company entered into an equity transfer agreement with Volvo Bus Company to acquire remaining 40.00% of equity interests in Jineng Bus, after which Jineng Bus became a wholly-owned subsidiary of the Company.

**VIII. INTERESTS IN OTHER ENTITIES - continued****2. Interests in subsidiaries****(1) Composition of the Group - major subsidiaries**

Full name of the subsidiary	Place of incorporation	Registered capital		Scope of business	Equity interest held at year-end (%)		Ways of Acquisition
		Currency	' 000		Directly	Indirectly	
SAIC Motor UK Co., Ltd.	Birmingham, UK	GBP	3,000	R&D of automobiles	100.00	-	Established or acquired through investments
SAIC Motor Transmission Co., Ltd.	Shanghai, China	RMB	3,990,529	Manufacturing and sales of automobile transmission and spare parts	100.00	-	Established or acquired through investments
SAIC Motor HK Investment Ltd.	Hong Kong, China	USD	9,900	International trade of auto and critical spare parts, investment, technical and service trade, training and consulting	100.00	-	Established or acquired through investments
SAIC Maxus Vehicle Co., Ltd	Shanghai, China	RMB	3,794,250	Manufacturing of automobiles and components	100.00	-	Established or acquired through investments
SAIC Motor Equity Investment Co., Ltd.	Shanghai, China	RMB	3,300,000	Equity investment, venture capital investment, industrial consulting, property management	100.00	-	Established or acquired through investments
SAIC General Motors Sales Co., Ltd.	Shanghai, China	USD	49,000	Sales of automobiles	51.00	-	Established or acquired through investments
SAIC Motor - CP Co., Ltd.	Bangkok, Thailand	THB	4,500,000	Developing, manufacturing and sales of automobiles and spare parts; Manufacturing and processing of machinery	-	51.00	Established or acquired through investments
Shanghai Jineng Bus Drive System Co., Ltd.	Shanghai, China	RMB	100,000	Manufacturing of new energy bus drive system and other spare parts	100.00	-	Established or acquired through investments
Shanghai Shanghong Real Estate Co., Ltd.	Shanghai, China	RMB	1,900,000	Developing and operating real estate, property management	100.00	-	Established or acquired through investments
SAIC International Indonesia PT.	West Java, Indonesia	USD	118,000	Developing and operating real estate, property management	90.00	-	Established or acquired through investments
SAIC Investment Management Co., Ltd.	Shanghai, China	RMB	3,000,000	Industrial investment, asset management, investment management, storage service (except hazardous goods)	100.00	-	Established or acquired through investments
SAIC Group Financial Holding Management Co., Ltd. (Note 1)	Shanghai, China	RMB	2,000,000	Industrial investment, asset management, investment management, consulting services, and network technology etc.	100.00	-	Established or acquired through investments

**VIII. INTERESTS IN OTHER ENTITIES - continued****2. Interests in subsidiaries - continued**

## (1) Composition of the Group - major subsidiaries - continued

Full name of the subsidiary	Place of incorporation	Registered capital		Scope of business	Equity interest held at year-end (%) (%)		Ways of Acquisition
		Currency	' 000		Directly	Indirectly	
SAIC Tangshan Bus Co., Ltd.	Hebei, China	RMB	170,000	Development, design, manufacture and sales of passenger car	-	51.00	Established or acquired through investments
SAIC Insurance Sales Co., Ltd.	Shanghai, China	RMB	200,000	Insurance agent service	-	100.00	Established or acquired through investments
SAIC Volkswagen Sales Co., Ltd.	Shanghai, China	USD	29,980	Sales of automobiles and spare parts	50.00	10.00	Acquired through business combinations involving enterprises under common control
SAIC GM Wuling Co., Ltd.	Guangxi, China	RMB	1,668,077	Sales and manufacturing of automobiles and spare parts	50.10	-	Acquired through business combinations involving enterprises under common control
China United Automotive System Co., Ltd.	Shanghai, China	RMB	600,620	Manufacturing and sales of electricity-controlled burning oil products	-	53.00	Acquired through business combinations involving enterprises under common control
SAIC Finance Co., Ltd.	Shanghai, China	RMB	10,380,000	Automotive Finance	99.00	1.00	Acquired through business combinations involving enterprises under common control
Shanghai PengPu Machine Building Plant Co., Ltd.	Shanghai, China	RMB	1,030,000	Manufacturing and sale of engineering machinery facilities	100.00	-	Acquired through business combinations involving enterprises under common control
HUAYU Automotive Systems Co., Ltd. (Note 2)	Shanghai, China	RMB	3,152,724	Design, manufacturing and sales of spare parts assembly	58.32	-	Acquired through business combinations involving enterprises under common control
Anji Automotive Logistics Co., Ltd.	Shanghai, China	RMB	600,000	Logistics service for automobiles and spare parts	98.00	2.00	Acquired through business combinations involving enterprises under common control
Shanghai Automotive Industry Sales Co., Ltd.	Shanghai, China	RMB	3,071,792	Sales and purchase of automobiles and spare parts	100.00	-	Acquired through business combinations involving enterprises under common control
Shanghai Automobile Import & Export Co., Ltd.	Shanghai, China	RMB	1,308,080	Import and export of automobiles and spare parts	100.00	-	Acquired through business combinations involving enterprises under common control
Shanghai Shangyuan Investment Management Co., Ltd.	Shanghai, China	RMB	120,000	Development, operation, leasing and property management of industrial workshops and supporting facilities	100.00	-	Acquired through business combinations involving enterprises under common control
China Automotive Industrial Development Co., Ltd.	Beijing, China	RMB	64,165	Sales and after-sales service of automobiles	100.00	-	Acquired through business combinations involving enterprises under common control
SAIC HK Limited	Hong Kong, China	USD	17,250	Import and export of auto and spare parts	100.00	-	Acquired through business combinations involving enterprises under common control
SAIC Motor North America Co., Ltd.	USA	USD	980	Import and export of spare parts	100.00	-	Acquired through business combinations involving enterprises under common control
SAIC Motor (Beijing) Co., Ltd.	Beijing, China	RMB	200,000	Marketing, warehouse and logistics of automobiles	100.00	-	Acquired through business combinations involving enterprises under common control
Shanghai Automobile Asset Management Co., Ltd.	Shanghai, China	RMB	818,000	Property management and innovation services, etc.	100.00	-	Acquired through business combinations involving enterprises under common control

**VIII. INTERESTS IN OTHER ENTITIES - continued****3. Interests in subsidiaries - continued**

## (1) Composition of the Group - major subsidiaries - continued

Full name of the subsidiary	Place of incorporation	Registered capital		Scope of business	Equity interest held at year-end (%) (%)		Ways of Acquisition
		Currency	' 000		Directly	Indirectly	
Donghua Automotive Industrial Co., Ltd.	Jiangsu, China	RMB	1,083,208	Logistics, import and export, detail services of automobiles	75.00	-	Acquired through business combinations involving enterprises under common control
SAIC Activity Centre Co., Ltd.	Shanghai, China	RMB	160,000	Hospitality, beverage and catering services	100.00	-	Acquired through business combinations involving enterprises under common control
Shanghai Automotive News Press Co., Ltd.	Shanghai, China	RMB	1,000	Publishing and distribution of <i>Shanghai Auto News</i>	100.00	-	Acquired through business combinations involving enterprises under common control
DIAS Automotive Electronic Systems Co., Ltd.	Shanghai, China	RMB	150,000	Research and development production and sales of automobile electronic systems and components	-	98.00	Acquired through business combinations involving enterprises under common control
Shanghai Chexiang Automotive Accessory Technology Service Co., Ltd.(Note 3)	Shanghai, China	RMB	250,000	Sales of automotive accessories	-	100.00	Acquired through business combinations involving enterprises under common control
Shanghai Diesel Engine Co., Ltd. (Note 4)	Shanghai, China	RMB	866,690	Manufacturing and sales of diesel engines and spare parts	48.05	-	Acquired through business combinations involving enterprises under common control
Nanjing Automobile (Group) Corporation	Jiangsu, China	RMB	7,600,000	Development, manufacturing and sales of automobiles, engines and spare parts	100.00	-	Acquired through business combinations involving enterprises under common control
Shanghai Sunwin Bus Co., Ltd.(Note5)	Shanghai, China	RMB	871,160	Development, assembly, manufacture and sales of passenger bus and spare parts	80.50	-	Acquired through business combinations involving enterprises under common control
SAIC-IVECO Hongyan Commercial Vehicle Co., Ltd.(Note 5)	Chongqing, China	RMB	2,800,000	Development, manufacture and sales of vehicle and spare parts	53.92	-	Acquired through business combinations involving enterprises under common control
SAIC-GMAC Automotive Finance Co., Ltd.	Shanghai, China	RMB	3,500,000	Automotive Finance	-	55.00	Acquired through business combinations involving enterprises under common control

Note 1: The Company established a wholly-owned subsidiary, SAIC Group Financial Holding Management Co., Ltd. by the cash of RMB 1,500,000,000.00 for the current year.

Note 2: Refer to Note (VIII) 1(1).

Note 3: Refer to Note (VIII) 1(2).

Note 4: Proportion of the Group's shareholding of Shanghai Diesel is below 50%. However, given the fact that other shareholders held relatively small and dispersed amount of shares, the Group has substantial control over Shanghai Diesel.

Note 5: Refer to Note (VII) 1.

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

**VIII. INTERESTS IN OTHER ENTITIES - continued**

**2. Interests in subsidiaries - continued**

(2) Significant non-wholly owned subsidiaries

Unit: RMB'000

Name of the subsidiary	Equity interest held by minority shareholders(%)	Profit or loss attributable to minority interests during the year	Dividend declared to minority shareholders during the year	Minority interests at December 31, 2016
HASCO	41.68	4,863,402.82	2,398,077.41	22,745,369.41
SGMW	49.90	2,593,995.88	2,128,495.06	5,096,692.10

(3) Major financial information of significant non-wholly owned subsidiaries

Unit: RMB'000

Name of the subsidiary	December 31, 2016						December 31, 2015					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
HASCO	67,832,100.81	39,779,612.67	107,611,713.48	51,728,705.58	10,039,355.77	61,768,061.35	55,057,098.16	35,925,834.40	90,982,932.56	44,794,207.71	9,082,994.08	53,877,201.79
Name of the subsidiary	34,127,705.91	19,865,423.42	53,993,129.33	40,364,507.78	3,065,930.43	43,430,438.21	30,294,091.60	18,346,862.96	48,640,954.56	36,655,633.39	2,361,414.14	39,017,047.53

Unit: RMB'000

Name of the subsidiary	Year ended at December 31, 2016				Year ended at December 31, 2015			
	Operating income	Net profit attributable to shareholders of the Company	Total comprehensive income	Net cash flow from (used in) operating activities	Operating income	Net profit attributable to shareholders of the Company	Total comprehensive income	Net cash flow from (used in) operating activities
HASCO	124,295,812.98	6,075,758.56	8,296,197.38	11,375,286.83	105,499,406.26	5,232,566.34	6,935,611.75	6,630,854.16
SGMW	104,055,989.16	5,198,180.20	5,305,648.05	12,616,154.79	92,247,637.63	5,015,357.21	5,034,820.58	11,298,547.30

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

**VIII. INTERESTS IN OTHER ENTITIES - continued**

**3. Interests in JCEs and associates**

(1) Significant JCEs

JCE	Place of incorporation	Nature of operation	Equity interest held at year-end (%)		Accounting method
			Directly	Indirectly	
SAIC Volkswagen Automotive Co., Ltd. ("SVA")	Shanghai, China	Manufacturing and sales of automobiles and components	50.00	-	Equity method
SAIC General Motors Co., Ltd. ("SGM")	Shanghai, China	Manufacturing and sales of automobiles and components	50.00	-	Equity method

(2) Major financial information of significant JCEs

Unit: RMB'000

	Year ended December 31, 2016		Year ended December 31, 2015	
	SVA	SGM	SVA	SGM
Current assets	54,420,115.80	45,220,715.80	50,210,145.96	41,387,514.13
Non-current assets	63,601,265.95	59,485,430.85	56,071,327.71	52,201,436.91
Total assets	118,021,381.75	104,706,146.65	106,281,473.67	93,588,951.04
Current liabilities	63,972,831.66	64,788,161.61	52,312,447.61	53,763,728.60
Non-current liabilities	11,978,419.49	2,588,044.36	13,115,563.53	2,201,805.96
Total liabilities	75,951,251.15	67,376,205.97	65,428,011.14	55,965,534.56
Non-controlling interests	-	5,599,735.49	-	5,703,739.58
Shareholders' equity attributable to owners of the parent company	42,070,130.60	31,730,205.19	40,853,462.53	31,919,676.90
Share of net assets according to portion of shareholding	21,035,065.30	15,865,102.59	20,426,731.26	15,959,838.45
Reconciliations				
-Goodwill	-	227,973.19	-	227,973.19
Book value of equity investment in JCEs	21,035,065.30	16,093,075.78	20,426,731.26	16,187,811.64
Operating income	228,550,591.35	202,958,782.31	218,408,811.90	177,703,199.09
Net profit attributable to owners of the parent company	25,681,997.57	16,947,692.62	24,903,317.32	16,566,612.50
Other comprehensive income	150,706.91	-	49,005.94	-
Total comprehensive income	25,832,704.48	19,519,372.29	24,952,323.26	19,627,636.92

(3) Summarized financial information of insignificant JCEs and associates

Unit: RMB'000

	Year ended December 31, 2016	Year ended December 31, 2015
JCEs:		
Total book value of investments		
The following items are calculated according to portion of shareholding		
- Net profit attributable to owners of the parent company	5,682,338.80	4,420,149.48
- Other comprehensive income	(1,807.19)	(4,055.04)
- Total comprehensive income	5,680,531.61	4,416,094.44
Associates:		
Total book value of investments		
The following items are calculated according to portion of shareholding		
- Net profit attributable to owners of the parent company	1,491,055.01	1,637,061.39
- Other comprehensive income	20,088.35	(20,207.09)
- Total comprehensive income	1,511,143.36	1,616,854.30

**VIII. INTERESTS IN OTHER ENTITIES - continued****4. Interests in structured entities that are not in the scope of the consolidated financial statements**

Interests in structured entities that are not in the scope of the consolidated financial statements are those invested by the Group through other institutions, including funds and wealth management products. The Group only holds the shares of investment without control, so these structured entities are not included in the scope of the consolidated financial statements. During the year 2016, the Group did not provide any financial support to any of these structured entities.

The table below illustrates the book value and risk exposure of the interests in structured entities that are not included in the scope of the consolidated financial statements at December 31, 2016.

Unit: RMB

Item	Year ended at December 31, 2016		
	Investment amount	Maximum risk exposure	Account
Funds	24,026,435,720.59	24,026,435,720.59	Available-for-sale financial assets, financial assets at fair value through profit or loss
Wealth management products	9,641,281,616.75	9,641,281,616.75	Other non-current assets, available-for-sale financial assets

**IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Group's major financial instruments include cash and bank balances, financial assets at fair value through profit or loss, notes receivable, accounts receivable, loans and advances, available-for-sale financial assets, long-term receivables, borrowings, financial liabilities at fair value through profit or loss, notes payable, accounts payable and bonds payable, etc. Details of these financial instruments are disclosed in Note (VI). The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure the risks are monitored at a certain level.

The Group conducted sensitivity analysis to analyze the impact of reasonable and possible changes of risk variables on profit or loss and equity of the current period. Any risk variables may not change in isolation, so there might be certain relativity between the variables that will have significant effect on the amount influenced by one variable. Thus, the statements below are based on the assumption that every variable changes in isolation.

**1. Risk management objectives and policies**

The Group's risk management objectives are to achieve a proper balance between risks and yield, minimize the adverse impacts of risks on the Group's operation performance, and maximize the benefits of the shareholders and other stakeholders. Based on these risk management objectives, the Group's basic risk management strategy is to identify and analyses the Group's exposure to various risks, establish an appropriate maximum tolerance to risk, implements risk management, and monitors regularly and effectively these exposures to ensure the risks are monitored at a certain level.

**1.1 Market risk****1.1.1. Currency risk**

Currency risk is the risk that losses will occur because of changes in foreign exchange rates. The Group is closely monitoring effects might have on currency risk due to change in exchange rate. For foreign assets and liabilities on balance sheet remaining unchanged, if the exchange rates of RMB had been 10% higher/lower and other variables were held constant, the equity of the Group would decrease or increase by RMB 743,274,000 (minority interests are not deducted).



**IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued**

**1. Risk management objectives and policies - continued**

1.1 Market risk - continued

1.1.2. Interest rate risk

The Group is exposed to cash flow risk because the Group borrows funds at floating interest rates. At the year-end, Group had floating rate borrowings of RMB 7,228,789,310. For floating rate borrowings, if the interest rates had been 25 base points higher/lower and other variables were held constant, shareholders' equity would decrease/increase by RMB 18,071.97 (effect of income tax is not considered).

The Group's fair value interest rate risk of financial instruments relates primarily to fixed-rate bank borrowings. As fixed-rate bank borrowings of the Group are mainly composed of short-term borrowings and bonds payable, the Group considers that changes in fair value of financial instruments arising from changes of interest rates will have no material effect on financial statements.

1.1.3. Other price risk

The Group's equity investments, including available-for-sale financial assets and financial assets at fair value through profit or loss, are measured at fair value at each balance sheet date. At the year-end, the Group's equity instrument investments are mainly stocks and funds. Therefore, the Group is exposed to the risks of changes in the security prices. For equity instrument investments held by the Group at the year-end, if the market price had been 1% higher/lower and other variables were held constant, shareholders' equity at the year-end would increase/decrease by RMB 409,127,000 (effect of deferred tax is not considered).

1.2 Credit risk

At the year-end, the Group's maximum exposure to credit risk which will result in financial loss to the Group arises from counterparty's default on its contractual obligations. Carrying amounts of financial assets as of the balance sheet date represent the credit risk exposure. For financial instruments measured at fair value, the carrying amount reflects the exposure to risks rather than the maximum exposure to risks, which varies with the future changes in fair value.

In order to minimize credit risk, the Group delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivables at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The Group's working capital is deposited in banks with high credit rating, so the credit risk of working capital is limited.

Except for the amount of accounts receivable due from certain JCEs and associates of the Group (refer to Note (VI) 4) and part of other receivables (refer to Note (VI)7), the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

1.3 Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations of cash flows. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants. Therefore, management of the Group believes that the Group is not exposed to significant liquidity risks.

**IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued**

**2. Transfer of financial assets**

In the transaction of credit assets securitization, the Group did not derecognize this kind of financial assets wholly or partly based on the extent of retained risks and rewards of ownership in the transferred financial assets. During the year, the book value of the securitized credit assets was RMB17 billion before the transfer.

The aforementioned transferred credit assets continue to provide management services by SAIC-GM Finance and SFC. Since the companies held all the subordinated parts of the asset-backed securities, such companies retained substantially all the risks and rewards of ownership of the transferred credit assets, and do not derecognize the transferred credit assets.

**3. Capital management**

The Group manages its capital by optimizing its structure of liabilities and equity to ensure that entities within the group are able to operate sustainably and to maximize shareholders return of investment. The overall strategy of the Group remains the same during year 2015 and 2016.

The capital structure of the Group is made up of the Group's net liabilities and equity.

The Group is not restrained to external mandatory requirements of capital management. The Group's management regularly reviews the capital structure of the Group.

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YEAR ENDED DECEMBER 31, 2016

**X. FAIR VALUE MEASUREMENTS**

**1. Fair value of assets and liabilities measured at fair value**

Unit: RMB

Item	December 31, 2016				December 31, 2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Measured at fair value on a recurring basis								
I. Financial assets at fair value through profit or loss								
1. Held-for-trading financial assets								
-Debt instruments	-	-	-	-	-	-	-	-
-Equity instruments	8,542,400.00	-	-	8,542,400.00	111,413,005.47	-	-	111,413,005.47
-Derivative financial assets	-	-	-	-	-	-	-	-
2. Designated as financial assets at fair value through profit or loss								
-Equity instruments	-	-	1,551,210,824.57	1,551,210,824.57	-	-	1,109,690,614.18	1,109,690,614.18
II. Available-for-sale financial assets								
1. Debt instruments	212,777,936.40	1,683,319,149.98	-	1,896,097,086.38	522,074,000.78	-	-	522,074,000.78
2. Equity instruments	39,008,052,954.21	-	9,326,281,616.75	48,334,334,570.96	54,557,250,154.12	-	10,218,572,901.35	64,775,823,055.47
Total assets measured at fair value on a recurring basis	39,229,373,290.61	1,683,319,149.98	10,877,492,441.32	51,790,184,881.91	55,190,737,160.37	-	11,328,263,515.53	66,519,000,675.90
III. Financial liabilities at fair value through profit or loss								
1. Held-for-trading financial liabilities								
-Derivative financial liabilities	-	-	-	-	-	7,486,291.00	-	7,486,291.00
Total liabilities measured at fair value on a recurring basis	-	-	-	-	-	7,486,291.00	-	7,486,291.00

**2. Determination of levels of fair value hierarchy**

Financial assets categorized as Level 1 are mainly publicly stocks, funds and bonds traded at Shanghai Stock Exchange and Shenzhen Stock Exchange. The fair value of these assets is determined according to closing price on the balance sheet date.

Financial assets categorized as Level 2 are mainly bonds traded in the inter-bank market. The fair value of these bonds is determined according to closing price on the balance sheet date in the inter-bank market.

Financial assets categorized as Level 3 are mainly unlisted equity investments Group and restricted shares investments and asset management plans held by the Group. The Group used valuation technique of "listed company comparison method" to measure the fair value of shares, based on the stock price of similar securities and the discounts of liquidity

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

# XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

## 1. Parent of the Company

Unit: RMB

Name of the parent company	Type	Places of incorporation	Legal representative	Business scope	Registered capital	Proportion of the Company's ownership interest held by the parent company (%)		Proportion of the Company's voting rights held by the parent company (%)	
						Directly	Indirectly	Directly	Indirectly
SAIC	State-owned enterprise	Shanghai, China	Mr. Chen Hong	Manufacturing, research, sales, development and investment of automobiles, tractors and motorcycles; operation and management of state-owned assets within the scope of authority; domestic trading (except for specific regulations), advisory services	21,599,175,737.24	74.30	-	74.30	-

## 2. Major subsidiaries of the Group

Refer to Note (VIII) 2.

## 3. Major JCEs and associates of the Group

Refer to Note (VI) 15 and Note (VIII) 3.

## 4. Other related parties which have significant transactions or balances with the Group

Name of related parties	Relationship with the Group
Shanghai Automotive Industry Development Co., Ltd.	Subsidiary of SAIC
SAIC Property Development Co., Ltd.	Subsidiary of SAIC
SAIC Sodexo Service Co., Ltd.	Subsidiary of SAIC
Shanghai Shangkai Real Estate Development Co., Ltd.	Subsidiary of SAIC
Shanghai Automotive Electronics Factory	Subsidiary of SAIC
Shanghai Internal Combustion Engine Research Institute	Subsidiary of SAIC
Shanghai Huali Internal Combustion Engine Co., Ltd.	Subsidiary of SAIC
Shanghai Jieneng Automotive Technology Co., Ltd.	Subsidiary of SAIC
Shanghai Qiyan Human Resources Consulting Co., Ltd.	Subsidiary of SAIC
Shanghai Automotive Industry Real Estate Development Co., Ltd.	Subsidiary of SAIC
SAIC Property Development Co., Ltd.	Subsidiary of SAIC
Shanghai Shangqi House Replacement Co., Ltd.	Subsidiary of SAIC
Shanghai Machinery Industry Gas Engine Checking & Measuring Office	Subsidiary of SAIC
Shanghai Yike Green Engineering Co., Ltd.	Associate of SAIC
Shanghai Volkswagen Automotive Gift Co., Ltd.	Associate of SAIC
Shanghai ADT Facilities Management Co., Ltd.	Associate of SAIC
Executive directors and other senior management of the Company	Key management personnel

## 5. Related party transactions

(1) Sales and purchases

(a) Sales of goods

Unit: RMB

Related party	Year Ended December 31, 2016	Year Ended December 31, 2015
JCEs	69,025,769,781.19	65,551,995,858.04
Associates	4,966,727,844.55	3,959,914,768.73
Subsidiaries of SAIC	241,046.60	2,219,319.93
Total	73,992,738,672.34	69,514,129,946.70

**XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued****5. Related party transactions - continued**

(1) Sales and purchases - continued

(b) Sales of materials

Unit: RMB

Related party	Year Ended December 31, 2016	Year Ended December 31, 2015
JCEs	103,312,899.47	18,085,919.14
Associates	14,182,501.16	14,306,972.90

**XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued****5. Related party transactions - continued**

## (2) Rendering of services

## (a) Rendering of services

Unit: RMB

Related party	Year Ended December 31, 2016	Year Ended December 31, 2015
JCEs	4,744,498,517.89	3,353,362,422.19
Associates	85,359,361.07	134,926,158.73
SAIC	389,778,486.42	563,069,585.65
Subsidiaries of SAIC	6,004,660.36	2,662,822.48
Total	5,225,641,025.74	4,054,020,989.05

## (b) Rental income

Unit: RMB

Related party	Year Ended December 31, 2016	Year Ended December 31, 2015
JCEs	287,953,683.82	231,295,142.47
Associates	366,025.23	15,484,278.63
Subsidiaries of SAIC	1,529,560.51	2,909,805.85
Total	289,849,269.56	249,689,226.95

## (3) Other expenses

## (a) Logistics service expenses, royalties and others

Unit: RMB

Related party	Year Ended December 31, 2016	Year Ended December 31, 2015
JCEs	79,260,371.32	260,716,206.58
Associates	18,277,881.50	4,521,803.02
SAIC	310,611.42	-
Subsidiaries of SAIC	2,668,560.23	13,057,381.65
Total	100,517,424.47	278,295,391.25

## (b) Rental expenses

Unit: RMB

Related party	Year Ended December 31, 2016	Year Ended December 31, 2015
JCEs	94,640,434.19	76,464,620.53
SAIC	7,623,371.43	19,110,810.00
Subsidiaries of SAIC	7,304,280.78	750,000.00
Total	109,568,086.40	96,325,430.53

The prices of transactions in (1) to (3) were determined based on the contracts between both parties.

**XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued****5. Related party transactions - continued****(4) Financing**

Details of financing transactions between the Group and related parties are as follows:

**(a) Loans offered by SFC to related parties**

① Movements of loans offered by SFC to related parties are as follows:

Unit: RMB

	JCEs	Associates	Total
December 31, 2015	1,727,435,279.40	165,954,075.19	1,893,389,354.59
Loans offered	2,605,669,534.52	500,631,570.27	3,106,301,104.79
Repayment collected	(3,305,451,562.59)	(570,653,861.80)	(3,876,105,424.39)
Decrease due to changes in consolidation scope for the current year	(150,000,000.00)	-	(150,000,000.00)
December 31, 2016	877,653,251.33	95,931,783.66	973,585,034.99

② Balances of loans offered by SFC to related parties were as follows:

Unit: RMB

	December 31, 2016	December 31, 2015
JCEs- Short-term loans and discounts	875,222,001.33	1,727,435,279.40
Associates-Short-term loans and discounts	95,931,783.66	165,954,075.19
JCEs-Long-term loans	2,431,250.00	-
Total	973,585,034.99	1,893,389,354.59

③ Loan interests received by SFC from related parties are as follows:

Unit: RMB

Related party	December 31, 2016	December 31, 2015
JCEs	56,791,885.39	94,696,975.56
Associates	3,567,020.57	21,036,790.13
Total	60,358,905.96	115,733,765.69

Interest rates for loans offered by SFC to related parties are determined according to interest rates specified by the People's Bank of China.

**(b) Related parties' deposits at SFC and GMAC**

① Movements of related parties' deposits at SFC and GMAC are as follows:

Unit: RMB

	JCEs	Associates	SAIC	Subsidiaries of SAIC	Associates of SAIC	Total
December 31, 2015	14,476,671,330.56	1,308,442,049.41	19,312,715,575.42	486,884,143.70	5,489,547.58	35,590,202,646.67
Receipts (Repayment)	(1,488,925,984.17)	778,300,169.75	(3,220,007,067.86)	12,467,071.98	(4,985,016.88)	(3,923,150,827.18)
December 31, 2016	12,987,745,346.39	2,086,742,219.16	16,092,708,507.56	499,351,215.68	504,530.70	31,667,051,819.49

**XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued****5. Related party transactions - continued**

(4) Financing - continued

(b) Related parties' deposits at SFC and GMAC - continued

②Interest paid by SFC and GMAC to related parties were as follows:

Unit: RMB

Related Party	Year Ended December 31, 2016	Year Ended December 31, 2015
JCEs	210,781,478.80	386,081,407.10
Associates	33,019,932.71	48,771,693.06
SAIC	262,008,115.24	235,026,779.90
Subsidiaries of SAIC	7,266,072.97	6,297,037.40
Associates of SAIC	12,881.11	75,403.89
Total	513,088,480.83	676,252,321.35

Interest rates for deposits from related parties at SFC is determined according to interest rates specified by the People's Bank of China.

(c) Loans offered by the Group (except SFC) to related parties

①Movement of entrusted loans provided by the Group to related parties is as follows:

Unit: RMB

	JCEs	Associates	Total
December 31, 2015	592,500,000.00	109,500,000.00	702,000,000.00
Loans offered	485,152,541.99	121,500,000.00	606,652,541.99
Decrease due to changes in consolidation scope for the year	(339,952,541.99)	-	(339,952,541.99)
Repayments collected	(395,000,000.00)	(137,000,000.00)	(532,000,000.00)
December 31, 2016	342,700,000.00	94,000,000.00	436,700,000.00

②Balance of entrusted loans provided by the Group to related parties is as follows:

Unit: RMB

Related Party	December 31, 2016	December 31, 2015
JCEs - short-term loans	180,200,000.00	380,000,000.00
Associates - short-term loans	94,000,000.00	109,500,000.00
JCEs - long-term loans	162,500,000.00	212,500,000.00
Total	436,700,000.00	702,000,000.00

③Interests received by the Group from related parties are as follows:

Unit: RMB

Related Party	Year Ended December 31, 2016	Year Ended December 31, 2015
JCEs	21,880,395.39	36,280,764.57
Associates	4,764,946.35	4,002,159.46
Total	26,645,341.74	40,282,924.03

Interest rates for entrusted loans to related parties from the Group are determined according to contract agreements.



**XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued****5. Related party transactions - continued**

(4) Financing - continued

(d) Entrusted business of SFC

①Entrust business between SFC and related parties (see Note (VI) 63) is disclosed off balance sheet. SFC received bank charges based on agreements. The bank charges received by SFC from related parties are as follows:

Unit: RMB

Related Party	Year Ended December 31, 2016	Year Ended December 31, 2015
JCEs	770,570.90	863,415.00
Associates	300,405.00	549,867.10
Total	1,070,975.90	1,413,282.10

②At the end and the beginning of the year, balance of entrusted business between SFC and related parties are as follows:

Unit: RMB

Entrusting parties	Entrusted deposit December 31, 2016	Targets	Entrusted loans December 31, 2016
JCEs	476,000,000.00	JCEs	476,000,000.00
Associates	117,000,000.00	Associates	117,000,000.00
SAIC	20,000,000.00	SAIC	20,000,000.00
Total	613,000,000.00	Total	613,000,000.00

Unit: RMB

Entrusting parties	Entrusted deposit December 31, 2015	Targets	Entrusted loans December 31, 2015
JCEs	242,000,000.00	JCEs	242,000,000.00
Associates	144,000,000.00	Associates	144,000,000.00
SAIC	20,000,000.00	SAIC	20,000,000.00
Total	406,000,000.00	Total	406,000,000.00

(5) Guarantees

See Note (XII) 3 for guarantees provided by the Group to related parties.

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

**XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued****5. Related party transactions - continued**

## (6) Remuneration for key management personnel

Unit: RMB

Related Party	Year Ended December 31, 2016	Year Ended December 31, 2015
Remuneration for key management personnel	13,882,900.00	27,551,500.00

**6. Amounts due from/to related parties**

## (1) Notes receivable

Unit: RMB

Related party	December 31, 2016	December 31, 2015
JCEs	126,722,000.00	233,969,053.97
Associates	-	500,000.00
Total	126,722,000.00	234,469,053.97

## (2) Accounts receivable

Unit: RMB

Related party	December 31, 2016	December 31, 2015
JCEs	12,210,236,716.01	11,244,488,774.17
Associates	1,763,865,098.40	1,389,941,189.51
Subsidiaries of SAIC	3,625,449.67	7,108,156.44
Total	13,977,727,264.08	12,641,538,120.12

## (3) Prepayments

Unit: RMB

Related party	December 31, 2016	December 31, 2015
JCEs	15,562,129,489.95	9,228,641,632.21
Associates	21,363,324.71	56,792,847.62
Total	15,583,492,814.66	9,285,434,479.83

## (4) Dividends receivable

Unit: RMB

Related party	December 31, 2016	December 31, 2015
JCEs	1,456,101,750.12	1,512,344,555.68
Associates	160,904,835.18	85,512,459.59
Total	1,617,006,585.30	1,597,857,015.27

## (5) Other receivables

Unit: RMB

Related party	December 31, 2016	December 31, 2015
JCEs	428,475,124.02	27,131,736.15
Associates	524,028.40	5,936,500.07
Subsidiaries of SAIC	330,350.00	325,000.00
Total	429,329,502.42	33,393,236.22

**XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued****6. Amounts due from/to related parties - continued**

## (6) Notes payable

Unit: RMB

Related party	December 31, 2016	December 31, 2015
JCEs	71,499,346.98	126,385,514.25
Associates	84,160,000.00	42,770,000.00
Total	155,659,346.98	169,155,514.25

## (7) Accounts payable

Unit: RMB

Related party	December 31, 2016	December 31, 2015
JCEs	8,863,721,950.50	15,844,545,276.29
Associates	1,028,136,529.82	808,154,839.93
Subsidiaries of SAIC	19,419,210.54	48,955,705.84
Associates of SAIC	21,199,237.58	9,994,334.44
Total	9,932,476,928.44	16,711,650,156.50

## (8) Receipts in advance

Unit: RMB

Related party	December 31, 2016	December 31, 2015
JCEs	183,952,339.52	93,443,608.31
Associates	-	187,931.54
SAIC	1,053,305,821.73	1,189,525,008.63
Total	1,237,258,161.25	1,283,156,548.48

## (9) Other payables

Unit: RMB

Related party	December 31, 2016	December 31, 2015
JCEs	495,138,380.85	34,245,984.43
Associates	1,104,595.00	10,031,930.20
Subsidiaries of SAIC	1,000,000.00	78,860.00
Associates of SAIC	420,350.00	420,350.00
Total	497,663,325.85	44,777,124.63

**XII. COMMITMENTS****1. Capital commitments**

Unit: RMB'000

	Consolidated	
	December 31, 2016	December 31, 2015
Capital commitments that have been signed but have not been recognized in the financial statements:		
- Commitment for acquisition of long-term assets	5,128,389	6,442,803
- External investment commitment	149,902	170,000
Total	5,278,291	6,612,803

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016**XII. COMMITMENTS - continued****2. Operating lease commitments**

At the balance sheet date, the Group has the following commitments in respect of non-cancellable operating leases:

Unit: RMB'000

	Consolidated	
	December 31, 2016	December 31, 2015
Minimum lease payments under non-cancellable operating lease:		
1st year subsequent to the balance sheet date	1,265,906	714,062
2nd year subsequent to the balance sheet date	968,545	532,331
3rd year subsequent to the balance sheet date	870,598	452,154
Subsequent years	6,080,809	1,987,666
Total	9,185,858	3,686,213

**3. Contingencies**

At the year-end, guarantees provided by the Group to external entities are as follows:

Guarantor	Guarantee	Relationship with the Group	Category	Currency	Ceiling amount	Debt amount
The Company (Note 1)	SAIC Motor-CP Co., Ltd.	Subsidiary	General guarantee	THB	3,570,000,000.00	2,300,539,836.77
HASCO (Note 2)	HASCO-CP Co., Ltd.	Subsidiary	Maximum guarantee	THB	229,500,000.00	30,600,000.00
HASCO	KS HUAYU AluTech GmbH	JCE	Letter of guarantee	EUR	10,000,000.00	10,000,000.00
HASCO, Donghua (Note 3)	Hua Dong Teksid Automotive Foundry Co., Ltd.	JCE	Joint and several liability guarantee	USD	5,775,000.00	1,873,904.68

Note1: Shareholders of SAIC Motor - CP Co., Ltd. provided maximum guarantee for its loans, in which the Company provided 51% of the maximum guarantee amount of 3,570,000,000.00 at its shareholding ratio. At the year-end, the actual amount of loans of the Company is THB 2,300,539,836.77 (equivalent to RMB 446,074,674.35).

Note2: Shareholders of HASCO - CP Co., Ltd. provided maximum guarantee for its loans, in which HASCO provided 51% of the maximum guarantee amount of THB 229,500,000.00 at its shareholding ratio. At the year-end, the actual amount of loans of HASCO - CP Co., Ltd. is THB 30,600,000.00.

Note 3: These loans were jointly guaranteed by HASCO and Donghua jointly and severally.

**XIII. EVENTS AFTER THE BALANCE SHEET DATE**

1. Refer to Note (VI) 48 for more details on profit distribution after balance sheet date.

**2. The Group's non-public issuance of A shares**

Proposal concerning the Company's non-public issuance of A shares was approved in the 4<sup>th</sup> meeting of the Board held on November 5, 2015 and the 1<sup>st</sup> extraordinary general meeting in 2015 and authorized by Shanghai State-owned Assets Supervision and Administration Commission with "Reply to SAIC Motor Corporation Limited's non-public issuance of A shares" (Hu Guo Zi Wei Chan Quan [2015] No.484) and China Securities Regulatory Commission with "Approval of the Non-public Issuance of Shares of SAIC Motor Corporation Limited." (Zheng Jian Xu Ke [2016] No. 2977), the Company was approved to issue no more than 1,056,338,028 shares (the "Issuance") of non-public issuance of A shares in RMB. The final price of the Issuance is RMB 22.80 per share at par value of RMB 1 per share which were subscribed by cash. As at January 11, 2017, the Company actually issued ordinary shares in RMB (A Share) of 657,894,736 shares at the price of RMB 22.80 per share with par value of RMB 1 per share to raise funds of RMB 14,999,999,980.80 in total. After the non-public issuance of A shares, the Company held a total of 11,683,461,365 shares.

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

### XIII. OTHER SIGNIFICANT EVENTS

#### 1. Segment report

The disclosure of segment report is based on accounting policies. Based on the Group's internal organization structure, management requirements and internal reporting system, the operations of the Group are classified into two reporting segments, which are "vehicles and parts" and "financing". The reporting segments are determined based on the Group's operating structure. The Group's management periodically evaluates the operating results of these reporting segments to make decisions about resources to be allocated to the segments and assess their performance. Major products and services delivered or provided by each of the reporting segments are vehicles and parts and financing services.

Segment information is disclosed in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to management.

#### (1) Segment information

Unit: RMB

	Vehicles and parts		Finance		Elimination		Total	
	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2016	Year Ended December 31, 2015
Total operating income								
External revenue	746,191,099,847.84	661,349,150,643.18	10,225,065,217.45	9,099,072,496.16	-	-	756,416,165,065.29	670,448,223,139.34
Inter-segment revenue	-	-	1,406,197,252.83	1,404,458,052.30	(1,406,197,252.83)	(1,404,458,052.30)	-	-
Total segment operating income	746,191,099,847.84	661,349,150,643.18	11,631,262,470.28	10,503,530,548.46	(1,406,197,252.83)	(1,404,458,052.30)	756,416,165,065.29	670,448,223,139.34
Operating costs and expenses	731,502,851,456.63	650,251,596,056.32	8,064,717,642.65	7,641,467,146.79	(1,003,896,074.03)	(1,639,494,809.84)	738,563,673,025.25	656,253,568,393.27
Add: Gain(loss)from changes in fair value	7,484,671.00	(34,699,211.00)	(17,508,139.92)	(250,817,659.56)	-	-	(10,023,468.92)	(285,516,870.56)
Investment income	28,386,728,893.32	27,207,309,315.87	2,185,534,397.75	2,455,825,105.10	-	-	30,572,263,291.07	29,663,134,420.97
Exchange gain(loss)	-	-	18,271,097.34	15,758,109.29	-	-	18,271,097.34	15,758,109.29
Profit (loss)	43,082,461,955.53	38,270,164,691.73	5,752,842,182.80	5,082,828,956.50	(402,301,178.80)	235,036,757.54	48,433,002,959.53	43,588,030,405.77
Add: Non-operating income	3,049,265,443.25	3,453,186,765.57	264,499,737.81	213,476,451.36	-	-	3,313,765,181.06	3,666,663,216.93
Less: Non-operating expense	1,252,509,227.83	1,444,254,028.28	1,801,450.22	763,108.16	-	-	1,254,310,678.05	1,445,017,136.44
Total profit	44,879,218,170.95	40,279,097,429.02	6,015,540,470.39	5,295,542,299.70	(402,301,178.80)	235,036,757.54	50,492,457,462.54	45,809,676,486.26
Less: Income tax expense	5,211,163,710.60	4,616,232,659.97	1,319,332,053.60	1,119,474,603.05	-	-	6,530,495,764.20	5,735,707,263.02
Net profit	39,668,054,460.35	35,662,864,769.05	4,696,208,416.79	4,176,067,696.65	(402,301,178.80)	235,036,757.54	43,961,961,698.34	40,073,969,223.24

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016**XIII. OTHER SIGNIFICANT EVENTS - continued****1. Segment report - continued**

## (1) Segment information - continued

Unit: RMB

	Vehicles and parts		Finance		Elimination		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
<b>Total assets by segment</b>	462,309,760,678.50	416,601,459,526.01	221,713,413,526.49	181,307,270,281.66	(93,395,036,680.94)	(84,952,771,691.89)	590,628,137,524.05	512,955,958,115.78
<b>Total liabilities by segment</b>	263,858,460,937.67	228,062,255,403.36	185,397,469,473.72	155,834,719,910.29	(93,724,166,891.10)	(81,858,302,918.08)	355,531,763,520.29	302,038,672,395.57
Additional information:								
Depreciation and amortization	7,863,717,655.42	6,213,756,095.82	35,617,052.77	29,948,943.35	-	-	7,899,334,708.19	6,243,705,039.17
Impairment loss recognized in current year	1,668,851,317.45	1,787,979,310.73	1,341,136,858.48	1,176,280,006.38	199,483,229.68	(116,086,848.58)	3,209,471,405.61	2,848,172,468.53
Capital expenditure	17,235,897,227.41	15,394,016,717.16	30,619,747.88	32,887,142.78	-	-	17,266,516,975.29	15,426,903,859.94
Including: Expenditure used in construction in progress	15,301,850,146.19	12,769,706,880.45	1,589,358.03	-	-	-	15,303,439,504.22	12,769,706,880.45
Expenditure used in purchase of fixed assets	787,048,680.29	620,210,505.87	19,066,427.34	15,515,903.94	-	-	806,115,107.63	635,726,409.81
Expenditure used in purchase of intangible assets	456,998,310.17	1,748,984,591.69	9,963,962.51	17,371,238.84	-	-	466,962,272.68	1,766,355,830.53
Expenditure used in long-term deferred expenses	690,000,090.76	255,114,739.15	-	-	-	-	690,000,090.76	255,114,739.15
Expenditure used in investment properties	-	-	-	-	-	-	-	-

(2) The Group's revenue derived from other countries is insignificant and the Group's assets located in other countries are insignificant.

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

**XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS**

**1. Notes receivable**

Unit: RMB

Item	December 31, 2016	December 31, 2015
Bank acceptances	2,319,351,064.00	1,146,775,037.00
Commercial acceptances	44,049,748.00	918,080,419.00
Total	2,363,400,812.00	2,064,855,456.00

**2. Accounts receivable**

Disclosure of accounts receivable by categories:

Unit: RMB

Item	December 31, 2016					December 31, 2015				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	%	Amount	%		Amount	%	Amount	%	
Receivables for individually significant items and with individual provision for bad debts	-	-	-	-	-	-	-	-	-	-
Receivables with provisions that were assessed by credit risk characteristics	823,392,904.40	100.00	-	-	823,392,904.40	838,938,654.90	100.00	-	-	838,938,654.90
Receivables for individually non-significant items but individual provision for bad debts	-	-	-	-	-	-	-	-	-	-
Total	823,392,904.40	100.00	-	-	823,392,904.40	838,938,654.90	100.00	-	-	838,938,654.90

Aging analysis of accounts receivable is as follows:

Unit: RMB

Aging	December 31, 2016			
	Accounts receivable	Proportion (%)	Bad debt provision	Proportion (%)
Within 1 year	511,951,925.94	62.18	-	-
1-2 years	281,449,677.58	34.18	-	-
2-3 years	29,991,300.88	3.64	-	-
Total	823,392,904.40	100.00	-	-

**3. Other receivables**

Disclosure of other receivables by categories:

Unit: RMB

Item	December 31, 2016					December 31, 2015				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	%	Amount	%		Amount	%	Amount	%	
Receivables for individually significant items and with individual provision for bad debts	-	-	-	-	-	-	-	-	-	-
Receivables with provisions that were assessed by credit risk characteristics	1,309,158,264.18	100.00	-	-	1,309,158,264.18	1,123,787,791.35	100.00	-	-	1,123,787,791.35
Receivables for individually non-significant items but individual provision for bad debts	-	-	-	-	-	-	-	-	-	-
Total	1,309,158,264.18	100.00	-	-	1,309,158,264.18	1,123,787,791.35	100.00	-	-	1,123,787,791.35

Aging analysis of other receivables is as follows:

Unit: RMB

Aging	December 31, 2016			
	Other receivables	Proportion (%)	Bad debt provision	Proportion (%)
Within 1 year	1,281,749,998.36	97.91	-	-
1-2 years	24,880,110.00	1.90	-	-
2-3 years	2,415,655.82	0.18	-	-
Over 3 years	112,500.00	0.01	-	-
Total	1,309,158,264.18	100.00	-	-

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

**XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued**

**4. Inventories**

(1) Categories of inventories

Unit: RMB

Item	December 31, 2016			December 31, 2015		
	Book balance	Provision	Book value	Book balance	Provision	Book value
Raw materials	646,295,461.85	-	646,295,461.85	363,359,810.67	-	363,359,810.67
Work-in-process	16,391,872.78	-	16,391,872.78	8,437,017.04	-	8,437,017.04
Finished goods	1,351,582,249.70	51,238,838.61	1,300,343,411.09	1,482,692,568.63	168,152,372.73	1,314,540,195.90
Total	2,014,269,584.33	51,238,838.61	1,963,030,745.72	1,854,489,396.34	168,152,372.73	1,686,337,023.61

(2) Provision for decline in value of inventories

Unit: RMB

Item	December 31, 2015	Provision	Write-off	December 31, 2016
Goods on hand	168,152,372.73	7,199,968.20	124,113,502.32	51,238,838.61

(3) Circumstances of provision for decline in value of inventories

Unit: RMB

Item	Basis of provision for decline in value of inventories	Reason for reversal of provision
Goods on hand	Lower of cost or net realizable value	Not applicable

**5. Available-for-sale financial assets**

Unit: RMB

Item	December 31, 2016	December 31, 2015
Available-for-sale equity instruments	10,646,215,752.00	7,775,944,851.05
-measured at fair value	10,646,215,752.00	7,775,944,851.05
-measured at cost	-	-
Total	10,646,215,752.00	7,775,944,851.05

**6. Long-term equity investments**

Details of long-term equity investment are as follows:

Unit: RMB

	December 31, 2016	December 31, 2015
Investments in subsidiaries	54,594,849,312.15	44,920,418,908.20
Investments in JCEs	40,615,522,957.92	39,881,343,624.22
Investments in associates	2,224,964,039.07	2,245,674,241.45
Total	97,435,336,309.14	87,047,436,773.87



NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

**XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued**

**6. Long-term equity investments - continued**

(1) Investments in subsidiaries

Unit: RMB

Invested companies	December 31, 2015	Increase/Decrease	December 31, 2016
SAIC GM Wuling Co., Ltd.	1,126,669,400.01	-	1,126,669,400.01
Shanghai Huizhong Automotive Manufacturing Co., Ltd. (Note 1)	2,866,842,821.53	(2,866,842,821.53)	-
SAIC Maxus Vehicle Co., Ltd. (Note 2)	3,209,910,000.00	584,340,000.00	3,794,250,000.00
SAIC Finance Co., Ltd. (Note 3)	3,584,176,933.09	3,000,000,000.00	6,584,176,933.09
SAIC Volkswagen Sales Co., Ltd.	225,339,303.84	-	225,339,303.84
Shanghai PengPu Machine Building Plant Co., Ltd. (Note 4)	655,582,955.01	270,000,000.00	925,582,955.01
DIAS Automotive Electronic Systems Co., Ltd. (Note 5)	90,000,000.00	(90,000,000.00)	-
SAIC Motor Transmission Co., Ltd. (Note 6)	3,158,000,000.00	832,529,000.00	3,990,529,000.00
Nanjing Automobile (Group) Corporation	3,423,861,978.39	-	3,423,861,978.39
Shanghai Diesel Engine Co., Ltd.	1,173,419,996.46	-	1,173,419,996.46
SAIC HK Investment Co., Ltd.	67,746,690.00	-	67,746,690.00
SAIC Motor UK Co., Ltd.	46,468,800.00	-	46,468,800.00
SAIC Tangshan Bus Co., Ltd. (Note 5)	86,700,000.00	(86,700,000.00)	-
SAIC Motor Equity Investment Co., Ltd.	3,300,000,000.00	-	3,300,000,000.00
SAIC General Motors Sales Co., Ltd.	158,319,147.00	-	158,319,147.00
HUAYU Automotive Systems Co., Ltd. (Note 1)	9,956,431,904.22	2,922,286,568.66	12,878,718,472.88
SAIC Motor(Beijing) Co., Ltd.	316,317,252.11	-	316,317,252.11
Shanghai Automobile Asset Management Co., Ltd (Note 7)	672,425,316.32	200,000,000.00	872,425,316.32
Shanghai Chexiang Automotive Accessory Technology Service Co., Ltd. (Note8)	35,103,538.99	(35,103,538.99)	-
SAIC General Motors Sales Co., Ltd.	1,627,026,218.48		

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

## XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued

## 6. Long-term equity investments - continued

## (2) JCEs

Unit: RMB

Invested companies	December 31, 2015	Increase/Decrease	December 31, 2016
SAIC Volkswagen automotive Co., Ltd.	20,426,731,263.83	608,334,038.49	21,035,065,302.32
SAIC General Motors Co., Ltd.	15,959,838,450.62	(94,735,858.31)	15,865,102,592.31
Shanghai GM Dong Yue Motors Co., Ltd.	569,623,625.35	33,367,430.19	602,991,055.54
Shanghai GM Dong Yue Automotive Powertrain Co., Ltd.	1,588,050,079.37	(32,980,939.40)	1,555,069,139.97
Shanghai GM (Shenyang) Norsom Motors Co., Ltd.	700,996,754.53	(46,924,844.20)	654,071,910.33
Pan-Asia Technical Automotive Centre	592,237,413.62	72,909,694.00	665,147,107.62
SAIC Iveco Commercial Vehicle Investment Co., Ltd.	-	238,075,849.83	238,075,849.83
Shanghai Jieneng Automotive Technology Co., Ltd. (Note5)	19,997,583.22	(19,997,583.22)	-
Shanghai Advanced Traction Battery Systems Co., Ltd. (Note5)	23,868,453.68	(23,868,453.68)	-
<b>Total</b>	<b>39,881,343,624.22</b>	<b>734,179,333.70</b>	<b>40,615,522,957.92</b>

## (3) Associates

Unit: RMB

Invested companies	December 31, 2015	Increase/Decrease	December 31, 2016
Volkswagen Automotive Powertrain Co., Ltd.	1,919,177,286.87	49,203,526.86	1,968,380,813.73
Volkswagen Transmission (Shanghai) Co., Ltd.	254,876,500.79	1,706,724.55	256,583,225.34
China Automobile Development United Investment Co., Ltd. (Note5)	28,468,778.51	(28,468,778.51)	-
Sunrise Power Co., Ltd. (Note5)	43,151,675.28	(43,151,675.28)	-
<b>Total</b>	<b>2,245,674,241.45</b>	<b>(20,710,202.38)</b>	<b>2,224,964,039.07</b>

Note1: As stated in Note (VIII) 1(1), the Company made additional capital contribution of its 100% of equity interest in Shanghai Huizhong to HASCO for the year.

Note2: During the year, the Company made additional capital contribution of RMB 584,340,000.00 to SAIC Maxus by cash.

Note3: During the year, the Company made additional capital contribution of RMB 3,000,000,000.00 to SFC by cash, after the capital increase, the investment proportion of the Company in SFC was increased from 98.59% to 99.00%.

Note4: During the year, the Company made additional capital contribution of RMB 270,000,000.00 to Shanghai PengPu Machine Building Plant Co., Ltd. by cash.

Note5: During the year, the Company made additional capital contribution of its 60.00% of equity interest in DIAS Automotive Electronic Systems Co., Ltd., 51.00% of equity interest in SAIC Tangshan Bus Co., Ltd. and 10% of equity interest in Shanghai Jieneng Automotive Technology Co., Ltd., 51.00% of equity interest in Shanghai Advanced Traction Battery Systems Co., Ltd., 34.19% of equity interest in Sunrise Power Co., Ltd., 20.74% of equity interest in China Automobile Development United Investment Co., Ltd. and RMB 906,000,000.00 in cash to Investment Management.

Note6: During the year, the Company made additional capital contribution of RMB 832,529,000.00 to SAIC Motor Transmission Co., Ltd. by cash.

**XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued****6. Long-term equity investments - continued**

Note7: During the year, the Company made additional capital contribution of RMB 200,000,000.00 to Shanghai Automobile Asset Management Co., Ltd. by cash.

Note8: During the year, the Company made additional capital contribution of its 80% of equity interest in Chexiangpei (formerly known as "Shanghai International Auto Parts Sourcing Centre Co., Ltd.") and RMB 300,000,000.00 in cash to Industry Sales.

Note9: During the year, the Company transferred its 2.00% equity interest in Anji Logistics to SAIC Motor Equity Investment Co., Ltd in the price of RMB 75,274,726.92.

Note10: Refer to Note(VIII)1(2)。

Note11: During the year, the Company made additional capital contribution of RMB 900,000,000.00 to Shanghong Real Estate by cash.

Note12: Refer to Note(VIII)2(1)。

**7. Investment properties**

Movements of investment properties measured at cost are as follows:

Unit: RMB

Item	Land use right	Buildings	Total
I. Cost			
December 31, 2015	50,386,952.98	362,655,757.85	413,042,710.83
December 31, 2016	50,386,952.98	362,655,757.85	413,042,710.83
II. Accumulated depreciation and amortization			
December 31, 2015	11,421,042.27	90,643,720.27	102,064,762.54
Provision	1,007,739.07	9,532,374.45	10,540,113.52
December 31, 2016	12,428,781.34	100,176,094.72	112,604,876.06
III. Net book value			
December 31, 2016	37,958,171.64	262,479,663.13	300,437,834.77
December 31, 2015	38,965,910.71	272,012,037.58	310,977,948.29

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

**XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued**

**8. Fixed assets**

(1) General

Unit: RMB

Item	Buildings	Machinery and equipment	Electronic equipment, furniture and fixtures	Transportation vehicles	Mold	Total
<b>I. Cost</b>						
December 31, 2015	2,774,147,772.22	5,005,417,505.82	612,153,482.24	67,804,496.92	2,374,705,540.01	10,834,228,797.21
Purchase during the year	-	153,097.26	327,646.15	-	-	480,743.41
Transfer from construction in progress during the year	216,734,202.85	594,551,377.60	110,033,806.86	13,254,194.91	492,500,887.57	1,427,074,469.79
Disposals during the year	2,593,847.38	10,186,636.72	3,682,750.25	1,581,821.37	-	18,045,055.72
December 31, 2016	2,988,288,127.69	5,589,935,343.96	718,832,185.00	79,476,870.46	2,867,206,427.58	12,243,738,954.69
<b>II. Accumulated depreciation</b>						
December 31, 2015	570,194,731.55	1,668,103,733.71	346,931,285.71	35,442,215.18	755,571,382.95	3,376,243,349.10
Provision during the year	110,267,852.70	288,710,942.24	68,959,085.17	9,071,741.84	85,519,579.90	562,529,201.85
Disposals during the year	2,464,155.01	8,375,342.27	3,000,955.08	1,470,668.25	-	15,311,120.61
December 31, 2016	677,998,429.24	1,948,439,333.68	412,889,415.80	43,043,288.77	841,090,962.85	3,923,461,430.34
<b>III. Impairment</b>						
December 31, 2015	-	1,952,083,201.45	-	97,478.08	1,514,656,722.32	3,466,837,401.85
Provision during the year	-	-	-	-	238,809,809.21	238,809,809.21
Disposals during the year	-	566,649.43	-	-	-	566,649.43
December 31, 2016	-	1,951,516,552.02	-	97,478.08	1,753,466,531.53	3,705,080,561.63
<b>IV. Net book value</b>						
December 31, 2016	2,310,289,698.45	1,689,979,458.26	305,942,769.20	36,336,103.61	272,648,933.20	4,615,196,962.72
December 31, 2015	2,203,953,040.67	1,385,230,570.66	265,222,196.53	32,264,803.66	104,477,434.74	3,991,148,046.26

(2) Details of the certificates of title of fixed assets that were not obtained are as follows:

Unit: RMB

Item	Book value	Reasons for not obtaining certificates of title
Buildings	1,932,017,599.02	In progress

**9. Construction in progress**

Unit: RMB

Item	December 31, 2015	Increase during the year	Transfer to fixed assets upon completion	Transfer to intangible assets	Transfer to long-term prepaid expenses	December 31, 2016
Project of passenger vehicles of self-owned brands	235,490,387.31	801,532,212.53	894,225,716.42	5,456,215.79	-	137,340,667.63
Project of R&D centre expansion	430,488,863.55	299,991,216.05	458,803,492.49	23,690,984.50	-	247,985,602.61
Others	98,054,910.06	192,390,729.90	74,045,260.88	17,371,318.11	72,812,803.48	126,216,257.49
Total	764,034,160.92	1,293,914,158.48	1,427,074,469.79	46,518,518.40	72,812,803.48	511,542,527.73

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

**XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued**

**10. Intangible assets and development expenditure**

(1) General

Unit: RMB

Item	Land use right	Patent	Know-how	software use right	Trademark right	Total
I. Cost						
December 31, 2015	1,316,702,229.71	1,025,962,252.05	2,344,710,403.83	530,495,088.86	11,533,962.26	5,229,403,936.71
Purchase during the year	-	-	-	302,837.43	-	302,837.43
Transfer from construction in progress during the year	94,339.62	-	-	46,424,178.78	-	46,518,518.40
Disposal and retirement	-	-	-	605,101.72	-	605,101.72
December 31, 2016	1,316,796,569.33	1,025,962,252.05	2,344,710,403.83	576,617,003.35	11,533,962.26	5,275,620,190.82
II. Accumulated amortization						
December 31, 2015	182,182,335.98	944,712,252.05	1,633,503,071.04	275,230,260.17	2,591,972.67	3,038,219,891.91
Amortization during the year	26,315,500.90	-	666,666.73	59,978,357.31	1,181,332.75	88,141,857.69
Disposal and retirement	-	-	-	23,475.24	-	23,475.24
December 31, 2016	208,497,836.88	944,712,252.05	1,634,169,737.77	335,185,142.24	3,773,305.42	3,126,338,274.36
III. Impairment						
December 31, 2015 and 2016	-	81,250,000.00	710,540,666.06	-	-	791,790,666.06
IV. Net book value						
December 31, 2016	1,108,298,732.45	-	-	241,431,861.11	7,760,656.84	1,357,491,250.40
December 31, 2015	1,134,519,893.73	-	666,666.73	255,264,828.69	8,941,989.59	1,399,393,378.74

(2) Land use right of which certificates of title have not been obtained

Unit: RMB

Item	Book value	Reason for not obtaining certificates of title
Land use right	167,254,061.79	In progress

(3) Details of development expenditures

Unit: RMB

Item	December 31, 2015	Occurred during the year	Recognized in profit and loss	December 31, 2016
Research expenditures	-	1,240,123,494.37	1,240,123,494.37	-
Development expenditures	-	3,614,385,425.82	3,614,385,425.82	-
Total	-	4,854,508,920.19	4,854,508,920.19	-

Development expenditures accounts for 74.45% of total research and development expenditures.

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016**XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued****11. Employee benefits payable**

(1) Details of employee benefits payable are as follows:

Unit: RMB

Item	December 31, 2016	December 31, 2015
Short-term employee benefits	2,526,191,281.11	2,036,723,433.58

(2) Details of short-term employee benefits are as follows:

Unit: RMB

Item	December 31, 2016	December 31, 2015
Payroll, bonus, allowance and compensation	2,279,080,106.63	1,788,456,359.34
Social security contributions	21,554,106.87	12,547,105.89
Housing funds	137,110.00	83,789.00
Trade union fund and employee education fund	225,419,957.61	235,636,179.35
Total	2,526,191,281.11	2,036,723,433.58

**12. Non-current liabilities due within one year**

Unit: RMB

Item	December 31, 2016	December 31, 2015
Provisions due within one year (Note (XV) 15)	569,797,570.00	249,019,844.71

**13. Long-term employee benefits payable**

(1) Details of long-term employee benefits payable

Unit: RMB

Item	December 31, 2016	December 31, 2015
Post-employment benefit-defined benefit plan net indebtedness	2,761,333,540.00	2,365,672,215.12
Termination benefits	968,050,310.39	974,265,650.57
Total	3,729,383,850.39	3,339,937,865.69

(2) Details of defined benefit plan

Present value of obligation in defined benefit plans:

Unit: RMB

Item	December 31, 2016	December 31, 2015
December 31, 2015	2,365,672,215.12	2,170,181,223.98
Cost of defined benefit plan recognized in profit or loss	92,896,149.32	112,726,294.05
1. Past service cost	5,018,814.88	21,394,139.45
2. Net value of interests	87,877,334.44	91,332,154.60
Cost of defined benefit plan recognized in other comprehensive income	334,724,093.58	113,665,129.31
1. Actuarial losses	334,724,093.58	113,665,129.31
Including: benefits paid	(31,958,918.02)	(30,900,432.22)
December 31, 2016	2,761,333,540.00	2,365,672,215.12

**XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued**

**14. Special payables**

Unit: RMB

Item	December 31, 2016	December 31, 2015
Special reward fund	822,960,091.72	863,767,352.72

**15. Provisions**

Unit: RMB

Item	December 31, 2016
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NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

**XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued**

**21. Impairment losses of assets**

Unit: RMB

Item	Year Ended December 31, 2016	Year Ended December 31, 2015
Decline in value of inventories	7,199,968.20	146,577,167.04
Impairment on fixed assets	238,809,809.21	973,925,866.64
Total	246,009,777.41	1,120,503,033.68

**22. Investment income**

Unit: RMB

Item	Year Ended December 31, 2016	Year Ended December 31, 2015
Dividends received from subsidiaries	8,919,940,938.58	8,551,586,300.46
Long-term equity investment income under equity method	23,047,260,561.14	22,025,085,445.97
Amortization of long-term equity investment difference	(319,325.10)	(827,623.32)
Gain (loss) on disposal of long-term equity investments	87,492,142.39	(34,225,303.03)
Entrust loans investment income	93,960,214.64	88,136,636.55
Gain from available-for-sale financial assets	298,180,991.31	304,563,589.46
Total	32,446,515,522.96	30,934,319,046.09

**23. Supplementary information to the cash flow statements**

Unit: RMB

Supplementary information	Year Ended December 31, 2016	Year Ended December 31, 2015
<b>1. Reconciliation of net profits to cash flow from operating activities:</b>		
Net profit	27,631,589,141.92	24,460,499,284.78
Add: Provision for impairment loss of assets	246,009,777.41	1,120,503,033.68
Depreciation of fixed assets	562,529,201.85	440,487,936.86
Amortization of intangible assets	88,141,857.69	93,599,130.48
Depreciation and amortization of investment properties	10,540,113.52	10,874,549.28
Amortization of long-term prepaid expenses	18,318,702.26	8,364,302.34
Losses (gains) on disposal of fixed assets, intangible assets and other long-term assets	1,067,547.86	(178,784,621.68)
Financial expenses	(472,995,849.81)	(244,180,220.89)
Investment income	(32,446,515,522.96)	(30,934,319,046.09)
Increase in inventories	(283,893,690.30)	(395,471,250.70)
Decrease in operating receivables	(429,655,676.23)	(582,747,178.52)
Increase in operating payables	7,279,706,230.18	5,647,415,671.05
Net cash flow from operating activities	2,204,841,833.39	(553,758,409.41)
<b>2. Significant investment and financing activities not involving cash receipts and payments</b>		
Investment in subsidiaries by entrusted loans capitalization	-	1,000,000,000.00
<b>3. Net movement of cash and cash equivalents:</b>		
Balance at the end of the year	55,541,206,630.65	53,896,855,196.85
Less: Balance at the beginning of the year	53,896,855,196.85	45,655,207,147.68
Net increase in cash and cash equivalents	1,644,351,433.80	8,241,648,049.17

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

**XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued**

**24. Related party relationships and transactions**

**A. Major related parties which have significant transactions or balances with the Company**

- (1) Details of major subsidiaries of the Company refer to Note (VIII) 2.
- (2) Details of major JCEs and associates of the Company refer to Note (VI) 15 and Note (VIII) 3.
- (3) Details of other major related parties which have significant transactions or balances with the Company refer to Note (XI) 4.

**B. Related party transactions**

- (1) Sales and purchases

- (a) Sales of goods

Unit: RMB

Related party	Year Ended December 31, 2016	Year Ended December 31, 2015
Subsidiaries	1,887,639,398.16	1,276,385,121.59

- (b) Sales of materials

Unit: RMB

Related party	Year Ended December 31, 2016	Year Ended December 31, 2015
Subsidiaries	418,476,418.02	366,930,671.61
Associates	14,182,501.16	14,306,972.90
Subsidiaries of SAIC	21,112.72	375,312.78
Total	432,680,031.90	381,612,957.29

- (c) Purchase of goods and materials

Unit: RMB

Related party	Year Ended December 31, 2016	Year Ended December 31, 2015
Subsidiaries	15,829,045,551.72	8,980,965,738.47
JCEs	2,934,823,043.61	1,935,629,846.43
Associates	813,206,682.40	389,837,726.32
Subsidiaries of SAIC	3,924,896.86	27,138,674.78
Associates of SAIC	24,341,342.76	18,509,937.75
Total	19,605,341,517.35	11,352,081,923.75

- (d) Purchase of long-term assets

Unit: RMB

Related party	Year Ended December 31, 2016	Year Ended December 31, 2015
Subsidiaries	64,565,721.79	44,177,560.56
JCEs	50,437,688.07	55,824,035.59
Associates	2,638,561.01	19,789,661.88
Subsidiaries of SAIC	-	2,884,943.65
Associates of SAIC	264,150.94	2,667,982.02
Total	117,906,121.81	125,344,183.70

**XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued****24. Related party relationships and transactions - continued****B. Related party transactions - continued**

(1) Sales and purchases

(e) Acceptance of services - R&amp;D expenditures

Unit: RMB

Related party	Year Ended December 31, 2016	Year Ended December 31, 2015
Subsidiaries	600,708,335.41	611,510,172.37
JCEs	795,333,889.99	861,318,701.37
Associates	53,888,099.74	47,319,238.25
Subsidiaries of SAIC	337,908.00	340,081.50
Associates of SAIC	2,104,900.01	2,417,361.04
Total	1,452,373,133.15	1,522,905,554.53

(2) Rendering of services

(a) Rendering of services

Unit: RMB

Related party	Year Ended December 31, 2016	Year Ended December 31, 2015
Subsidiaries	7,839,758.32	4,974,239.78
JCEs	3,816,588.39	2,903,063.80
Associates	307,790.57	334,700.00
SAIC	248,269,051.92	512,841,167.39
Subsidiaries of SAIC	3,335,494.86	472,166.52
Total	263,568,684.06	521,525,337.49

(b) Rental income

Unit: RMB

Related party	Year Ended December 31, 2016	Year Ended December 31, 2015
Subsidiaries	26,351,762.62	24,928,867.21
JCEs	21,262,836.03	23,601,748.00
Total	47,614,598.65	48,530,615.21

(c) Royalties for technology

Unit: RMB

Related party	Year Ended December 31, 2016	Year Ended December 31, 2015
Subsidiaries	436,175,022.64	290,239,284.86

(3) Other expenses

(a) Logistics service expenses, royalties and others

Unit: RMB

Related party	Year Ended December 31, 2016	Year Ended December 31, 2015
Subsidiaries	655,198,922.29	379,642,991.91
JCEs	1,833,803.39	17,106,630.89
Associates	750,500.00	760,390.67
Total	657,783,225.68	397,510,013.47

The prices of transactions in (1) to (3) were determined based on the contracts between both parties.

**XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued****24. Related party relationships and transactions - continued****B. Related party transactions - continued**

## (4) Financing

## (a) Loans to related parties

① Movement of entrusted loans to related parties by the Company are as follows:

Unit: RMB

	JCEs	Subsidiaries	Total
December 31, 2015	-	5,074,190,000.00	5,074,190,000.00
Loans offered	339,952,541.99	2,716,000,000.00	3,055,952,541.99
changes in the scope of consolidation	(339,952,541.99)	339,952,541.99	-
Repayment collected	-	(2,925,752,541.99)	(2,925,752,541.99)
December 31, 2016	-	5,204,390,000.00	5,204,390,000.00

② Balances of loans offered directly to subsidiaries are as follows:

Unit: RMB

	Subsidiaries
December 31, 2015	4,933,837,280.00
Loans offered	3,977,868,360.00
Effect of foreign exchange rate changes	482,114,860.00
December 31, 2016	9,393,820,500.00

③ Loan interests received from subsidiaries are as follows:

Unit: RMB

	Year Ended December 31, 2016	Year Ended December 31, 2015
Subsidiaries	93,377,565.59	88,136,636.55

Interest rates for loans issued to related parties were determined according to the contracts.

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

**XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued**

**24. Related party relationships and transactions - continued**

**B. Related party transactions - continued**

(4) Financing - continued

(b) Deposits at SFC

① Movement of deposits at SFC is as follows:

Unit: RMB

	December 31, 2015	Increase	Decrease	December 31, 2016
Cash and bank balances	39,951,167,924.24	222,389,048,080.44	(222,330,377,553.82)	40,009,838,450.86

② Interest receivable from SFC is as follows:

Unit: RMB

	December 31, 2016	December 31, 2015
Interest receivable	336,059,208.34	454,804,027.79

③ Interest received from SFC is as follows:

Unit: RMB

	December 31, 2016	December 31, 2015
Interest income	805,224,200.25	911,824,645.59

Interest rates for deposits at SFC were determined according to interest rates specified by the People's Bank of China.

(c) Financing charges paid to SFC

Unit: RMB

	December 31, 2016	December 31, 2015
SFC	241,367,085.36	97,177,607.32

Financing charges are paid to SFC based on the contracts between both parties.

(5) Guarantees

At the year-end, guarantees provided by the Company to related parties are as follows:

Guarantee	Relationship with the Company	Category	Currency	Ceiling amount	Debt amount
SAIC Motor - CP Co., Ltd. (Note)	Subsidiaries	maximum guarantee	THB	3,570,000,000.00	2,300,539,836.77

Note: The Company and SAIC Motor - CP Co., Ltd. jointly provided maximum guarantee for its loans, of which the Company provided 51% of the maximum guarantee amount of THB 3,570,000,000.00 at its shareholding ratio. As at the year-end, the actual amount of loans of the Company is THB 2,300,539,836.77 (RMB 446,074,674.35).

**XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued****24. Related party relationships and transactions - continued****C. Amounts due from / to related parties**

## (1) Notes receivable

Unit: RMB

Related party	December 31, 2016	December 31, 2015
Subsidiaries	552,186,906.00	507,150,051.00

## (2) Accounts receivable

Unit: RMB

Related party	December 31, 2016	December 31, 2015
Subsidiaries	668,528,855.76	643,873,497.84
JCEs	25,446,522.70	438,745.00
Associates	26,742,769.81	14,309,972.90
Subsidiaries of SAIC	1,484,835.40	5,539,115.95
Total	722,202,983.67	664,161,331.69

## (3) Prepayments

Unit: RMB

Related party	December 31, 2016	December 31, 2015
Subsidiaries	51,742,133.09	65,148,708.20
Associates	21,363,324.71	6,065,251.60
Total	73,105,457.80	71,213,959.80

## (4) Dividends receivable

Unit: RMB

Related party	December 31, 2016	December 31, 2015
Subsidiaries	9,300,341.98	126,034,049.96
JCEs	1,182,589,765.98	1,267,093,697.68
Total	1,191,890,107.96	1,393,127,747.64

## (5) Other receivables

Unit: RMB

Related party	December 31, 2016	December 31, 2015
Subsidiaries	247,067,753.80	597,697,174.23
JCEs	-	2,000,000.00
Total	247,067,753.80	599,697,174.23

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016

**XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued**

**24. Related party relationships and transactions - continued**

**C. Amounts due from / to related parties - continued**

(6) Accounts payable

Unit: RMB

Related party	December 31, 2016	December 31, 2015
Subsidiaries	2,317,281,123.04	1,824,349,641.88
JCEs	2,064,918,436.03	1,508,379,538.59
Associates	312,139,725.55	129,604,207.14
Subsidiaries of SAIC	15,820,488.42	46,374,172.69
Associates of SAIC	3,917,198.35	6,897,002.89
Total	4,714,076,971.39	3,515,604,563.19

(7) Receipts in advance

Unit: RMB

Related party	December 31, 2016	December 31, 2015
Subsidiaries	86,700,425.70	28,441,315.60
JCEs	-	151,487.79
SAIC	1,053,305,821.73	1,189,525,008.63
Total	1,140,006,247.43	1,218,117,812.02

(8) Other payables

Unit: RMB

Related party	December 31, 2016	December 31, 2015
Subsidiaries	1,326,129.89	993,079.89
JCEs	29,000.00	36,000.00
Associates	10,000.00	12,500.00
Subsidiaries of SAIC	-	34,400.00
Associates of SAIC	16,350.00	16,350.00
Total	1,381,479.89	1,092,329.89

**XVI. Comparative figures**

Pursuant to Notice of Accounting Treatment on VAT (Chai Kuai [2016] No. 22) issued by Ministry of Finance issued on December 3, 2016, the comparative figures of the financial statements have been reclassified in accordance with the presentation of the current year.

**XVII. APPROVAL OF THE FINANCIAL STATEMENTS**

The consolidated and the Company's financial statements have been approved by the Board of Directors on March 31, 2017.

\*\*\*THE END OF THE FINANCIAL STATEMENTS\*\*\*

SUPPLEMENTARY INFORMATION  
YEAR ENDED DECEMBER 31, 2016

## 1. Non-recurring profit or loss

Unit: RMB

Item	Year Ended December 31, 2016	Year Ended December 31, 2015
Loss on disposal of non-current assets	(274,439,799.71)	(810,291,807.86)
Government grants recognized in profit and loss	2,547,141,715.81	2,964,271,237.07
The excess of acquirer's proportionate share of fair value of identifiable net assets of acquiree over the consideration paid for the acquisition of subsidiaries, associates and JCEs	170,851,191.00	204,657,090.00
Profit or loss on debt restructuring	266,280.06	199,000.89
Profit or loss on changes in the fair value of held-for-trading financial assets and held-for-trading financial liabilities and investment income on disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets, other than those for effective hedging activities relating to normal operating business	8,285,353.69	(21,514,132.79)
Reversal of provision for impairment of accounts receivable undertaken impairment test separately	-	752,487,529.12
Profit or loss on offering entrusted loans	29,826,908.01	38,707,922.55
Other non-operating income and expenses other than the above	(232,900,943.80)	(96,602,430.85)
Tax effects of income tax	(314,402,370.27)	(251,959,969.55)
Effect of minority interest (after tax)	(254,988,503.67)	(316,981,790.31)
Total	1,679,639,831.12	2,462,972,648.27

Non-recurring profit or loss above is calculated and disclosed according to the Securities Regulatory Commission Notice [2008]No.43 "Explanatory Notice No. 1 to Information Disclosure Guidance for Public Companies - Non-recurring Gains and losses(2008)" issued by China Securities Regulatory Commission.

## 2. Return on net assets and earnings per share

Return on net assets and earnings per share ("EPS") are prepared by SAIC Motor Corporation Limited in accordance with Information Disclosure and Presentation Rules for Companies Making Public Offering No. 9 - Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revised 2010) issued by China Securities Regulatory Commission.

Profit for the reporting period	Weighted average return on net assets (%)	EPS (RMB)	
		Basic EPS	Diluted EPS
Calculated based on net profits attributable to shareholders of the Company	17.53	2.903	N/A
Calculated based on net profits attributable to shareholders of the Company after deducting non-recurring profit or loss	16.61	2.751	N/A

## 3. Non-public issuance of A shares

*Proposal Concerning The Company's Non-Public Issuance Of A Shares* was approved in the 4<sup>th</sup> meeting of the Board held on November 5, 2015 and the 1<sup>st</sup> extraordinary general meeting and authorized by Shanghai State-owned Assets Supervision and Administration Commission with "Reply to SAIC Motor Corporation Limited's non-public issuance of A shares " (Hu Guo Zi Wei Chan Quan[2015]No.484) and China Securities Regulatory Commission with "Approval of the Non-public Issuance of Shares of SAIC Motor Group Corporation Limited." (Zheng Jian Xu Ke [2016] No. 2977), the Company was approved non-public issuance of no more than 1,056,338,028 shares (the "Issuance") A shares in RMB. The final price of the Issuance is RMB 22.80 per share



SAIC MOTOR CORPORATION LIMITED

SUPPLEMENTARY INFORMATION  
YEAR ENDED DECEMBER 31, 2016

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at par value of RMB 1 per share which were subscribed by cash. As at January 11, 2017, the Company issued 657,894,736 ordinary shares in RMB (A Share) at the price of RMB 22.80 per share with par value of RMB 1 per share to raise funds of RMB 14,999,999,980.80 in total. After the non-public issuance of A shares, the Company has total of 11,683,461,365 shares in issue.