

BRILLIANCE
CHINA AUTOMOTIVE
HOLDINGS LIMITED

(華晨中國汽車控股有限公司)*

(Incorporated in Bermuda with limited liability)

Stock Code : 1114

Brilliance Auto
華 晨 汽 車

Interim Report
2017



*for identification purposes only

RESULTS

The board of directors (the “**Board**”) of Brilliance China Automotive Holdings Limited (the “**Company**”) announces the unaudited consolidated interim financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30th June, 2017. The unaudited consolidated interim financial statements have been reviewed by the audit committee of the Board.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Expressed in thousands of RMB except for earnings per share amounts)

		(Unaudited)	
		For the six months ended	
		30th June,	
		2017	2016
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	2,837,136	2,485,687
Cost of sales		(2,720,050)	(2,427,024)
		<hr/>	
Gross profit		117,086	58,663
Other income		29,446	37,205
Interest income		24,553	24,654
Selling expenses		(289,845)	(261,176)
General and administrative expenses		(555,236)	(160,481)
Finance costs	6	(62,947)	(70,772)
Share of results of:			
Joint ventures		2,666,432	1,905,948
Associates		125,306	148,763
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Profit before income tax expense	5	2,054,795	1,682,804
Income tax expense	8	(4,072)	(5,281)
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Profit for the period		2,050,723	1,677,523
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CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Cont'd)

(Expressed in thousands of RMB except for earnings per share amounts)

		(Unaudited)	
		For the six months ended	
		30th June,	
	2017	2016	
Note	RMB'000	RMB'000	
Attributable to:			
Equity holders of the Company	2,310,518	1,801,901	
Non-controlling interests	(259,795)	(124,378)	
	<u>2,050,723</u>	<u>1,677,523</u>	
Earnings per share			
	9		
– Basic	RMB0.45837	RMB0.35782	
– Diluted	RMB0.45797	RMB0.35709	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited)	
	For the six months ended	
	30th June,	
	2017	2016
	RMB'000	RMB'000
Profit for the period	2,050,723	1,677,523
Other comprehensive (expense) income, net of tax		
<i>Item which may be subsequently reclassified to profit or loss:</i>		
Change in fair value of available-for-sale financial assets	(1,934)	(22,354)
Share of comprehensive income of a joint venture	946,152	869,575
Other comprehensive income, net of tax	944,218	847,221
Total comprehensive income for the period	2,994,941	2,524,744
Attributable to:		
Equity holders of the Company	3,254,736	2,649,122
Non-controlling interests	(259,795)	(124,378)
	2,994,941	2,524,744

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited)	(Audited)
		As at	As at
		30th June,	31st December,
		2017	2016
	Note	RMB'000	RMB'000
Non-current assets			
Intangible assets	11	925,199	1,338,612
Property, plant and equipment	11	2,136,391	1,825,685
Construction-in-progress	11	278,495	424,104
Land lease prepayments	11	83,791	84,810
Interests in joint ventures	12	21,256,211	17,644,857
Interests in associates	13	1,655,246	1,703,065
Prepayments for long-term investments	14	600,000	600,000
Available-for-sale financial assets	15	31,534	33,468
Long-term loan receivables	16	389,358	361,487
Other non-current assets		18,585	17,584
		<hr/>	<hr/>
Total non-current assets		27,374,810	24,033,672
Current assets			
Cash and cash equivalents	17	1,039,899	940,938
Short-term bank deposits		78,446	193,146
Pledged short-term bank deposits	18	1,767,418	1,338,956
Inventories		1,160,192	1,104,070
Accounts receivable	19	1,254,427	1,583,968
Notes receivable	20	846,387	296,308
Other current assets	21	2,008,287	1,551,954
		<hr/>	<hr/>
Total current assets		8,155,056	7,009,340

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

		(Unaudited)	(Audited)
		As at	As at
		30th June,	31st December,
		2017	2016
	Note	RMB'000	RMB'000
Current liabilities			
Accounts payable	22	3,667,034	3,324,123
Notes payable	23	2,719,598	2,330,052
Other current liabilities	24	1,566,898	1,322,736
Short-term bank borrowings	25	1,777,000	1,325,000
Income tax payable		20,420	20,749
		<hr/>	<hr/>
Total current liabilities		9,750,950	8,322,660
		<hr/>	<hr/>
Net current liabilities		(1,595,894)	(1,313,320)
		<hr/>	<hr/>
Total assets less current liabilities		25,778,916	22,720,352
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Non-current liabilities			
Deferred government grants		113,389	121,829
Long-term bank borrowings	25	70,000	–
		<hr/>	<hr/>
		183,389	121,829
		<hr/>	<hr/>
Net assets		25,595,527	22,598,523
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Capital and reserves			
Share capital	26	397,176	396,809
Reserves	27	26,583,480	23,327,048
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Total equity attributable to equity holders of the Company		26,980,656	23,723,857
Non-controlling interests		(1,385,129)	(1,125,334)
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Total equity		25,595,527	22,598,523
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30th June, 2016 (Unaudited)

	Attributable to the equity holders of the Company											
	Issued capital RMB'000	Hedging reserve RMB'000	Share premium RMB'000	Investment revaluation reserve RMB'000	Cumulative translation adjustments reserve RMB'000	Difference arising from non-controlling interests RMB'000	Share options reserve RMB'000	Capital reserve RMB'000	Retained earnings RMB'000	Total equity attributable to the equity holders of the Company RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1st January, 2016	395,877	(971,986)	2,465,685	41,716	39,179	(537,584)	3,401	120,000	18,388,257	19,895,545	(831,864)	19,063,681
Transactions with equity holders of the Company												
Issue of shares by exercise of share options	767	-	5,578	-	-	-	(2,041)	-	-	4,304	-	4,304
Profit for the period	-	-	-	-	-	-	-	-	1,801,901	1,801,901	(124,378)	1,677,523
Other comprehensive income (expense)												
Share of other comprehensive income of a joint venture	-	869,575	-	-	-	-	-	-	-	869,575	-	869,575
Change in fair value of available-for-sale financial assets	-	-	-	(22,354)	-	-	-	-	-	(22,354)	-	(22,354)
	-	869,575	-	(22,354)	-	-	-	-	-	847,221	-	847,221
As at 30th June, 2016	396,644	(102,411)	2,472,263	19,362	39,179	(537,584)	1,360	120,000	20,140,158	22,548,971	(966,242)	21,592,729

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)

Six months ended 30th June, 2017 (Unaudited)

		Attributable to the equity holders of the Company											
		Issued capital RMB'000	Hedging reserve RMB'000	Share premium RMB'000	Investment revaluation reserve RMB'000	Cumulative translation adjustments reserve RMB'000	Difference arising from acquisition of non-controlling interests RMB'000	Share options reserve RMB'000	Capital reserve RMB'000	Retained earnings RMB'000	Total equity attributable to the equity holders of the Company RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1st January, 2017		396,809	(331,995)	2,473,444	17,835	39,179	(537,594)	942	120,000	21,545,227	23,723,857	(1,125,334)	22,598,523
Transactions with equity holders of the Company													
Issue of shares by exercise of share options	367		-	2,638	-	-	-	(942)	-	-	2,063	-	2,063
Profit for the period		-	-	-	-	-	-	-	-	2,310,518	2,310,518	(259,795)	2,050,723
Other comprehensive income (expense)													
Share of other comprehensive expense of a joint venture	-	946,152	-	-	-	-	-	-	-	-	946,152	-	946,152
Change in fair value of available-for-sale financial assets	-	-	-	-	(1,934)	-	-	-	-	-	(1,934)	-	(1,934)
		-	946,152	-	(1,934)	-	-	-	-	-	944,218	-	944,218
As at 30th June, 2017		397,176	614,157	2,476,082	15,901	39,179	(537,594)	-	120,000	23,855,745	26,980,656	(1,385,129)	25,595,527

CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited)	
	For the six months ended	
	30th June,	
	2017	2016
	RMB'000	RMB'000
Net cash used in operating activities	(455,573)	(330,967)
Net cash (used in) generated from investing activities	(326,298)	974,479
Net cash generated from financing activities	880,832	39,046
Increase in cash and cash equivalents	98,961	682,558
Cash and cash equivalents, as at 1st January	940,938	1,070,876
Cash and cash equivalents, as at 30th June	1,039,899	1,753,434

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Organisation and operations

The Company was incorporated in Bermuda on 9th June, 1992 as an exempted company with limited liability. The Company's shares are traded on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activities of the Group are set out in note 4 to these consolidated interim financial statements.

2. Statement of compliance and accounting policies

These consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" and other relevant HKASs and Interpretations and the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

These consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the consolidated annual financial statements for the year ended 31st December, 2016, except for the adoption of the new and revised HKFRSs (which include individual HKFRSs, HKASs and interpretations) as disclosed in note 3 to these consolidated interim financial statements.

These consolidated interim financial statements are unaudited and do not include all the information and disclosures required in the consolidated annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31st December, 2016.

3. Adoption of new or amended HKFRSs

In the current period, the Group has applied for the first time the following new and revised standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and are effective for the Group's financial statements for the annual financial period beginning on 1st January, 2017.

Amendments to HKAS 7

Disclosure Initiative – Statement of Cash Flows

Amendments to HKAS 12

Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of these new HKFRSs had no material impact on how the results and financial positions for the current and prior periods have been prepared and presented.

The Group has not early adopted the new/revised standards and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of the new/revised standards and interpretations will have no material impact on the results and the financial position of the Group.

4. Revenue and segment information

The Company is an investment holding company. The principal activities of the Group are the manufacture and sale of BMW vehicles in the People's Republic of China (the "PRC") through its major joint venture, BMW Brilliance Automotive Ltd. ("BMW Brilliance"), and the manufacture and sale of minibuses and automotive components through its subsidiaries. The following is the segment presentation of the revenue earned during the period:

	(Unaudited)	
	For the six months ended 30th June,	
	2017	2016
	RMB'000	RMB'000
Sale of minibuses and automotive components, net of consumption tax, discounts and return	2,791,734	2,472,057
Interest income from provision of auto financing service	45,402	13,630
	2,837,136	2,485,687

The Group has identified the following reportable segments:

- the manufacture and sale of minibuses and automotive components; and
- the manufacture and sale of BMW vehicles.

Each of these operating segments is managed separately as each of these product lines requires different resources as well as marketing approaches.

The measurement policies the Group adopts for segment reporting under HKFRS 8 are the same as those used in its HKFRS financial statements, except that certain items are not included in arriving at the operating results of the operating segments (eg. interest income, finance costs and income tax, etc.).

Segment assets include all assets except available-for-sale financial assets, prepayments for a long-term investment, advance to a shareholder of a related party and corporate assets which are not directly attributable to the business activities of any operating segment.

Segment liabilities include all liabilities except corporate liabilities which are not directly attributable to the business activities of any operating segment.

Revenue and results by reportable segments and reconciliation of segment results to profit before income tax expense for the period – for the six months ended 30th June, 2017

	(Unaudited)			
	Manufacture and sale of minibuses and automotive components RMB'000	Manufacture and sale of BMW vehicles RMB'000	Reconciliation to the Group's statement of profit or loss RMB'000	Total RMB'000
Segment sales to external customers	2,837,136	53,042,666	(53,042,666)	2,837,136
Segment results	(667,944)	7,105,508	(7,105,508)	(667,944)
Unallocated costs net of unallocated income				(30,605)
Interest income				24,553
Finance costs				(62,947)
Share of results of:				
Joint ventures	(2,388)	2,668,820	-	2,666,432
Associates	125,306	-	-	125,306
Profit before income tax expense				2,054,795

4. Revenue and segment information (Cont'd)

Revenue and results by reportable segments and reconciliation of segment results to profit before income tax expense for the period – for the six months ended 30th June, 2016

(Unaudited)				
	Manufacture and sale of minibuses and automotive components <i>RMB'000</i>	Manufacture and sale of BMW vehicles <i>RMB'000</i>	Reconciliation to the Group's statement of profit or loss <i>RMB'000</i>	Total <i>RMB'000</i>
Segment sales to external customers	2,485,687	44,680,356	(44,680,356)	2,485,687
Segment results	(318,208)	5,091,707	(5,091,707)	(318,208)
Unallocated costs net of unallocated income				(7,581)
Interest income				24,654
Finance costs				(70,772)
Share of results of:				
Joint ventures	(2,055)	1,908,003	–	1,905,948
Associates	148,763	–	–	148,763
Profit before income tax expense				1,682,804

The assets and liabilities by reportable segments as at 30th June, 2017

(Unaudited)				
	Manufacture and sale of minibuses and automotive components <i>RMB'000</i>	Manufacture and sale of BMW vehicles <i>RMB'000</i>	Reconciliation to the Group's statement of financial position <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	11,637,789	77,403,155	(77,403,155)	11,637,789
Interests in joint ventures	1,546	21,254,665	–	21,256,211
Interests in associates	1,655,246	–	–	1,655,246
Available-for-sale financial assets				31,534
Prepayments for a long-term investment				600,000
Advance to a shareholder of a related party				300,000
Unallocated assets				49,086
Total assets				35,529,866
Segment liabilities	9,925,336	34,893,825	(34,893,825)	9,925,336
Unallocated liabilities				9,003
Total liabilities				9,934,339

4. Revenue and segment information (Cont'd)

The assets and liabilities by reportable segments as at 31st December, 2016

	(Audited)			Total RMB'000
	Manufacture and sale of minibuses and automotive components RMB'000	Manufacture and sale of BMW vehicles RMB'000	Reconciliation to the Group's statement of financial position RMB'000	
Segment assets	10,695,290	75,672,722	(75,672,722)	10,695,290
Interests in joint ventures	4,774	17,640,083	–	17,644,857
Interests in associates	1,703,065	–	–	1,703,065
Available-for-sale financial assets				33,468
Prepayments for long-term investments				600,000
Advance to a shareholder of a related party				300,000
Unallocated assets				66,332
Total assets				31,043,012
Segment liabilities	8,434,273	40,392,556	(40,392,556)	8,434,273
Unallocated liabilities				10,216
Total liabilities				8,444,489

5. Profit before income tax expense

Profit before income tax expense is stated after charging and crediting the following:

	(Unaudited)	
	2017 RMB'000	2016 RMB'000
For the six months ended 30th June,		
Charging:		
Impairment losses on:		
– Accounts receivable (b)	377	–
– Other receivables (b)	22,433	4,587
– Loan receivables (b)	4,246	3,382
– Inventories (c)	413	–
– Intangible assets (b)	350,000	–
– Construction-in-progress	2,005	–
– Property, plant and equipment	7,818	–
Cost of inventories	2,710,746	2,426,626
Amortisation of intangible assets (a)	91,057	65,607
Depreciation of property, plant and equipment	71,315	62,853
Amortisation of land lease prepayments	1,019	1,019
Staff costs (including directors' emoluments)	389,829	411,562
Research and development costs (b)	5,538	2,590
Provision for warranty	15,071	12,291
Operating lease charges for land and buildings	17,382	13,003
Loss on disposal of property, plant and equipment	1,349	299
Exchange loss, net	20,752	–
Crediting:		
Exchange gain, net	–	15,640
Write-back of provision for accounts receivable	–	94
Write-back of provision for other receivables	8,473	4,500
Write-back of provision for loan receivables	–	617
Write-back of provision for inventories sold	11,665	8,376

(a) amortisation of intangible assets in relation to production was included in cost of sales; amortisation of intangible assets for other purposes was included in general and administrative expenses.

(b) included in general and administrative expenses.

(c) included in cost of sales.

6. Finance costs

	(Unaudited)	
	For the six months ended 30th June,	
	2017	2016
	RMB'000	RMB'000
Interest expense on:		
– Bank loans wholly repayable within one year	32,000	41,252
– Discounted bank guaranteed notes	35,891	34,461
	<hr/>	<hr/>
	67,891	75,713
Less: interest expense capitalised in intangible assets and construction-in-progress at the rate of 4.6% per annum (2016: 5.3% per annum)	(4,944)	(4,941)
	<hr/>	<hr/>
	62,947	70,772
	<hr/>	<hr/>

7. Staff costs (including directors' emoluments)

	(Unaudited)	
	For the six months ended 30th June,	
	2017	2016
	RMB'000	RMB'000
Wages, salaries and performance related bonus	290,735	313,164
Pension costs – defined contribution plans	38,802	38,390
Staff welfare costs	60,292	60,008
	<hr/>	<hr/>
	389,829	411,562
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8. Income tax expense

Income tax expense represents PRC enterprise income tax on the estimated taxable profits of the subsidiaries in the PRC during the period.

Deferred tax in respect of tax losses and temporary differences is not recognised as it is not certain as to its recoverability.

9. Earnings per share

Basic and diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares as follows:

	(Unaudited)	
	For the six months ended 30th June,	
	2017	2016
	'000	'000
Issued shares at 1st January,	5,039,869	5,025,769
Effect of share options exercised	895	10,019
	<hr/>	<hr/>
Weighted average number of ordinary shares for calculating basic earnings per share	5,040,764	5,035,788
Weighted average number of ordinary shares deemed issued under the Company's share option scheme	4,352	10,337
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Weighted average number of ordinary shares for calculating diluted earnings per share	5,045,116	5,046,125

10. Dividends

The directors declared a dividend of HK\$0.11 per share (2016: HK\$0.11 per share) totalling approximately HK\$554,980,000 (2016: approximately HK\$554,122,000) at the board meeting held on 25th August, 2017.

11. Capital expenditures

	(Unaudited)			
	Intangible assets RMB'000	Property, plant and equipment RMB'000	Construction- in-progress RMB'000	Land lease prepayments RMB'000
Net book value as at 1st January, 2017	1,338,612	1,825,685	424,104	84,810
Additions	27,291	200,593	49,033	–
Transfer	353	192,284	(192,637)	–
Disposals	–	(3,038)	–	–
Impairment	(350,000)	(7,818)	(2,005)	–
Amortisation/Depreciation	(91,057)	(71,315)	–	(1,019)
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Net book value as at 30th June, 2017	925,199	2,136,391	278,495	83,791

12. Interests in joint ventures

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Share of net assets by equity method		
– Unlisted joint ventures	21,256,211	17,644,857

The assets and liabilities of BMW Brilliance and the respective net assets shared by the Group are as follows:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	43,572,013	43,361,949
Current assets	33,831,142	32,310,773
Current liabilities	(28,259,680)	(35,475,969)
Non-current liabilities	(6,634,145)	(4,916,587)
Net assets	42,509,330	35,280,166
Proportion of the Group's ownership interest in BMW Brilliance	50%	50%
Carrying amount of the Group's interest in BMW Brilliance	21,254,665	17,640,083

BMW Brilliance's revenue, profit and the dividend received by the Group for the period are as follows:

	(Unaudited)	
	For the six months ended 30th June,	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	53,042,666	44,680,356
Profit for the period	7,105,508	5,091,707
Dividends received from the joint venture	–	1,000,000

13. **Interests in associates**

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Share of net assets by equity method and goodwill		
– Associates listed in Hong Kong	957,900	935,728
– Unlisted associates	697,346	767,337
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	1,655,246	1,703,065
	<hr/>	<hr/>
Fair value of investment in associates listed in Hong Kong	781,110	412,155
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There is no associate that is individually material to the Group. The Group's share of aggregate financial information of the associates for the six months ended 30th June, 2017 is summarised as follows:

	(Unaudited)	
	For the six months ended 30th June,	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit and other comprehensive income attributable to the Group	125,306	148,763
	<hr/>	<hr/>
Dividends received from associates	168,000	129,780
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14. **Prepayments for long-term investments**

The Group entered into two agreements in 2003 to acquire effectively in aggregate the indirect equity interest of 33.35% in Shenyang JinBei Automotive Co., Ltd. ("**JinBei**"), a company listed on the Shanghai Stock Exchange, for a consideration of RMB600.0 million.

Although the acquisitions have been approved by State-owned Assets Supervision and Administration Commission of Liaoning Provincial Government and the State-Owned Assets Supervision and Administration Commission of the State Council, the acquisitions are still subject to the granting of a waiver by the China Securities Regulatory Commission.

As at 30th June, 2017 and 31st December, 2016, the consideration of RMB600.0 million paid was recorded as prepayments for a long-term investment. The directors have assessed the fair value of the underlying shares of JinBei and are satisfied that the recoverability of the prepayments is supported by the underlying shares of JinBei.

The directors are currently evaluating market situation and considering potential options for this investment in light of the Group's latest strategy and future plans.

15. Available-for-sale financial assets

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2017	2016
	RMB'000	RMB'000
Equity investments		
– Unlisted, at cost	4,138	4,138
– Listed in Hong Kong, at fair value	27,396	29,330
	<hr/>	<hr/>
	31,534	33,468
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16. Long-term loan receivables

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2017	2016
	RMB'000	RMB'000
Loan receivables from customers	1,252,730	917,810
Less: Provision for doubtful debts	(13,063)	(9,527)
	<hr/>	<hr/>
	1,239,667	908,283
Less: Current portion	(850,309)	(546,796)
	<hr/>	<hr/>
	389,358	361,487
	<hr/>	<hr/>
	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2017	2016
	RMB'000	RMB'000
Gross loan receivables recoverable:		
Less than 1 year	859,191	552,490
1 year to 5 years	393,539	365,320
5 years or above	–	–
	<hr/>	<hr/>
	1,252,730	917,810
	<hr/>	<hr/>

All loan receivables were derived from the business of provision of auto-financing by Brilliance-BEA Auto Finance Co., Ltd. during the period. The balances are denominated in Renminbi and secured by the motor vehicles.

The Group reviews regularly the recoverable amount of each individual receivable and adequate provision is made for any balance determined to be unrecoverable.

17. **Cash and cash equivalents**

For consolidated statement of financial position classification, cash and cash equivalents represent assets similar in nature to cash, which are not restricted as to use. For the purposes of consolidated statement of cash flows, cash and cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts and short-term bank borrowings with maturities less than 3 months.

18. **Pledged short-term bank deposits**

Pledged short-term bank deposits were for the following purposes:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2017	2016
	RMB'000	RMB'000
Issue of bank guaranteed notes to trade creditors (<i>Note</i>)	1,556,888	1,128,426
Bank loans granted to JinBei (<i>Note 28(a)</i>)	210,530	210,530
	<hr/>	<hr/>
	1,767,418	1,338,956
	<hr/>	<hr/>

Note: In addition to short-term bank deposits, as at 30th June, 2017, the Group had also pledged bank guaranteed notes receivable from third parties and affiliated companies of approximately RMB70.9 million (*At 31st December, 2016: approximately RMB116.5 million*) for issue of bank guaranteed notes.

19. **Accounts receivable**

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Accounts receivable	422,837	346,807
Accounts receivable from affiliated companies	831,590	1,237,161
	<hr/>	<hr/>
	1,254,427	1,583,968
	<hr/>	<hr/>

An aging analysis of accounts receivable based on invoice date is set out below:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Less than six months	269,225	155,729
Six months to one year	3,386	5,274
Above one year but less than two years	1,030	12,118
Two years or above	167,265	191,378
	<hr/>	<hr/>
	440,906	364,499
Less: Provision for doubtful debts	(18,069)	(17,692)
	<hr/>	<hr/>
	422,837	346,807
	<hr/>	<hr/>

As at 30th June, 2017, accounts receivable from third parties of RMB188.0 million (*At 31st December, 2016: RMB201.0 million*) were mainly denominated in U.S. Dollar or Euro and the rest were denominated in Renminbi. The Group's credit policy is to offer credit to customers following a financial assessment and an established payment record. In order to minimise credit risk, credit history and background of new customers and debtors are checked and security deposits or letters of credit are usually obtained from major customers. Credit limits with credit terms of 30 days to 90 days are set for PRC customers and customers considered to be high risk are traded on cash basis or upon receipt of bank guaranteed notes or letters of credit. For overseas customers, since settlements must be made by letters of credit, credit periods up to one year are granted. Designated staff monitors accounts receivable and follow-up collection with customers.

20. **Notes receivable**

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2017	2016
	RMB'000	RMB'000
Notes receivable	102,776	48,914
Notes receivable from affiliated companies (Note 28(d))	743,611	247,394
	<hr/>	<hr/>
	846,387	296,308
	<hr/>	<hr/>

All notes receivable are denominated in Renminbi and are primarily notes received from customers for settlement of accounts receivable balances. As at 30th June, 2017, all notes receivable were guaranteed by established banks in the PRC with maturities of less than six months from 30th June, 2017 (As at 31st December, 2016: Same).

21. **Other current assets**

		(Unaudited)	(Audited)
		As at	As at
		30th June,	31st December,
		2017	2016
	Note	RMB'000	RMB'000
Other receivables	21(a)	429,544	406,870
Prepayments and other current assets		105,519	52,420
Other taxes recoverable		13,982	7,750
Amounts due from affiliated companies	28(e)	524,933	538,118
Dividend receivable from an affiliated company	28(f)	84,000	–
Current portion of long-term loan receivables		850,309	546,796
		<hr/>	<hr/>
		2,008,287	1,551,954
		<hr/>	<hr/>

21(a). Other receivables

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Advance to Shenyang Automobile Industry Asset Management Company Limited ("SAIAM")	300,000	300,000
Others	232,156	195,522
	<hr/>	<hr/>
	532,156	495,522
Less: Provision for doubtful debts	(102,612)	(88,652)
	<hr/>	<hr/>
	429,544	406,870
	<hr/>	<hr/>

All other receivables are denominated in Renminbi. SAIAM will become a subsidiary of the Group after the completion of the acquisition of SAIAM as detailed in note 14. The amount advanced to SAIAM will be settled upon the completion of the acquisition. In view of the substantial assets in JinBei possessed by SAIAM, the management considers the credit risk in recovering this amount to be minimal.

The other items in other receivables mainly represent prepayments and deposits paid and advances to other third parties. The management considers the credit risks for the balances after the provision of impairment for doubtful debts to be minimal as these items are considered insignificant in amounts individually, and are recovered very shortly after they are incurred.

22. Accounts payable

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Accounts payable	2,096,687	1,977,242
Accounts payable to affiliated companies	1,570,347	1,346,881
	<hr/>	<hr/>
	3,667,034	3,324,123
	<hr/>	<hr/>

An aging analysis of accounts payable based on invoice date is set out below:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Less than six months	1,688,479	1,557,749
Six months to one year	219,551	224,606
Above one year but less than two years	55,045	69,264
Two years or above	133,612	125,623
	<hr/>	<hr/>
	2,096,687	1,977,242
	<hr/>	<hr/>

23. Notes payable

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2017	2016
	RMB'000	RMB'000
Notes payable	2,606,398	2,219,952
Notes payable to affiliated companies (Note 28(h))	113,200	110,100
	<hr/>	<hr/>
	2,719,598	2,330,052
	<hr/>	<hr/>

24. Other current liabilities

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2017	2016
	RMB'000	RMB'000
Customer advances	47,087	54,460
Other payables	977,406	753,448
Accrued expenses and other current liabilities	118,166	139,886
Other taxes payable	92,131	69,272
Provision for warranty	13,004	14,640
Deferred government grants	4,879	4,879
Amounts due to affiliated companies (Note 28(i))	314,225	286,151
	<hr/>	<hr/>
	1,566,898	1,322,736
	<hr/>	<hr/>

25. Bank borrowings

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2017	2016
	RMB'000	RMB'000
<i>Short-term bank borrowings:</i>		
Secured bank borrowings	290,000	130,000
Unsecured bank borrowings	1,487,000	1,195,000
	<hr/>	<hr/>
	1,777,000	1,325,000
	<hr/>	<hr/>
<i>Long-term bank borrowings:</i>		
Secured bank borrowings	70,000	-
	<hr/>	<hr/>
Total bank borrowings	1,847,000	1,325,000
	<hr/>	<hr/>

25. **Bank borrowings (Cont'd)**

All short-term bank borrowings as at 30th June, 2017 were interest-bearing at rates ranging from 3.80% to 5.66% per annum (As at 31st December, 2016: 4.35% to 5.22% per annum) and repayable from 6th July, 2017 to 15th June, 2018 (As at 31st December, 2016: repayable from 10th January, 2017 to 12th December, 2017).

As at 30th June, 2017, these bank borrowings are secured by the Group's buildings with net book values of approximately RMB212.7 million (As at 31st December, 2016: RMB193.2 million) and the Group's bank guaranteed notes of RMB200.0 million (As at 31st December, 2016: nil).

All long-term borrowings as at 30th June, 2017 were interest-bearing at 5.23% per annum, repayable on 1st December, 2021 and secured by the Group's buildings, land lease prepayments and plant and equipment with total net book value of RMB75,000,000.

26. **Share capital**

	(Unaudited)		(Audited)	
	As at 30th June, 2017		As at 31st December, 2016	
	Number of shares	Amount	Number of shares	Amount
	'000	US\$'000	'000	US\$'000
Authorised				
Ordinary shares at par value of US\$0.01 each	8,000,000	80,000	8,000,000	80,000

	(Unaudited)		(Audited)	
	As at 30th June, 2017		As at 31st December, 2016	
	Number of shares	Amount	Number of shares	Amount
	'000	RMB'000	'000	RMB'000
Issued and fully paid				
Ordinary shares at par value of US\$0.01 each				
At beginning of period/year	5,039,869	396,809	5,025,769	395,877
Issue of new shares by exercising share options	5,400	367	14,100	932
	5,045,269	397,176	5,039,869	396,809

During the period, a total of 5,400,000 ordinary shares with par value of US\$0.01 each were issued as a result of exercise of share options at an aggregate consideration of approximately RMB2,063,000 of which RMB2,638,000 was credited to share premium account and RMB942,000 was debited to the share option reserve.

After the exercising of these share options, the Company has no outstanding share options at 30th June, 2017.

27. Reserves

	Hedging	Share	Investment	Cumulative	Difference				
	reserve	premium	revaluation	translation	arising from	Share	Capital	Retained	Total
	RMB'000	RMB'000	RMB'000	adjustments	non-controlling	options	reserve	earnings	RMB'000
	(Note a)			reserve	interests	reserve	(Note b)	(Note c)	
As at 1st January, 2016	(971,986)	2,466,685	41,716	39,179	(537,584)	3,401	120,000	18,338,257	19,499,668
Dividends	-	-	-	-	-	-	-	(475,104)	(475,104)
Issue of shares by exercise of share options	-	6,759	-	-	-	(2,459)	-	-	4,300
Total comprehensive income (expense)	639,991	-	(23,881)	-	-	-	-	3,682,074	4,298,184
As at 31st December, 2016	(331,995)	2,473,444	17,835	39,179	(537,584)	942	120,000	21,545,227	23,327,048
As at 1st January, 2017	(331,995)	2,473,444	17,835	39,179	(537,584)	942	120,000	21,545,227	23,327,048
Issue of shares by exercise of share options	-	2,638	-	-	-	(942)	-	-	1,696
Total comprehensive income (expense)	946,152	-	(1,934)	-	-	-	-	2,310,518	3,254,736
As at 30th June, 2017	614,157	2,476,082	15,901	39,179	(537,584)	-	120,000	23,855,745	26,583,480

- (a) Hedging reserve represents the Group's share of the hedging reserve in the equity of a joint venture. Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gains or losses on remeasurement of the derivative financial instrument to fair value are recognised in other comprehensive income and accumulated separately in equity in the hedging reserve.
- (b) In 2003, as approved by the board of directors of Shenyang XingYuanDong Automobile Component Co., Ltd. ("**Xing Yuan Dong**"), a subsidiary of the Company, in accordance with the relevant laws and regulations, dedicated capital of Xing Yuan Dong amounting to RMB120.0 million was released for capitalisation of paid up registered capital. Such release of dedicated capital is credited to the capital reserve.
- (c) The Group's retained earnings included an amount of approximately RMB1,542,106,000 (*As at 31st December, 2016: RMB1,542,098,000*) reserved by the subsidiaries in the PRC in accordance with the relevant PRC regulations. The PRC laws and regulations require companies registered in the PRC to allocate 10% of their profits after tax (determined under PRC GAAP) to their respective statutory reserves. No allocation to the statutory reserves is required after the balance of such reserve reaches 50% of the registered capital of the respective companies. The statutory surplus reserves shall only be used to make up losses of the company, to expand the company's production operations, or to increase the capital of the company.

28. Connected and related party transactions

Related parties include those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. The Group is subject to the control of the PRC Government.

In accordance with HKAS24 (Revised) "Related Party Disclosures" ("**HKAS24**"), other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC Government ("**government-related entities**") are regarded as related parties of the Group.

For the related party transactions disclosure purpose, an affiliated company is a company in which one or more of the directors or substantial shareholders of the Company have direct or indirect beneficial interests in the company or are in a position to exercise significant influence over the company, including joint ventures and associates of the Group. Parties are also considered to be affiliated if they are subject to common control or common significant influence.

In addition to the related party information shown elsewhere in the consolidated interim financial statements, the following is a summary of significant related party transactions entered into in the ordinary and usual course of business and balances between the Group and its related parties, including other government-related entities.

During the period under review, the Group had significant transactions and balances with the following related parties, some of which are also deemed to be connected persons pursuant to the Listing Rules.

Name	Relationship
Huachen Automotive Group Holdings Company Limited (" Huachen ")	Major shareholder of the Company
JinBei	A shareholder of Shenyang Brilliance JinBei Automobile Co., Ltd. (" Shenyang Automotive "), a subsidiary of the Company
Shanghai Shenhua Holdings Co., Ltd. (" Shanghai Shenhua ")	Common directorship of certain directors of the Company
Brilliance Holdings Limited (" BHL ")	Common directorship of a director of the Company

Huachen and JinBei are PRC government-related entities, and are connected persons of the Company under the Listing Rules, with which the Group has material transactions.

28. **Connected and related party transactions (Cont'd)**

- (a) The related party transactions in respect of items listed below also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules:

	(Unaudited)	
	For the six months ended	
	30th June,	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of goods:		
– Huachen and its affiliated companies	753,882	418,974
Purchases of goods:		
– Affiliated companies of JinBei	237,352	176,570
– Huachen and its affiliated companies	345,591	276,465
Sub-contracting charges to:		
– Huachen and its affiliated companies	21,578	16,291

Pursuant to an agreement entered into between a member of the Group and JinBei, both parties agreed to provide cross guarantees to support each other in obtaining banking facilities up to a maximum amount of RMB600.0 million for each party (As at 31st December, 2016: RMB600.0 million) for the period from 1st January, 2017 to 31st December, 2017. As at 30th June, 2017, under this agreement, JinBei and its subsidiaries had outstanding bank loans and other banking facilities totalling RMB260.0 million (As at 31st December, 2016: RMB470.0 million) of which RMB200.0 million (As at 31st December, 2016: RMB200.0 million) and RMB60.0 million (As at 31st December, 2016: RMB270.0 million) were supported by the Group's bank deposits pledged to and corporate guarantee provided to the banks, respectively.

In addition to the above, during the period, the Group incurred operating lease rental on land and buildings of RMB1,584,000 (Six months ended 30th June, 2016: RMB1,758,000) to Huachen and sold goods to affiliated companies of JinBei in the amount of RMB1,355,000 (Six months ended 30th June, 2016: RMB254,000). These transactions constitute continuing connected transactions but are exempt from the requirements of reporting, annual review, announcement and independent shareholders' approval under Chapter 14A of the Listing Rules.

28. **Connected and related party transactions (Cont'd)**

(b) In addition to the above, the Group also had the following material related party transactions:

	(Unaudited)	
	For the six months ended	
	30th June,	
	2017	2016
	RMB'000	<i>RMB'000</i>
Sales of goods:		
– Shanghai Shenhua and its affiliated companies	1,182,605	1,577,051
– Joint ventures	3,637	2,947
– Associates	65,801	79,777
Purchases of goods:		
– Joint ventures	77,698	105,969
– Associates	179,193	183,384
– Shanghai Shenhua and its affiliated companies	2,564	3,139
Operating lease rental on land and buildings charged by Shanghai Shenhua	296	296
Interest from Xinhua Investment Holdings Limited ("Xinhua Investment") (Note 28(e))	4,550	4,331

The above sale and purchase transactions were carried out after negotiations between the Group and the affiliated companies in the ordinary course of business and on the basis of estimated market value as determined by the directors.

In addition, there is no corporate guarantee (As at 31st December, 2016: RMB60.0 million) for the year from 1st January, 2017 to 31st December, 2017 for revolving bank loans and bank guaranteed notes to Shanghai Shenhua.

28. **Connected and related party transactions (Cont'd)**

(c) As at 30th June, 2017, accounts receivable from affiliated companies consisted of the following:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Accounts receivable from related parties:		
– Shanghai Shenhua and its affiliated companies	355,929	396,569
– Affiliated companies of JinBei	21,161	22,396
– Huachen and its affiliated companies	431,593	809,734
– Associates	37,154	24,856
– A joint venture	6,630	4,442
– An affiliated company of a shareholder of a joint venture	511	552
	<hr/>	<hr/>
	852,978	1,258,549
Less: Provision for doubtful debts	(21,388)	(21,388)
	<hr/>	<hr/>
	831,590	1,237,161
	<hr/>	<hr/>

The Group's credit policy is to offer credit to affiliated companies following financial assessment and an established payment record. These affiliated companies are generally required to settle 25% to 33% of the previous month's ending balances. The aging analysis of accounts receivable from affiliated companies based on invoice date is as follows:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Less than six months	249,443	694,984
Six months to one year	212,540	305,765
Above one year but less than two years	350,631	155,716
Two years or above	40,364	102,084
	<hr/>	<hr/>
	852,978	1,258,549
	<hr/>	<hr/>

28. **Connected and related party transactions (Cont'd)**

(d) As at 30th June, 2017, notes receivable from affiliated companies arising from trading activities consisted of the following:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Notes receivable from related parties:		
– Affiliated companies of JinBei	1,204	–
– Shanghai Shenhua and its affiliated companies	188,557	169,613
– Associates	96,001	9,977
– Huachen and its affiliated companies	457,849	67,804
	<hr/>	<hr/>
	743,611	247,394
	<hr/>	<hr/>

(e) As at 30th June, 2017, amounts due from affiliated companies consisted of:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due from related parties:		
– Joint ventures	80,213	90,743
– Associates	85,530	85,489
– Shanghai Shenhua	14,050	14,050
– Huachen and its affiliated companies	39,069	29,326
– Xinhua Investment	348,982	355,120
– JinBei and its affiliated companies	49,237	55,538
	<hr/>	<hr/>
	617,081	630,266
Less: Provision for doubtful debts	<hr/>	<hr/>
	(92,148)	(92,148)
	<hr/>	<hr/>
	524,933	538,118
	<hr/>	<hr/>

Amounts due from affiliated companies are unsecured, interest-free and repayable on demand, except for the amount due from Xinhua Investment, a shareholder of Xinchun China Power Holdings Limited, an associate of the Group, which is secured by all assets of that shareholder, interest-bearing at 3% per annum and repayable in August 2018.

(f) As at 30th June, 2017, dividend receivable represents the dividend receivable from an associate.

28. **Connected and related party transactions (Cont'd)**

(g) As at 30th June, 2017, accounts payable to affiliated companies arising from trading activities consisted of the following:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Accounts payable to related parties:		
– Associates	574,406	500,948
– Joint ventures	111,656	141,026
– Huachen and its affiliated companies	422,995	371,244
– An affiliated company of BHL	33,827	33,825
– Shanghai Shenhua and its affiliated companies	21,960	9,189
– Affiliated companies of JinBei	405,500	290,646
– Affiliated companies of a shareholder of a joint venture	3	3
	<hr/>	<hr/>
	1,570,347	1,346,881
	<hr/>	<hr/>

The accounts payable to affiliated companies are unsecured and non-interest bearing. Accounts payable to affiliated companies are generally settled on a monthly basis at 25% to 33% of the previous month's ending balance. The aging analysis of accounts payable to affiliated companies based on invoice date is as follows:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Less than six months	1,003,197	912,867
Six months to one year	404,280	309,546
Above one year but less than two years	78,838	40,882
Two years or above	84,032	83,586
	<hr/>	<hr/>
	1,570,347	1,346,881
	<hr/>	<hr/>

(h) As at 30th June, 2017, notes payable to affiliated companies arising from trading activities consisted of the following:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Notes payable to related parties:		
– Affiliated companies of JinBei	200	7,100
– A joint venture	25,000	69,000
– Associates	88,000	34,000
	<hr/>	<hr/>
	113,200	110,100
	<hr/>	<hr/>

28. **Connected and related party transactions (Cont'd)**

- (j) As at 30th June, 2017, amounts due to affiliated companies consisted of the following:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2017	2016
	RMB'000	RMB'000
Amounts due to related parties:		
– Associates	4,146	5,149
– Huachen and its affiliated companies	265,640	236,724
– Affiliated companies of BHL	28,346	28,544
– Affiliated companies of Shanghai Shenhua	4,750	4,440
– JinBei and its affiliates	11,323	11,274
– Other affiliated company	20	20
	<hr/>	
	314,225	286,151
	<hr/>	

The amounts due to affiliated companies are unsecured, interest-free and repayable on demand.

- (j) Pursuant to a trademark license agreement, JinBei granted Shenyang Automotive the right to use the JinBei trademark on its products and marketing materials indefinitely.
- (k) Compensation benefits to key management personnel are as follows:

	(Unaudited)	
	For the six months ended	
	30th June,	
	2017	2016
	RMB'000	RMB'000
Short-term employee benefits	8,675	9,324
	<hr/>	

- (l) Transactions and balances with other state-owned enterprises in the PRC

The Group operates in an economic environment predominated by government-related entities. During the period under review, the Group had entered into various transactions with government-related entities including, but not limited to, sales of minibuses and automotive components, purchases of raw materials and automotive components, and utilities services.

The directors consider that transactions with other government-related entities are activities in the ordinary course of the Group's business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and other government-related entities are ultimately controlled or owned by the PRC Government. The Group has established pricing policies for its products and services, and such pricing policies do not depend on whether or not the customers are government related entities. Having due regard to the substance of the relationships, the directors are of the opinion that none of these transactions are material related party transactions that require separate disclosure except for the transactions with government-related entities as disclosed above and majority parts of bank balances, short-term and pledged short-term deposits with, bank borrowings and general banking facilities from state-owned financial institutions. Thus, the Company adopts HKAS 24 which grants exemption on disclosure requirements about government-related entities. The directors are of the opinion that such transactions were conducted in the ordinary course of business and in accordance with normal commercial terms.

29. **Commitments**

(a) **Capital commitments**

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2017	2016
	RMB'000	RMB'000
Contracted but not provided for:		
– Construction projects	27,090	69,037
– Acquisition of plant and machinery	290,914	289,511
– Others	135,934	8,638
	<hr/>	<hr/>
	453,938	367,186
	<hr/>	<hr/>
Authorised but not contracted for:		
– Construction projects and acquisition of plant and machinery	244,263	107,544
	<hr/>	<hr/>

(b) **Operating lease commitments**

As at 30th June, 2017, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of leased properties as follows:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2017	2016
	RMB'000	RMB'000
Within one year	28,012	22,459
In the second to fifth years inclusive	42,267	30,123
Over five years	6,398	8,879
	<hr/>	<hr/>
	76,677	61,461
	<hr/>	<hr/>

30. **Subsequent events**

On 23rd June, 2017, the Group entered into an acquisition agreement to acquire 39.1% equity interest in Shenyang Automotive, currently a 60.9%-owned subsidiary of the Group, from JinBei for a cash consideration of RMB1, subject to the satisfaction of certain conditions as set out in the Company's announcement dated 23rd June, 2017.

On 4th July, 2017, the Company entered into a framework cooperation agreement with Renault SAS to dispose of 49% equity interest in Shenyang Automotive for a cash consideration of RMB1, subject to the satisfaction or otherwise waiver of certain conditions as set out in the Company's announcement dated 4th July, 2017. The reasons for the disposal is to introduce a strategic investor into the Group with an aim to turn around the existing minibus operation as well as cultivate the full potential of the light commercial vehicle market in China.

By the time of these consolidated interim financial statements, the above transactions were still underway and not yet completed.

MANAGEMENT'S DISCUSSION & ANALYSIS

Business Discussion and Analysis

The unaudited consolidated net sales of the Group (which comprised primarily those derived from the minibus business operated by our major operating subsidiaries including Shenyang Automotive and Xing Yuan Dong) for the first six months of 2017 was RMB2,837.1 million, representing an increase of 14.1% from the RMB2,485.7 million generated during the same period in 2016. The increase in revenue was mainly due to the increase in the number of minibuses sold during the period.

Shenyang Automotive sold 33,616 minibuses and MPVs in the first half of 2017, representing a 6.6% increase from the 31,547 units sold during the same period in 2016. Out of the 33,616 units sold, 28,629 units were Haise minibuses, representing an increase of 15.6% from 24,768 units sold during the first six months of 2016. The favourable market reception of the newly revamped Haise F50 model resulted in the increase in the sales volume of Haise during the first half of 2017. On the other hand, sales volume of the Granse products decreased by 47.1% from 5,267 units for the first half of 2016 to 2,784 units for the corresponding period in 2017. The decrease was a result of the phasing out of certain older variants of Granse in the market. In addition, Shenyang Automotive sold 2,203 units of the Huasong 7 MPV during the first six months of 2017, a 45.7% increase compared to the 1,512 units sold during the same period last year.

Unaudited cost of sales increased by 12.1% from RMB2,427.0 million in the first six months of 2016 to RMB2,720.1 million for the same period in 2017. The proportionally lower increase in cost of sales as compared to the increase in revenue during the first half of 2017 was mainly due to continuing efforts in cost control, as well as more higher priced Huasong 7 MPV products sold during the period. As a result, the unaudited gross profit margin of the Group increased to 4.1% in the first half of 2017 from 2.4% in the same period in 2016.

Unaudited other income decreased by 21.0% from RMB37.2 million in the first six months of 2016 to RMB29.4 million for the same period in 2017. The decrease was partially due to an exchange gain recorded in the first half of 2016 from the devaluation of RMB during that period, and a decrease in government grants compared to the same period last year.

Unaudited interest income decreased slightly by 0.4% from RMB24.7 million in the first six months of 2016 to RMB24.6 million for the same period in 2017 as the balance of interest-bearing bank deposits and bank interest rates have remained relatively stable in the first six months of 2017 as compared to the same period last year.

Unaudited selling expenses increased by 10.9% from RMB261.2 million in the first half of 2016 to RMB289.8 million for the same period in 2017. The increase in selling expenses was driven mainly by increases in transportation costs and certain aftersales-related services resulting from the increase in number of units sold. However, selling expenses as a percentage of revenue decreased slightly from 10.5% to 10.2% as compared to the same period in 2016 as more higher priced Huasong 7 MPV were sold in the first half of 2017.

Unaudited general and administrative expenses increased by 245.9% from RMB160.5 million in the first six months of 2016 to RMB555.2 million for the same period in 2017 due to an impairment loss of RMB350.0 million related to Huasong, an increase in impairment losses on receivable balances, and net exchange loss recorded in the first half of 2017.

Unaudited finance costs decreased by 11.2% from RMB70.8 million for the first six months of 2016 to RMB62.9 million for the same period in 2017, as a result of the Group being able to negotiate better borrowing rates, and a decrease in average bank borrowings in the first half of 2017.

The Group's unaudited share of results of joint ventures increased by 39.9% from RMB1,905.9 million in the first half of 2016 to RMB2,666.4 million for the same period in 2017. This was primarily attributable to increased profits contributed by BMW Brilliance, the Group's 50% indirectly-owned joint venture.

Unaudited net profit contributed to the Group by BMW Brilliance increased by 39.9% from RMB1,908.0 million in the first half of 2016 to RMB2,668.8 million for the same period this year. The BMW joint venture achieved sales of 185,021 BMW vehicles in the first six months of 2017, an increase of 30.1% as compared to 142,220 BMW vehicles sold in the same period in 2016. The sales volumes of the locally produced 3-series, 5-series, X1 and 2-series active tourer for the first six months of 2017 were 63,073 units, 59,214 units, 42,732 units and 8,430 units, respectively, compared to 49,580 units, 69,430 units, 17,698 units and 5,512 units, respectively, for the same period in 2016. The brand new 1-series sedan launched in March 2017 had achieved sales volume of 11,572 units up to the end of June 2017.

The Group's unaudited share of results of associates decreased by 15.8% from RMB148.8 million in the first half of 2016 to RMB125.3 million in the corresponding period in 2017. This was primarily attributable to a decrease in profit contributions from Shenyang Aerospace Mitsubishi Motors Engine Manufacturing Co., Ltd. and Xinchun China Power Holdings Limited ("**Power Xinchun**"), two major associates of the Group.

The Group's unaudited profit before income tax expense increased by 22.1% from RMB1,682.8 million in the first half of 2016 to RMB2,054.8 million for the same period in 2017. Unaudited income tax expense has decreased by 22.6% from RMB5.3 million in the first half of 2016 to RMB4.1 million for the corresponding period in 2017, mainly due to an over-provision of income tax of a subsidiary in 2016.

As a result of the above, the Group recorded an unaudited profit attributable to equity holders of the Company of RMB2,310.5 million for the first half of 2017, representing an increase of 28.2% from the RMB1,801.9 million for the same period in 2016. Unaudited basic earnings per share for the six months ended 30th June, 2017 amounted to RMB0.45837 compared to RMB0.35782 for the same period in 2016.

The Company has declared a dividend of HK\$0.11 per share (2016: same), amounting to a total of about HK\$555.0 million for the year (2016: HK\$554.1 million).

Prospects

During the first six months of 2017, China's economy had continued to grow steadily with GDP up 6.9% compared to the same period last year. Total Chinese vehicle sales in the first half increased by 3.8% to 13.35 million units, according to the China Association of Automobile Manufacturers. Out of the total number of vehicles sold, passenger vehicles accounted for 11.25 million units, up only by 1.6% as a result of the pulling forward of small engine vehicle purchases at the end of 2016 driven by the imminent lowering of purchase tax cut. Nevertheless, the growth of premium passenger vehicle sales exceeded that of the market during the first half of this year and reached approximately 17% driven by new product launches and favorable market sentiments benefitting luxury good sales in general.

Since the beginning of the year, our BMW Brilliance joint venture ("BBA" or the "JV") has been working diligently to roll out new production capacity and launch new pipeline models. The capacity expansion project at the Dadong plant was completed in May this year to prepare for production of the brand new 5-series which was launched to the market in June 2017. The new 5-series embeds cutting-edge innovations and class-leading driving dynamics, and has received raving market reviews and extremely positive customer response. In addition to the 5-series, the JV has also introduced in March 2017 the brand new BMW 1-series sedan. This new addition represents the fifth locally produced BMW product for the JV, and the first that is solely catered for the Chinese market, contributing newly added volume. Alongside these new launches, our X1, 2-series and 3-series also continued to deliver increased sales volumes during the period. As a result, BBA achieved sales of 185,021 BMW vehicles in the first six months of 2017, representing an increase of 30.1% when compared to the same period of the previous year.

BBA has continued with the expansion of its dealer network which had reached 476 full service 4S shops nationwide as at 30th June, 2017. The JV continues to work closely with its sales organization on all fronts in an effort to sustain the profitability of both the JV and its dealers. The increasingly important role of digitalisation in the JV's sales process and the related pilots projects are beginning to roll out in China. Furthermore, the JV's sales activities will continue to be supported by the BMW auto finance company which has been contributing increasing profits to the JV.

The Company continues to be confident about the long-term growth prospects of the Chinese premium auto industry, and believes the new products to be introduced by BBA over the next few years will broaden and also better tailor our product portfolio to the Chinese consumers' preferences. At the same time, cost reduction, streamlining of operation, sales volume enhancement, component localization, new regulation, and further integration of our JV into the BMW network via potential exports of vehicles and components from China will remain as the key focus areas for the JV's ongoing operation. Furthermore, the JV is also actively reviewing its new energy vehicle strategy and future product lineup to properly position itself for participation in this rapidly growing area in China.

As for the minibus business, the Group has finally reached agreement to bring in Renault SAS ("**Renault**") as a shareholder and joint venture partner in our minibus operating subsidiary. The cooperation with Renault will mark a crucial strategic move and an important step for the Company to turn around our existing minibus operation, as well as cultivate the full potential of the LCV market in China by utilizing the expertise and knowhow of the two shareholders. As the transaction with Renault is still being executed at the moment, the minibus and MPV operation will continue to create a negative impact to the Group's overall financial performance for the whole of this year.

During the first six months of 2017, Brilliance-BEA Auto Finance Co., Ltd. ("**BBAFC**"), the Group's auto finance subsidiary in China, has been busy ramping up its strategic partnership with Jaguar Land Rover to finance their customers and dealers in China, in addition to supporting the Group's sales of its minibus and MPVs and our major shareholder Huachen's sedan products for both wholesale and retail. It is the goal of BBAFC to continue to seek expansion to provide finance and insurance support as well as develop partnerships with additional brands for its multi-brand business over time.

The remaining months of 2017 will continue to be very challenging for the Group. Maintaining the prominent position of BMW Brilliance in the premium auto market, completion of the Renault transaction, and driving for additional businesses and profits for BBAFC, will all remain the Group's business priorities. Apart from that, the Group also continues to look for new business opportunities as well as ways to further streamline its existing operation and corporate structure to support its business growth.

Liquidity and Financial Resources

As at 30th June, 2017, the Group had RMB1,039.9 million in cash and cash equivalents (*As at 31st December, 2016: RMB940.9 million*), RMB78.4 million in short-term bank deposits (*As at 31st December, 2016: RMB193.1 million*) and RMB1,767.4 million in pledged short-term bank deposits (*As at 31st December, 2016: RMB1,339.0 million*). As at 30th June, 2017, the Group had notes payable in the amount of RMB2,719.6 million (*As at 31st December, 2016: RMB2,330.1 million*).

As at 30th June, 2017, the Group had outstanding short-term bank borrowings of RMB1,777.0 million (As at 31st December, 2016: RMB1,325.0 million) and long-term bank borrowings of RMB70.0 million (As at 31st December, 2016: nil).

All short-term bank borrowings as at 30th June, 2017 were due within 1 year, being repayable from 6th July, 2017 to 15th June, 2018 (As at 31st December, 2016: repayable from 10th January, 2017 to 12th December, 2017). As at 30th June, 2017, these borrowings were interest-bearing at rates ranging from 3.8% to 5.655% per annum (As at 31st December, 2016: 4.35% to 5.22% per annum) and were denominated in Renminbi (As at 31st December, 2016: same). The long-term bank borrowings as at 30th June, 2017 were due within 5 years, being repayable on 1st December, 2021 (As at 31st December, 2016: nil). As at 30th June, 2017, these borrowings were interest-bearing at 5.225% per annum (As at 31st December, 2016: nil) and were denominated in Renminbi (As at 31st December, 2016: nil).

The Group also aims at improving liquidity by ways such as close monitoring of its accounts receivable turnover and inventory turnover. For the six months ended 30th June, 2017, the accounts receivable turnover rate and inventory turnover rate were 2.0 and 2.4, respectively (Year ended 31st December, 2016: 3.4 and 4.3, respectively).

Capital Structure and Funding Policies

As at 30th June, 2017, the Group's total assets was RMB35,529.9 million (As at 31st December, 2016: RMB31,043.0 million), which was funded by the following: (a) share capital of RMB397.2 million (As at 31st December, 2016: RMB396.8 million), (b) reserves of RMB26,583.5 million (As at 31st December, 2016: RMB23,327.0 million), (c) total liabilities of RMB9,934.3 million (As at 31st December, 2016: RMB8,444.5 million) and (d) negative contribution from non-controlling interests of RMB1,385.1 million (As at 31st December, 2016: RMB1,125.3 million).

As at 30th June, 2017, 88.0% (As at 31st December, 2016: 78.5%) of the Group's cash and cash equivalents (comprising cash on hand, bank balances and demand deposits within 3 months of maturity when acquired) were denominated in Renminbi, whereas 7.2% (As at 31st December, 2016: 14.6%) were denominated in U.S. Dollar. The remaining balance of 4.8% (As at 31st December, 2016: 6.9%) were denominated in other currencies.

Apart from the borrowings, banking facilities have been put in place for contingency purposes. As at 30th June, 2017, the banking facilities that may be available to the Group for its daily operations amounted to RMB435.0 million (As at 31st December, 2016: RMB545.0 million).

The Group funds its short-term working capital requirement mainly through its own operational cash flow, short-term bank borrowings, issue of bank guaranteed notes and payment credit from its suppliers. The Group monitors and maintains a level of cash and cash equivalents considered adequate by the management to finance the Group's operations, expected expansion and product developments. The management also monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

For long-term capital expenditures, the Group's strategy is to fund these long-term capital commitments by a combination of operational cash flow, bank borrowings, dividends from joint ventures and associates, if any, and fund raising exercises in the capital market, if and when necessary.

Capital Expenditure and Commitments

For the first six months of 2017, the Group incurred capital expenditure of RMB276.9 million (*Six months ended 30th June, 2016: RMB161.4 million*) mainly for the development costs for minibuses, tools and moulds, machinery and equipment, and their respective construction-in-progress.

As at 30th June, 2017, the Group's capital commitments, including those authorised but not yet contracted for, amounted to RMB698.2 million (*As at 31st December, 2016: RMB474.7 million*). Of this amount, contracted capital commitments amounted to RMB453.9 million (*As at 31st December, 2016: RMB367.2 million*), which was primarily related to capital expenditures in respect of construction projects and acquisition of plant and machinery.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

On 23rd June, 2017, Shenyang JinBei Automotive Industry Holdings Co., Ltd. ("**SJAI**", an indirectly wholly-owned subsidiary of the Company) entered into an acquisition agreement with JinBei for the acquisition of 39.1% equity interest in Shenyang Automotive (a 60.9% owned subsidiary of the Group) by SJAI from JinBei. The consideration is RMB1.0 to be settled by cash. The transaction is yet to be completed. Details of the transaction are set out in the circular of the Company dated 18th September, 2017.

On 4th July, 2017, the Company entered into a framework cooperation agreement with Renault (an independent third party) for the disposal of 49% equity interest in Shenyang Automotive by the Group to Renault (the "**Disposal**"). The consideration is RMB1.0 to be settled by cash. The transaction is yet to be completed. Details of the transaction are set out in the circular of the Company dated 18th September, 2017.

Save as disclosed above, there were no significant investments held, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30th June, 2017 and since then up to the date of this report.

New Business and New Products

To meet the changing customer demands and to strengthen its market position in the PRC, Shenyang Automotive will continue to evaluate, on an ongoing basis, the development of new MPV models, upgrading of existing products, expansion of its product portfolio, and potential strategic partnerships.

As mentioned above, the Company proposes to dispose of 49% equity interest in Shenyang Automotive to Renault. Following completion of the Disposal, Shenyang Automotive will become a joint venture and will manufacture and distribute a variety of LCV products under the JinBei, Huasong and Renault brands. Leveraging on Renault's advanced technologies, products depth and management expertise in the LCV segment, it is expected that Shenyang Automotive will be able to upraise the competitiveness of its existing business while developing new growth with both JinBei and Renault products.

Employees, Remuneration Policy and Training programmes

The Group employed approximately 7,150 employees as at 30th June, 2017 (*As at 30th June, 2016: approximately 7,330*). Employee costs amounted to approximately RMB389.8 million for the six months ended 30th June, 2017 (*Six months ended 30th June, 2016: RMB411.6 million*). The Group will endeavour to ensure that the salary levels of its employees are in line with industry practices and prevailing market conditions, and that employees' remuneration is based on performance. In addition, employees are eligible for share options under the share option scheme adopted by the Company.

To enhance the overall quality and professional expertise standard of all employees, the Group provides training to its employees from time to time. Shenyang Automotive has developed and implemented "Methods for Training Management" (《培訓管理辦法》), and developed a training system and workflow incorporating induction training for new employees, training for personnel of special positions, management training, professional expertise training and quality training. The programmes cover a broad spectrum of topics such as professional skills, quality and ability, working efficiency, team cooperation, ethics and professional conduct. Employees are encouraged to attend training sessions to acquire the latest industry information and knowledge, new trends in vocational area and new information via different learning media including internet, in-house classes and external seminars, so as to enhance their ability and work quality.

Charge on Assets

As at 30th June, 2017, bank borrowings of RMB360.0 million (*As at 31st December, 2016: RMB130.0 million*) were secured by the Group's property, plant and equipment and land lease prepayments with total net book values of approximately RMB287.7 million (*As at 31st December, 2016: RMB193.2 million*) and bank guaranteed notes receivable of approximately RMB200.0 million (*As at 31st December, 2016: nil*).

In addition, as at 30th June, 2017, the Group pledged short-term bank deposits of RMB1,556.9 million (*As at 31st December, 2016: RMB1,128.4 million*) for issue of bank guaranteed notes to trade creditors, and RMB210.5 million (*As at 31st December, 2016: RMB210.5 million*) to secure bank loans granted to a related party of the Group.

As at 30th June, 2017, the Group had also pledged bank guaranteed notes receivable from third parties and affiliated companies of approximately RMB70.9 million (*As at 31st December, 2016: approximately RMB116.5 million*) for issue of bank guaranteed notes.

Future Plans for Material Investments or Additions of Capital Assets

Apart from those disclosed herein, there was no plan authorised by the Board for other material investments or additions of capital assets as at the date of this report.

Gearing Ratio

As at 30th June, 2017, the gearing ratio, computed by dividing total liabilities by total equity attributable to equity holders of the Company, was approximately 0.37 (*As at 31st December, 2016: 0.36*). The slight increase in the gearing ratio was primarily due to the increase of financing from bank borrowings and the increase in accounts payable and notes payable during the six months ended 30th June, 2017.

Foreign Exchange Risks

The Group considers that exchange rate fluctuations may have some effect on the overall financial performance of the Group but it is still at a manageable level. The Group will continue to monitor the situation and may consider entering into hedging arrangements in order to minimise foreign exchange risks, if and when necessary. There were no outstanding hedging transactions as at 30th June, 2017 (*As at 30th June, 2016: nil*).

Contingent Liabilities

Pursuant to an agreement entered into between a member of the Group and JinBei, both parties agreed to provide cross guarantees to support each other in obtaining banking facilities up to a maximum amount of RMB600.0 million for each party (*As at 31st December, 2016: RMB600.0 million*) for the period from 1st January, 2017 to 31st December, 2017. As at 30th June, 2017, under this agreement, JinBei and its subsidiaries had outstanding bank loans and other banking facilities totalling RMB260.0 million (*As at 31st December, 2016: RMB470.0 million*) of which RMB200.0 million (*As at 31st December, 2016: RMB200.0 million*) and RMB60.0 million (*As at 31st December, 2016: RMB270.0 million*) were supported by the Group's bank deposits pledged to and corporate guarantee provided to the banks, respectively.

DIVIDEND

The Board is pleased to declare a dividend of HK\$0.11 per ordinary share of the Company to shareholders whose names appear on the register of members of the Company as at 13th October, 2017 (*2016: HK\$0.11 per ordinary share*). The dividend is expected to be paid on Friday, 27th October, 2017.

CLOSURE OF REGISTER OF MEMBERS

The Hong Kong branch register of members of the Company will be closed from Wednesday, 11th October, 2017 to Friday, 13th October, 2017, both dates inclusive, during which period no transfer of shares will be registered. The record date for the dividend is Friday, 13th October, 2017. In order to qualify for the dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m., Hong Kong time, on Tuesday, 10th October, 2017.

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of the directors of the Company since the date of the 2016 annual report up to the date of this report is set out below:

- Mr. Zhang Wei was appointed as the general manager of SJAI with effect from 5th June, 2017.

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

As at 30th June, 2017, so far as is known to the directors or chief executives of the Company, each of the following persons (other than a director or chief executive of the Company) had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"):

Name of shareholders	Number and class of shares held/ Approximate shareholding percentage (Note 1)					
	Long		Short		Lending	
	Position	%	Position	%	Pool	%
Huachen (Note 2)	2,135,074,988 ordinary	42.32	–	–	–	–
J.P. Morgan Chase & Co. (Note 3)	504,377,626 ordinary	9.99	14,451,135	0.28	364,491,524	7.22
Templeton Asset Management Ltd. (Note 4)	452,054,176 ordinary	8.96	–	–	–	–

Notes:

1. The percentage of shareholding is calculated on the basis of 5,045,269,388 ordinary shares in issue of the Company as at 30th June, 2017.
2. The 2,135,074,988 shares in long position were held in the capacity as beneficial owner.
3. The 504,377,626 Shares in long position were held as to 38,458,602 Shares in the capacity as beneficial owner, as to 101,406,850 Shares held in the capacity as investment manager, as to 20,650 Shares in the capacity as trustee and as to 364,491,524 Shares in the capacity as custodian corporation/approved lending agent. The 14,451,135 Shares in short position were held in the capacity as beneficial owner.
4. The 452,054,176 shares in long position were held in the capacity as investment manager.

Save as disclosed herein, as at 30th June, 2017, there was no other person so far known to the directors or chief executives of the Company, other than a director or chief executive of the Company as having an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30th June, 2017, the interests and short positions of each director, chief executive and their respective close associates in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") to be notified to the Company and the Stock Exchange, are set out below:

The Company

Name of directors/ chief executives	Type of interests	Number and class of shares held/ Approximate shareholding percentage (Note)				Number of share options granted (Percentage of the Company's issued share capital)
		Long Position	%	Short Position	%	
Mr. Wu Xiao An	Personal	6,750,000 ordinary	0.13%	–	–	–
Mr. Qi Yumin	Personal	4,500,000 ordinary	0.09%	–	–	–
Mr. Qian Zuming	Personal	600,000 ordinary	0.01%	–	–	–

Note: The percentage of shareholding is calculated on the basis of 5,045,269,388 ordinary shares in issue of the Company as at 30th June, 2017.

Associated Corporation of the Company

Name of director/ chief executive	Name of associated corporation	Type of interests	Number and class of shares held/ Approximate shareholding percentage (Note 1)			
			Long Position		Short Position	
				%		%
Mr. Wu Xiao An	Power Xinchen	Trustee and interest in a controlled corporation (Note 2)	33,993,385 ordinary	2.65%	–	–
		Beneficial interest (in shares) (Note 3)	8,320,041 ordinary	0.65%	–	–

Notes:

1. The percentage of shareholding is calculated on the basis of 1,282,211,794 ordinary shares in issue of Power Xinchen as at 30th June, 2017.
2. As at 30th June, 2017, Power Xinchen was indirectly held as to approximately 31.20% by the Company. The 33,993,385 shares in long position are interests of a discretionary trust under an incentive scheme of Power Xinchen. The said trust held 33,993,385 shares of Power Xinchen. Mr. Wu Xiao An is one of the trustees of the aforementioned trust. Mr. Wu also held 50% interests in Lead In Management Limited which is also a trustee of the said trust. Accordingly, Mr. Wu was deemed or taken to be interested in the 33,993,385 shares of Power Xinchen, representing approximately 2.65% of its issued share capital as at 30th June, 2017.
3. Mr. Wu Xiao An held 8,320,041 shares of Power Xinchen in the capacity of beneficial owner, representing approximately 0.65% of its issued share capital as at 30th June, 2017.

Save as disclosed above, as at 30th June, 2017, none of the directors, chief executives of the Company or their respective close associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SHARE OPTIONS

At a special general meeting held on 11th November, 2008, shareholders of the Company adopted a share option scheme (the “**Share Option Scheme**”).

The Share Option Scheme came into effect on 14th November, 2008 and will remain in force for a period of 10 years from 14th November, 2008. The period during which an option may be exercised will be determined by the directors at their absolute discretion, save that no option shall be exercised later than 10 years from the date of grant.

A summary of movements of the share options of the Company under the Share Option Scheme during the six months ended 30th June, 2017 is set out below:

Category and name of participants (Note 1)	Date of grant	Number of share options					Outstanding as at 30th June, 2017	Option period	Subscription price per share (HK\$)
		Outstanding as at 1st January, 2017	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period			
Directors									
Mr. Qi Yumin	22nd December, 2008 (Note 2)	1,800,000	-	1,800,000	-	-	-	22nd December, 2008 – 21st December, 2018	0.438
Mr. Qian Zuming	22nd December, 2008 (Note 2)	600,000	-	600,000	-	-	-	22nd December, 2008 – 21st December, 2018	0.438
Employees (in aggregate)	22nd December, 2008 (Note 2)	3,000,000	-	3,000,000	-	-	-	22nd December, 2008 – 21st December, 2018	0.438
Others (in aggregate)	22nd December, 2008 (Note 2)	-	-	-	-	-	-	22nd December, 2008 – 21st December, 2018	0.438
Total		5,400,000	-	5,400,000 (Note 3)	-	-	-		

Notes:

1. During the six months ended 30th June, 2017:
 - (a) no share options under the Share Option Scheme have been granted to any associates of the directors, chief executive or substantial shareholders of the Company;
 - (b) there is no participant with options granted in excess of the individual limit; and
 - (c) no share options under the Share Option Scheme have been granted to any supplier of goods or services to any member of the Group or any entity in which the Group holds any equity interest.
2. The share options were granted on 22nd December, 2008 and vested immediately upon the grant and are exercisable within a period of 10 years. The closing price of the shares of the Company immediately before the date on which the share options were granted is HK\$0.445 per share.
3. The weighted average closing price of the shares of the Company immediately before the date on which the share options were exercised was HK\$12.8661 per share.

As no share options have been granted by the Company under the Share Option Scheme for the six months ended 30th June, 2017, no expenses were recognised by the Group for the period under review (*Six months ended 30th June, 2016: nil*).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June, 2017.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Maintaining an effective corporate governance framework is one of the priorities of the Company. The Company has complied with the code provisions set out in Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the six months ended 30th June, 2017.

Major updates

There have not been material changes to the information disclosed in the Company's 2016 annual report in respect of our corporate governance practices. Major updates since the 2016 annual report are summarised below.

Retirement of directors

Code provision A.4.2 states that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. According to bye-law 99, at every annual general meeting, one-third of the directors for the time being, or if their number is not three or in a multiple of three, then the number nearest to but not greater than one-third (or in such other manner of rotation as may be required by the Listing Rules), shall retire from office by rotation.

To comply with the code provision A.4.2 and in accordance with bye-law 99, Mr. Song Jian and Mr. Jiang Bo retired by rotation at the annual general meeting of the Company held on 16th June, 2017 (the “**2017 AGM**”).

Pursuant to bye-law 102(B), each of Mr. Qian Zuming and Mr. Zhang Wei, who was appointed by the Board to fill a casual vacancy of the board after the annual general meeting held on 3rd June, 2016, will hold office until the 2017 AGM.

Each of Mr. Qian Zuming, Mr. Zhang Wei, Mr. Song Jian and Mr. Jiang Bo were re-elected as directors of the Company by shareholders of the Company at the 2017 AGM.

Communications with shareholders

In accordance with the code provision E.1.2, (a) Mr. Wu Xiao An, the chairman of the Board and a member of the remuneration committee and nomination committee, (b) Mr. Xu Bingjin, the chairman of each of the audit committee, remuneration committee and nomination committee and an independent non-executive director, and (c) Mr. Song Jian and Mr. Jiang Bo, members of the aforementioned three board committees and independent non-executive directors, attended the 2017 AGM in person to answer questions from shareholders. In addition, all other directors of the Company also attended the 2017 AGM by way of telephone conference.

Pursuant to the code provision E.1.2, the Company has invited representatives of the external auditors of the Company to attend the 2017 AGM to answer shareholders’ questions about the conduct of the audit, the preparation and content of the auditors’ report, the accounting policies and auditor independence.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the unaudited consolidated interim financial statements of the Group for the six months ended 30th June, 2017.

At present, the audit committee comprises Mr. Xu Bingjin, Mr. Song Jian and Mr. Jiang Bo, all of whom are independent non-executive directors of the Company. Mr. Xu Bingjin is the chairman of the audit committee.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to appointment of sufficient number of independent non-executive directors and at least an independent non-executive director with appropriate professional qualifications, or accounting or related financial management expertise. At present, the Board comprises three independent non-executive directors, representing at least one-third of the Board and one of whom has accounting expertise.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors, each director of the Company has confirmed that he has complied with the standards set out in the Model Code during the six months ended 30th June, 2017.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises four executive directors, Mr. Wu Xiao An (also known as Mr. Ng Siu On) (*Chairman*), Mr. Qi Yumin (*Chief Executive Officer*), Mr. Qian Zuming (*Chief Financial Officer*) and Mr. Zhang Wei; and three independent non-executive directors, Mr. Xu Bingjin, Mr. Song Jian and Mr. Jiang Bo.

By Order of the Board

Brilliance China Automotive Holdings Limited

Wu Xiao An

(also known as Ng Siu On)

Chairman

Hong Kong, 25th August, 2017