

**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**  
**2018**



*\*for identification purposes only*

## RESULTS

The board of directors (the “**Board**”) of Brilliance China Automotive Holdings Limited (the “**Company**”) announces the unaudited condensed consolidated interim financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30th June, 2018. The unaudited condensed consolidated interim financial statements have been reviewed by the audit committee of the Board.

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

		<b>(Unaudited)</b>	
		<b>For the six months ended</b>	
		<b>30th June,</b>	
		<b>2018</b>	<b>2017</b>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue</b>	4	<b>2,287,134</b>	2,837,136
Cost of sales		<b>(2,130,228)</b>	(2,720,050)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>156,906</b>	117,086
Other income		<b>51,485</b>	29,446
Interest income		<b>31,706</b>	24,553
Selling expenses		<b>(178,267)</b>	(289,845)
General and administrative expenses		<b>(272,391)</b>	(555,236)
Finance costs	5	<b>(66,968)</b>	(62,947)
Share of results of:			
Joint ventures		<b>3,677,439</b>	2,666,432
Associates		<b>41,252</b>	125,306
		<hr/>	<hr/>
<b>Profit before income tax expense</b>	6	<b>3,441,162</b>	2,054,795
Income tax expense	8	<b>(16,891)</b>	(4,072)
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## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Cont'd)

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

	<b>(Unaudited)</b>	
	<b>For the six months ended</b>	
	<b>30th June,</b>	
	<b>2018</b>	<b>2017</b>
<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Profit for the period</b>	<b>3,424,271</b>	<b>2,050,723</b>
<b>Attributable to:</b>		
Equity holders of the Company	<b>3,566,130</b>	2,310,518
Non-controlling interests	<b>(141,859)</b>	(259,795)
	<b>3,424,271</b>	<b>2,050,723</b>
<b>Earnings per share</b>	<b>9</b>	
– Basic	<b>RMB0.70683</b>	RMB0.45837
– Diluted	<b>RMB0.70683</b>	RMB0.45797

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>(Unaudited)</b>	
	<b>For the six months ended</b>	
	<b>30th June,</b>	
	<b>2018</b>	<b>2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Profit for the period</b>	<b>3,424,271</b>	<b>2,050,723</b>
<b>Other comprehensive (expense) income that will be subsequently reclassified to consolidated statement of profit or loss, net of tax</b>		
Change in fair value of equity investments	<b>(10,052)</b>	(1,934)
Share of comprehensive (expense) income of a joint venture	<b>(622,535)</b>	946,152
	<b>(632,587)</b>	944,218
<b>Total comprehensive income for the period</b>	<b>2,791,684</b>	<b>2,994,941</b>
<b>Attributable to:</b>		
Equity holders of the Company	<b>2,933,543</b>	3,254,736
Non-controlling interests	<b>(141,859)</b>	(259,795)
	<b>2,791,684</b>	<b>2,994,941</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) As at 30th June, 2018 RMB'000	(Audited) As at 31st December, 2017 RMB'000
	<i>Note</i>		
<b>Non-current assets</b>			
Intangible assets	11	643,005	696,200
Property, plant and equipment	11	2,345,954	2,386,434
Construction-in-progress	11	229,651	180,695
Land lease prepayments	11	85,455	86,513
Interests in joint ventures	12	24,171,770	21,593,786
Interests in associates	13	1,684,358	1,747,517
Prepayments for long-term investments	14	600,000	600,000
Equity investments	15	14,447	24,499
Long-term loan receivables	16	2,866,181	1,446,655
Other non-current assets		72,494	61,993
<b>Total non-current assets</b>		<b>32,713,315</b>	<b>28,824,292</b>
<b>Current assets</b>			
Cash and cash equivalents	17	1,899,171	1,732,076
Cash at central bank		42,307	62,038
Short-term bank deposits		12,728	43,402
Pledged short-term bank deposits	18	913,765	1,713,754
Inventories		995,575	1,043,793
Accounts receivable	19	1,139,846	1,023,365
Notes receivable	20	230,190	363,795
Other current assets	21	2,962,169	3,049,616
<b>Total current assets</b>		<b>8,195,751</b>	<b>9,031,839</b>
<b>Current liabilities</b>			
Accounts payable	22	2,740,513	3,278,870
Notes payable	23	1,434,437	2,780,586
Other current liabilities	24	2,076,106	2,055,279
Short-term bank borrowings	25	4,456,400	2,809,900
Income tax payable		18,674	40,340
<b>Total current liabilities</b>		<b>10,726,130</b>	<b>10,964,975</b>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

		(Unaudited) As at 30th June, 2018 RMB'000	(Audited) As at 31st December, 2017 RMB'000
<b>Net current liabilities</b>		<b>(2,530,379)</b>	(1,933,136)
<b>Total assets less current liabilities</b>		<b>30,182,936</b>	26,891,156
<b>Non-current liabilities</b>			
Long-term bank borrowings	25	70,000	80,000
Deferred government grants		108,510	110,949
<b>Total non-current liabilities</b>		<b>178,510</b>	190,949
<b>Net assets</b>		<b>30,004,426</b>	26,700,207
<b>Capital and reserves</b>			
Share capital	26	397,176	397,176
Reserves	27	29,081,853	26,125,775
Total equity attributable to equity holders of the Company		29,479,029	26,522,951
Non-controlling interests		525,397	177,256
<b>Total equity</b>		<b>30,004,426</b>	26,700,207

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30th June, 2017

	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 (audited)	396,809	(331,995)	2,473,444	17,835	39,179	(637,584)	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	(258,795)	2,050,723
Other comprehensive income (expense)												
Share of other comprehensive income of a joint venture	-	946,152	-	-	-	-	-	-	-	946,152	-	946,152
Change in fair value of equity investments	-	-	-	(1,934)	-	-	-	-	-	(1,934)	-	(1,934)
	-	946,152	-	(1,934)	-	-	-	-	-	944,218	-	944,218
As at 30th June, 2017 (unaudited)	397,176	614,157	2,476,082	15,901	39,179	(637,584)	-	120,000	23,855,745	26,980,656	(1,385,129)	25,595,527

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)

Six months ended 30th June, 2018

	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	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, 2018, as previously stated (audited)	397,176	383,763	2,476,082	8,866	39,179	(2,350,481)	120,000	25,448,366	26,522,951	177,256	26,700,207
Effect on adoption of HKFRS 15 (Note 3)	-	-	-	-	-	-	-	22,535	22,535	-	22,535
As at 1st January, 2018, as restated	397,176	383,763	2,476,082	8,866	39,179	(2,350,481)	120,000	25,470,901	26,545,486	177,256	26,722,742
Transactions with equity holders of the Company	-	-	-	-	-	-	-	-	-	490,000	490,000
Additional investment in a subsidiary	-	-	-	-	-	-	-	-	-	490,000	490,000
Profit for the period	-	-	-	-	-	-	-	3,566,130	3,566,130	(141,859)	3,424,271
Other comprehensive expense	-	-	-	-	-	-	-	-	-	-	-
Share of other comprehensive expense of a joint venture	-	(622,535)	-	-	-	-	-	-	(622,535)	-	(622,535)
Change in fair value of equity investments	-	-	-	(10,052)	-	-	-	-	(10,052)	-	(10,052)
	-	(622,535)	-	(10,052)	-	-	-	-	(632,587)	-	(632,587)
As at 30th June, 2018 (unaudited)	397,176	(238,772)	2,476,082	(1,166)	39,179	(2,350,481)	120,000	29,037,031	29,479,029	525,397	30,004,426



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>(Unaudited)</b>	
	<b>For the six months ended</b>	
	<b>30th June,</b>	
	<b>2018</b>	<b>2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Net cash used in operating activities</b>	<b>(2,045,411)</b>	<b>(455,573)</b>
<b>Net cash generated from (used in) investing activities</b>	<b>1,374,398</b>	<b>(326,298)</b>
<b>Net cash generated from financing activities</b>	<b>838,108</b>	<b>880,832</b>
<b>Increase in cash and cash equivalents</b>	<b>167,095</b>	<b>98,961</b>
<b>Cash and cash equivalents, as at 1st January</b>	<b>1,732,076</b>	<b>940,938</b>
<b>Cash and cash equivalents, as at 30th June</b>	<b>1,899,171</b>	<b>1,039,899</b>

## NOTES TO CONDENSED 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 condensed consolidated interim financial statements.

### 2. Statement of compliance and accounting policies

These condensed 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 (the "HKICPA").

These condensed 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, 2017, except for the adoption of the new and revised HKFRSs (which include individual HKFRSs, HKASs and interpretations) as disclosed in note 3 to these condensed consolidated interim financial statements.

These condensed 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 consolidated annual financial statements for the year ended 31st December, 2017.

### 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 the Group and are effective for the Group's condensed consolidated interim financial statements for the annual financial period beginning on 1st January, 2018.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

The adoption of these new HKFRSs, except for HKFRS 9 and HKFRS 15, the details of which are explained below, 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 these new/revised standards and interpretations will have no material impact on the results and the financial position of the Group.

### 3. Adoption of new or amended HKFRSs (Cont'd)

#### HKFRS 9 "Financial Instruments"

##### *Classification and measurement of financial assets*

HKFRS 9 requires that financial assets of which the contractual cash flows are solely principal and interest are stated and measured at amortised cost. Financial assets of which the contractual cash flows are not solely principal and interest are stated and measured at fair value through profit or loss, except for financial assets of investments in equity instruments that are not for held-for-trading. In that case, if an irrevocable election is made on initial recognition or at the date of transition to HKFRS 9, these financial assets can be stated and measured at fair value through other comprehensive income.

Before 1st January, 2018, the Group had an investment in listed equity securities stated at fair value through other comprehensive income, and an investment in unlisted equity security stated at cost. As these investments are to be held as long-term strategic investments and are not expected to be sold in the short to medium term, the Group elected to state these financial assets at fair value through other comprehensive income. The carrying value of the unlisted equity security is similar to the fair value as at 1st January, 2018.

As the contractual cash flows of the Group's other financial assets are solely principal and interest, they are stated at amortised cost as required by HKFRS 9.

##### *The impairment of financial assets applying the expected credit loss model*

HKFRS 9 requires a new impairment model which is based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. The Group is required to revise its impairment methodology under HKFRS 9 for its financial assets stated at amortised cost. The Group has applied the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for accounts receivable. Impairment on financial assets other than accounts receivable is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition.

The Group established expected credit losses model based on historical settlement records, past experience and available forward-looking information. The Group has concluded that the impact of expected credit losses on these financial assets is insignificant as at 1st January, 2018.

#### HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 and the related clarification to HKFRS 15 (hereinafter referred to as "HKFRS 15") presents new requirements for the recognition of revenue, replacing HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue-related Interpretations. HKFRS 15 establishes a single comprehensive model that applies to contracts with customers and two approaches to recognise revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

### 3. Adoption of new or amended HKFRSs (Cont'd)

In summary, the following restatement was made to the amounts recognised at the date of initial application, 1st January, 2018 in respect of the effect of the adoption of HKFRS 15 by the joint venture of the Group:

*Condensed Consolidated Statement of Financial Position items:*

	Carrying amount on 31st December, 2017	Effect of adopting HKFRS 15	Carrying amount on 1st January, 2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interests in joint ventures ( <i>Note</i> )	21,593,786	22,535	21,616,321
Retained earnings	25,448,366	22,535	25,470,901

*Condensed Consolidated Statement of Profit or Loss items:*

	As reported	Effect of adopting HKFRS 15	Without adoption of HKFRS 15
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Share of results of joint ventures	3,677,439	(13,329)	3,664,110

*Note :* The effects are in relation to changes in revenue recognition of dealer's bonus and construction service contract of one of the joint ventures, BMW Brilliance Automotive Ltd. ("**BMW Brilliance**").

In addition, the Group recognises contract liabilities for the deposits received from customers for the sales of non-BMW automobiles and automotive components, for which revenue is recognised when the goods are delivered and the customer has accepted the goods.

The Group concluded that except for a joint venture of the Group, the adoption of HKFRS 15 has no significant effect on how the Group recognises its revenue.

#### 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, the manufacture and sale of non-BMW automobiles and automotive components through its subsidiary Renault Brilliance Jinbei Automotive Co., Ltd. ("RBJAC"), and the provision of auto financing service to customers and dealers through its subsidiary Brilliance-BEA Auto Finance Co., Ltd. ("BBAFC"). Revenue earned during the period represents:

	(Unaudited)	
	For the six months ended 30th June,	
	2018	2017
	RMB'000	RMB'000
Sale of non-BMW automobiles and automotive components, net of consumption tax, discounts and return	2,112,854	2,791,734
Interest and service charge income from provision of auto financing service, net of other tax	174,280	45,402
	<b>2,287,134</b>	<b>2,837,136</b>

The Group has identified the following reportable segments:

- manufacture and sale of non-BMW automobiles and automotive components;
- manufacture and sale of BMW vehicles; and
- the provision of auto financing service.

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 reporting segment results under HKFRS 8 are the same as those used in its condensed consolidated interim financial statements prepared under HKFRSs, except that certain items are not included in arriving at the operating results of the operating segments (eg. expenses related to share-based payments, share of results of associates and joint ventures, interest income, finance costs, corporate income and expenses which are not directly attributable to the business activities of any operating segment, and income tax expense).

In addition, the operating results of the operating segments include completed segment results of the manufacture and sale of BMW vehicles, which are currently reported on the basis of the Group's share of equity interests in BMW Brilliance and included in the condensed consolidated interim financial statements prepared under HKFRSs.

Segment assets include all assets other than interests in joint ventures, interests in associates, prepayments for long-term investments, equity investments, and advance to Shenyang Automobile Industry Asset Management Company Limited ("SAIAM") (which was settled during the period). In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

Segment liabilities include all liabilities other than corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment.

In addition, segment assets and segment liabilities include assets and liabilities of the "manufacture and sale of BMW vehicles" segment, which are currently reported on the basis of the Group's share of equity interests in BMW Brilliance included in the condensed consolidated interim financial statements prepared under HKFRSs.

#### 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, 2018

(Unaudited)					
	Manufacture and sale of non-BMW automobiles and automotive components <i>RMB'000</i>	Manufacture and sale of BMW vehicles <i>RMB'000</i>	Provision of auto financing service <i>RMB'000</i>	Reconciliation to the Group's condensed consolidated statement of profit or loss and intersegment elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Segment sales to external customers	2,112,854	63,119,593	176,579	(63,121,892)	2,287,134
Segment results	(238,339)	9,844,081	3,497	(9,829,351)	(220,112)
Unallocated costs net of unallocated revenue					(22,155)
Interest income					31,706
Finance costs					(66,968)
Share of results of:					
Joint ventures	–	3,677,439	–	–	3,677,439
Associates	41,252	–	–	–	41,252
Profit before income tax expense					3,441,162

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 non-BMW automobiles and automotive components <i>RMB'000</i>	Manufacture and sale of BMW vehicles <i>RMB'000</i>	Provision of auto financing service <i>RMB'000</i>	Reconciliation to the Group's condensed consolidated statement of profit or loss and intersegment elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Segment sales to external customers	2,791,734	53,042,666	50,181	(53,047,445)	2,837,136
Segment results	(664,156)	7,105,508	991	(7,110,287)	(667,944)
Unallocated costs net of unallocated revenue					(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)

The assets and liabilities by reportable segments as at 30th June, 2018

(Unaudited)					
	Manufacture and sale of non-BMW automobiles and automotive components	Manufacture and sale of BMW vehicles	Provision of auto financing service	Reconciliation to the Group's condensed consolidated statements of financial position and intersegment elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	9,508,809	90,343,954	4,914,154	(90,797,358)	13,969,559
Interests in joint ventures	-	24,171,770	-	-	24,171,770
Interests in associates	1,684,358	-	-	-	1,684,358
Equity investments					14,447
Prepayments for long-term investments					600,000
Unallocated assets					468,932
<b>Total assets</b>					<b>40,909,066</b>
Segment liabilities	7,044,796	42,000,414	4,105,039	(42,453,818)	10,696,431
Unallocated liabilities					208,209
<b>Total liabilities</b>					<b>10,904,640</b>

The assets and liabilities by reportable segments as at 31st December, 2017

(Audited)					
	Manufacture and sale of non-BMW automobiles and automotive components	Manufacture and sale of BMW vehicles	Provision for auto financing service	Reconciliation to the Group's condensed consolidated statements of financial position and intersegment elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	10,752,274	88,011,134	3,675,633	(88,901,841)	13,537,200
Interests in joint ventures	-	21,593,786	-	-	21,593,786
Interests in associates	1,747,517	-	-	-	1,747,517
Equity investments					24,499
Prepayments for long-term investments					600,000
Advance to a shareholder of a related party					300,000
Unallocated assets					53,129
<b>Total assets</b>					<b>37,856,131</b>
Segment liabilities	8,961,014	44,823,561	2,871,245	(45,714,268)	10,941,552
Unallocated liabilities					214,372
<b>Total liabilities</b>					<b>11,155,924</b>

5. Finance costs

	(Unaudited)	
	For the six months ended 30th June,	
	2018	2017
	RMB'000	RMB'000
Interest expense on:		
– bank loans	26,973	32,000
– discounted bank guaranteed notes	40,045	35,891
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	67,018	67,891
Less: interest expense capitalised in intangible assets and construction-in-progress at the rate of 4.8% per annum (2017: 4.6% per annum)	(50)	(4,944)
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	66,968	62,947
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6. Profit before income tax expense

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

	(Unaudited)	
	For the six months ended 30th June,	
	2018	2017
	RMB'000	RMB'000
<b>Charging:</b>		
Impairment losses on:		
– Accounts receivable (b)	–	377
– Other receivables (b)	786	22,433
– Loan receivables (b)	15,341	4,246
– Intangible assets (b)	–	350,000
– Construction-in-progress	–	2,005
– Property, plant and equipment	–	7,818
Cost of inventories	2,150,260	2,710,746
Amortisation of intangible assets (a)	71,144	91,057
Amortisation of land lease prepayments	1,058	1,019
Depreciation of property, plant and equipment	78,441	71,315
Staff costs (including directors' emoluments) (note 7)	387,114	389,829
Provision for inventories	1,755	413
Research and development costs (b)	27,839	5,538
Warranty provision (b)	11,868	15,071
Operating lease charges in respect of land and buildings	18,987	17,382
Loss on disposal of property, plant and equipment	460	1,349
Exchange loss, net	1,257	20,752
	<hr/>	<hr/>



6. Profit before income tax expense (Cont'd)

	(Unaudited)	
	For the six months ended 30th June,	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Crediting:</b>		
Write-back of impairment losses on:		
– Accounts receivable	358	–
– Other receivables	–	8,473
Write-back of provision for inventories sold	<b>21,787</b>	11,665

(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.

7. Staff costs (including directors' emoluments)

	(Unaudited)	
	For the six months ended 30th June,	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Wages, salaries and performance related bonus	293,529	290,735
Pension costs – defined contribution plans	38,174	38,802
Staff welfare costs	55,411	60,292
	<b>387,114</b>	389,829

8. Income tax expense

Income tax expense represents PRC corporate income tax on the estimated taxable profits of the subsidiaries and PRC withholding tax on dividend 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 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,	
	2018	2017
	'000	'000
Issued shares at 1st January,	5,045,269	5,039,869
Effect of share options exercised	—	895
	<hr/>	<hr/>
Weighted average number of ordinary shares for calculating basic earnings per share	<b>5,045,269</b>	5,040,764

Diluted earnings per share is the same as basic earnings per share as there was no dilutive effect during the six months ended 30th June, 2018. For the six months ended 30th June, 2017, the diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company (as used in calculating the basic earnings per share) by the weighted average number of ordinary shares of 5,045,116,000 shares (the weighted average number of ordinary shares for calculating basic earnings per share of 5,040,764,000 shares plus the weighted average number of 4,352,000 shares deemed to be issued under the Company's share option scheme).

## 10. Dividends

The directors declared a dividend of HK\$0.11 per share (2017: HK\$0.11 per share) totaling approximately HK\$554,980,000 (2017: approximately HK\$554,980,000) at the board meeting held on 24th August, 2018.

## 11. Capital expenditures

	Intangible assets	Property, plant and equipment	Construction- in-progress	Land lease prepayments
	RMB'000	RMB'000	RMB'000	RMB'000
Net book value as at 1st January, 2018 (audited)	696,200	2,386,434	180,695	86,513
Additions	17,949	26,504	63,354	—
Transfer	—	14,398	(14,398)	—
Disposals	—	(2,941)	—	—
Amortisation/Depreciation	(71,144)	(78,441)	—	(1,058)
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value as at 30th June, 2018 (unaudited)	<b>643,005</b>	<b>2,345,954</b>	<b>229,651</b>	<b>85,455</b>

12. Interests in joint ventures

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2018	2017
	RMB'000	RMB'000
Share of net assets by equity method		
– unlisted joint ventures	24,171,770	21,593,786

BMW Brilliance's assets and liabilities and the respective net assets shared by the Group are as follows:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2018	2017
	RMB'000	RMB'000
Non-current assets	47,863,980	47,366,377
Current assets	42,479,974	40,644,757
Current liabilities	(33,320,862)	(37,319,172)
Non-current liabilities	(8,679,552)	(7,504,389)
Net assets	48,343,540	43,187,573
Proportion of the Group's ownership interest in BMW Brilliance	50%	50%
Carrying amount of the Group's interest in BMW Brilliance	24,171,770	21,593,786

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,	
	2018	2017
	RMB'000	RMB'000
Revenue	63,119,593	53,042,666
Profit for the period	7,355,968	5,336,860
Dividends received from the joint venture	500,000	–

13. **Interests in associates**

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2018	2017
	RMB'000	RMB'000
Share of net assets by equity method and goodwill		
– Associates listed in Hong Kong	993,823	975,806
– Unlisted associates	690,535	771,711
	<u>1,684,358</u>	<u>1,747,517</u>
Fair value of investment in associates listed in Hong Kong	<u>266,521</u>	<u>366,480</u>

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, 2018 is summarised as follows:

	(Unaudited)	
	For the six months ended 30th June,	
	2018	2017
	RMB'000	RMB'000
Net profit and other comprehensive income attributable to the Group	<u>41,252</u>	125,306
Dividends received from associates	<u>105,000</u>	168,000

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 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, 2018 and 31st December, 2017, the consideration of RMB600 million paid was recorded as prepayments for long-term investments. 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. Equity investments

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2018	2017
	RMB'000	RMB'000
Equity investments at fair values		
– Unlisted equity investment	4,138	4,138
– Listed equity investment in Hong Kong	10,309	20,361
	<hr/>	<hr/>
	14,447	24,499
	<hr/>	<hr/>

The following table presents financial assets measured at fair value in the condensed consolidated statement of financial position in accordance with the three-level fair value hierarchy. The hierarchy groups financial assets into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The Group's financial assets measured at fair value in the condensed consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	(Unaudited)				(Audited)			
	As at 30th June, 2018				As at 31st December, 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets								
Equity investments								
– Listed	10,309	–	–	10,309	20,361	–	–	20,361
– Unlisted	–	–	4,138	4,138	–	–	–	–

There have been no transfers between levels 1, 2 and 3 or issue or settlement of financial instruments of levels 1, 2 and 3 during the period.

The listed equity investment is denominated in Hong Kong dollars. Fair value has been determined by reference to the quoted bid price at the reporting date and has been translated using the spot foreign currency rate at the end of the reporting period where appropriate.

The fair value of the unlisted equity investment is estimated using an income approach which capitalises the estimated income stream, net of projected operating costs, using a discount rate. The most significant inputs, all of which are unobservable, are the estimated income stream and the discount rate.

16. Long-term loan receivables

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2018	2017
	RMB'000	RMB'000
Loan receivables from customers	4,575,138	3,399,981
Less: provision for impairment losses	(48,489)	(36,561)
	<hr/>	<hr/>
	4,526,649	3,363,420
Less: current portion (note 21)	(1,660,468)	(1,916,765)
	<hr/>	<hr/>
Long-term loan receivables	<b>2,866,181</b>	1,446,655
	<hr/>	<hr/>
	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2018	2017
	RMB'000	RMB'000
Gross loan receivables recoverable:		
– No later than one year	1,678,400	1,937,837
– Later than one year and no later than five years	2,896,738	1,462,144
	<hr/>	<hr/>
	<b>4,575,138</b>	3,399,981
	<hr/>	<hr/>

All loan receivables were derived from the business of provision of auto financing service by BBAFC during the period. The balances are denominated in Renminbi and secured by the motor vehicles of the borrowers.

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 the condensed 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 the condensed 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 three months.

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

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

	(Unaudited)	(Audited)
	As at	As at
	30th June, 2018	31st December, 2017
	<i>RMB'000</i>	<i>RMB'000</i>
Issue of bank guaranteed notes to trade creditors ( <i>Note</i> )	703,235	1,503,224
Bank loans granted to JinBei	210,530	210,530
	<hr/>	<hr/>
	913,765	1,713,754
	<hr/>	<hr/>

*Note:* In addition to short-term bank deposits, as at 30th June, 2018, the Group had also pledged bank guaranteed notes receivable from third parties and affiliated companies in the amount of approximately RMB78.9 million (*As at 31st December, 2017: approximately RMB64.2 million*) to secure the issue of bank guaranteed notes. At 31st December, 2017, the Group also pledged additional bank guaranteed notes of receivable from third parties and affiliated companies in the amount of RMB250 million to secure bank borrowings.

19. **Accounts receivable**

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Accounts receivable	421,997	318,969
Accounts receivable from affiliated companies ( <i>note 28(c)</i> )	717,849	704,396
	<hr/>	<hr/>
	1,139,846	1,023,365
	<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,
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Less than six months	326,830	197,352
Six months to one year	10,284	11,714
Above one year but less than two years	12,402	1,001
Two years or above	90,614	127,423
	<hr/>	<hr/>
	440,130	337,490
Less: Provision for impairment losses	(18,133)	(18,521)
	<hr/>	<hr/>
	421,997	318,969
	<hr/>	<hr/>

As at 30th June, 2018, accounts receivable from third parties of approximately RMB61 million (*As at 31st December, 2017: approximately RMB104 million*) were mainly denominated in United States 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 track 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,
	2018	2017
	RMB'000	RMB'000
Notes receivable	165,642	108,122
Notes receivable from affiliated companies (note 28(d))	64,548	255,673
	<hr/>	<hr/>
	230,190	363,795
	<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, 2018, all notes receivable were guaranteed by established banks in the PRC with maturities of less than one year from 30th June, 2018 (As at 31st December, 2017: Same).

21. Other current assets

		(Unaudited)	(Audited)
		As at	As at
		30th June,	31st December,
		2018	2017
	Note	RMB'000	RMB'000
Other receivables	21(a)	186,087	471,721
Prepayments and other current assets		111,004	91,303
Other taxes recoverable		65,004	94,111
Amounts due from affiliated companies	28(e)	834,606	475,716
Dividend receivable from an affiliated company	28(f)	105,000	–
Short-term loan receivables	16	1,660,468	1,916,765
		<hr/>	<hr/>
		2,962,169	3,049,616
		<hr/>	<hr/>

21. Other current assets (Cont'd)

(a) Other receivables

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2018	2017
	RMB'000	RMB'000
Advance to SAIAM	–	300,000
Others	307,027	277,875
	<hr/>	<hr/>
	307,027	577,875
Less: Provision for impairment losses	(120,940)	(106,154)
	<hr/>	<hr/>
	186,087	471,721
	<hr/>	<hr/>

All other receivables are denominated in Renminbi. The amount advanced to SAIAM was settled during the period under review.

The other items in other receivables mainly represent prepayments and deposits paid and advanced to other third parties. The management considers the credit risks for the balances after the provision for impairment losses 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,
	2018	2017
	RMB'000	RMB'000
Accounts payable	1,817,919	2,249,436
Accounts payable to affiliated companies (note 28(g))	922,594	1,029,434
	<hr/>	<hr/>
	2,740,513	3,278,870
	<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,
	2018	2017
	RMB'000	RMB'000
Less than six months	1,076,876	1,743,531
Six months to one year	504,112	312,627
Above one year but less than two years	95,327	56,077
Two years or above	141,604	137,201
	<hr/>	<hr/>
	1,817,919	2,249,436
	<hr/>	<hr/>

23. Notes payable

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2018	2017
	RMB'000	RMB'000
Notes payable	1,281,223	2,763,936
Notes payable to affiliated companies (note 28(h))	153,214	16,650
	<hr/>	<hr/>
	1,434,437	2,780,586
	<hr/>	<hr/>

24. Other current liabilities

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2018	2017
	RMB'000	RMB'000
Contract liabilities	80,089	76,537
Other payables	1,069,051	999,518
Accrued expenses	74,311	116,280
Other taxes payable	42,416	38,766
Dividends payable	202,072	198,755
Provision for warranty	24,312	25,627
Deferred government grants	4,880	4,880
Deferred income	198,726	147,518
Amounts due to affiliated companies (note 28(i))	380,249	447,398
	<hr/>	<hr/>
	2,076,106	2,055,279
	<hr/>	<hr/>

25. **Bank borrowings**

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2018	2017
	RMB'000	RMB'000
<i>Short-term bank borrowings:</i>		
Secured bank borrowings	91,000	575,000
Unsecured bank borrowings	4,365,400	2,234,900
	<hr/>	<hr/>
	4,456,400	2,809,900
	<hr/>	<hr/>
<i>Long-term bank borrowings:</i>		
Secured bank borrowings	70,000	80,000
	<hr/>	<hr/>
Total bank borrowings	4,526,400	2,889,900
	<hr/>	<hr/>

All short-term bank borrowings as at 30th June, 2018 were interest-bearing at rates ranging from 4.35% to 7.50% per annum (As at 31st December, 2017: 3.92% to 6.45% per annum) and repayable from 2nd July, 2018 to 21st June, 2019 (As at 31st December, 2017: repayable from 8th January, 2018 to 29th November, 2018).

As at 30th June, 2018, these bank borrowings are secured by the Group's buildings and tools and moulds, machinery and equipment with net book values of approximately RMB194.5 million (As at 31st December, 2017: RMB197.1 million). As at 30th June, 2018, no bank borrowings are secured by the Group's bank guaranteed notes (As at 31st December, 2017: RMB250 million).

All long-term borrowings as at 30th June, 2018 were interest-bearing at 5.23% per annum (As at 31st December, 2017: 5.23%), repayable on 1st December, 2021 (As at 31st December, 2017: 1st December, 2021) and secured by the Group's land lease prepayments with a net book value of approximately RMB31.0 million (As at 31st December, 2017: approximately RMB31.2 million) and buildings, plant and equipment with total net book values of approximately RMB42.1 million (As at 31st December, 2017: approximately RMB45.3 million).

As at 30th June, 2018, unsecured short-term bank borrowings of RMB500 million (As at 31st December, 2017: RMB500 million) is granted from an affiliated company of a non-controlling interest of the Group. The interest for the period amounted to approximately RMB13.2 million (Six months ended 30th June, 2017: approximately RMB2.9 million).

26. Share capital

	(Unaudited)		(Audited)	
	As at 30th June, 2018		As at 31st December, 2017	
	Number of shares '000	Amount US\$'000	Number of shares '000	Amount 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, 2018		As at 31st December, 2017	
	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000
Issued and fully paid				
Ordinary shares at par value of US\$0.01 each				
At beginning of period/year	5,045,269	397,176	5,039,869	396,809
Issue of new shares by exercising share options	-	-	5,400	367
At reporting date	5,045,269	397,176	5,045,269	397,176

The Company had no outstanding share option at both 30th June, 2018 and 31st December, 2017.

27. Reserves

	Hedging reserve	Share premium	Investment revaluation reserve	Cumulative translation adjustments reserve	Difference arising from acquisition of non-controlling interests	Share options reserve	Capital reserve	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note a)						(Note b)	(Note c)	
As at 1st January, 2017 (audited)	(331,995)	2,473,444	17,835	39,179	(537,584)	942	120,000	21,545,227	23,327,048
Dividends	-	-	-	-	-	-	-	(472,981)	(472,981)
Acquisition of additional interests in a subsidiary in group restructure	-	-	-	-	(1,997,617)	-	-	-	(1,997,617)
Disposal of interests in a subsidiary in group restructure	-	-	-	-	184,720	-	-	-	184,720
Issue of shares by exercise of share options	-	2,638	-	-	-	(942)	-	-	1,696
Total comprehensive income (expense)	715,758	-	(8,969)	-	-	-	-	4,376,120	5,082,909
As at 31st December, 2017 (audited)	383,763	2,476,082	8,866	39,179	(2,350,481)	-	120,000	25,448,366	26,125,775
As at 1st January, 2018, as previously stated (audited)	383,763	2,476,082	8,866	39,179	(2,350,481)	-	120,000	25,448,366	26,125,775
Effect on adoption of HKFRS 15	-	-	-	-	-	-	-	22,535	22,535
As at 1st January, 2018, as restated	383,763	2,476,082	8,866	39,179	(2,350,481)	-	120,000	25,470,901	26,148,310
Total comprehensive income (expenses)	(622,535)	-	(10,052)	-	-	-	-	3,566,130	2,933,543
As at 30th June, 2018 (unaudited)	(238,772)	2,476,082	(1,186)	39,179	(2,350,481)	-	120,000	29,037,031	29,081,853

(a) Hedging reserve

It 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) Capital reserve

In 2003, as approved by the board of directors of Shenyang XingYuanDong Automobile Component Co., Ltd. ("Xing Yuan Dong") in accordance with the relevant laws and regulations, dedicated capital of Xing Yuan Dong amounting to RMB120 million was released for capitalisation of paid-up registered capital. Such release of dedicated capital is credited to the capital reserve.

(c) Retained earnings

The Group's retained earnings at 30th June, 2018 included an amount of approximately RMB1,626,478,000 (At 31st December, 2017: RMB1,622,529,000) reserved by the subsidiaries in the PRC in accordance with 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 HKAS 24 (Revised) "Related Party Disclosures" ("HKAS 24"), 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 condensed 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.

<b>Name</b>	<b>Relationship</b>
Huachen Automotive Group Holdings Company Limited (" <b>Huachen</b> ")	Major shareholder of the Company
Shanghai Shenhua Holdings Co., Ltd. (" <b>Shanghai Shenhua</b> ")	Common directorship of certain directors of the Company
Brilliance Holdings Limited (" <b>BHL</b> ")	Common directorship of a director of the Company

Huachen is a PRC government-related entity, and is a connected person 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,	
	2018	2017
	RMB'000	RMB'000
Sales of goods:		
– Huachen and its affiliated companies	202,395	753,882
	<hr/>	<hr/>
Purchases of goods:		
– Affiliated companies of JinBei	–	237,352
– Huachen and its affiliated companies	269,679	345,591
	<hr/>	<hr/>
Sub-contracting charges to:		
– Huachen and its affiliated companies	15,280	21,578
	<hr/>	<hr/>

After JinBei disposed of its entire interest in RBJAC in November 2017, JinBei and its affiliated companies are no longer considered related parties of the Group.

During the period under review, the Company incurred operating lease rental on land and buildings of RMB1,906,000 (*Six months ended 30th June, 2017: RMB1,584,000*) to Huachen. The operating lease rental to Huachen constitutes continuing connected transactions but is 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 or as disclosed elsewhere in these condensed consolidated interim financial statements, the Group also had the following material related party transactions:

	(Unaudited)	
	For the six months ended 30th June,	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of goods:		
– Shanghai Shenhua and its affiliated companies	144,199	1,182,605
– Joint ventures	2,951	3,637
– Associates	50,774	65,801
Purchases of goods:		
– Joint ventures	49,503	77,698
– Associates	141,690	179,193
– Shanghai Shenhua and its affiliated companies	3,719	2,564
Operating lease rental on land and buildings charged by Shanghai Shenhua	296	296
Interest from an associate ( <i>note 28(e)</i> )	1,710	–
Interest from Xinhua Investment Holdings Limited ("Xinhua Investment") ( <i>note 28(e)</i> )	4,179	4,550

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.

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

(c) As at 30th June, 2018, the Group's accounts receivable from affiliated companies consisted of the following:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Accounts receivable from related parties:		
– Shanghai Shenhua and its affiliated companies	339,592	355,929
– Huachen and its affiliated companies	331,402	315,583
– Associates	51,279	36,771
– Joint ventures	5,497	6,525
– An affiliated company of a shareholder of a joint venture	495	4
	<hr/>	<hr/>
	728,265	714,812
Less: Provision for impairment losses	(10,416)	(10,416)
	<hr/>	<hr/>
	717,849	704,396
	<hr/>	<hr/>

The Group's credit policy is to offer credit to affiliated companies following financial assessment and established payment track 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 due from affiliated companies based on invoice date is as follows:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Less than six months	252,910	252,400
Six months to one year	117,249	71,258
Above one year but less than two years	135,029	370,462
Two years or above	223,077	20,692
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	728,265	714,812
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28. **Connected and related party transactions (Cont'd)**

- (d) As at 30th June, 2018, the Group's notes receivable from affiliated companies arising from trading activities consisted of the following:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2018	2017
	RMB'000	RMB'000
Notes receivable from related parties:		
– Shanghai Shenhua and its affiliated companies	22,020	31,054
– Associates	7,931	103,003
– Huachen and its affiliated companies	34,597	121,616
	<hr/>	<hr/>
	64,548	255,673
	<hr/>	<hr/>

- (e) As at 30th June, 2018, the amounts due from affiliated companies consisted of:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2018	2017
	RMB'000	RMB'000
Amounts due from related parties:		
– Joint ventures	96,895	82,085
– Associates	389,466	87,433
– Shanghai Shenhua	78	14,050
– Huachen and its affiliated companies	77,080	40,761
– Xinhua Investment	347,260	341,560
	<hr/>	<hr/>
	910,779	565,889
Less: Provision for impairment losses	(76,173)	(90,173)
	<hr/>	<hr/>
	834,606	475,716
	<hr/>	<hr/>

Amounts due from affiliated companies are unsecured, non-interest bearing and repayable on demand, except for approximately RMB347,260,000 (As at 31st December, 2017: approximately RMB341,560,000) due from Xinhua Investment, a shareholder of Xinchun China Power Holdings Limited ("**Power Xinchun**") and approximately RMB301,813,000 (As at 31st December, 2017: Nil) due from an associate of the Group.

The amount due from Xinhua Investment is secured by all its assets, interest-bearing at 3% per annum on the principal and repayable in August 2018. On 23rd August, 2018, an agreement was entered into between Xinhua Investment and the Company to further extend the repayment of the amount to August 2019.

Approximately RMB301,813,000 (As at 31st December, 2017: Nil) due from an associate is unsecured, interest-bearing at 4.35% per annum on the principal and repayable on 31st December, 2018.

- (f) As at 30th June, 2018, dividend receivable from an affiliated company represents dividend receivable from an associate of the Group.

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

(g) As at 30th June, 2018, accounts payable to affiliated companies arising from trading activities consisted of the following:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2018	2017
	RMB'000	RMB'000
Accounts payable to related parties:		
– Associates	554,107	556,064
– Joint ventures	94,371	97,215
– Huachen and its affiliated companies	223,168	327,342
– An affiliated company of BHL	33,823	33,823
– Shanghai Shenhua and its affiliated companies	17,122	14,987
– An affiliated company of a shareholder of a joint venture	3	3
	<hr/>	<hr/>
	922,594	1,029,434
	<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,
	2018	2017
	RMB'000	RMB'000
Less than six months	454,209	653,668
Six months to one year	257,631	279,516
Above one year but less than two years	143,599	29,707
Two years or above	67,155	66,543
	<hr/>	<hr/>
	922,594	1,029,434
	<hr/>	<hr/>

(h) As at 30th June, 2018, the Group's notes payable to affiliated companies arising from trading activities consisted of the following:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2018	2017
	RMB'000	RMB'000
Notes payable to related parties:		
– Huachen and its affiliated companies	108,518	–
– A joint venture	–	10,000
– Associates	44,696	6,650
	<hr/>	<hr/>
	153,214	16,650
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28. **Connected and related party transactions (Cont'd)**

- (i) As at 30th June, 2018, amounts due to affiliated companies consisted of the following:

	(Unaudited) As at 30th June, 2018 RMB'000	(Audited) As at 31st December, 2017 RMB'000
Amounts due to related parties:		
– Associates	5,148	10,269
– A joint venture	–	5,000
– Huachen and its affiliated companies	342,444	399,774
– Affiliated companies of BHL	28,152	28,066
– Affiliated companies of Shanghai Shenhua	4,505	4,289
	<hr/>	
	380,249	447,398
	<hr/>	

- (j) Compensation benefits to key management personnel are as follows:

	(Unaudited) For the six months ended 30th June, 2018 RMB'000		2017 RMB'000
Short-term employee benefits	11,907		8,675
	<hr/>		

- (k) 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 non-BMW automobiles 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 and bank borrowings, general banking facilities and utilities services 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,
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted but not provided for:		
– Construction projects	27,256	20,264
– Acquisition of plant and machinery	224,378	279,351
– Others	8,379	10,798
	<hr/>	<hr/>
	260,013	310,413
	<hr/>	<hr/>
Authorised but not contracted for:		
– Construction projects and acquisition of plant and machinery	112,761	101,892
	<hr/>	<hr/>

(b) Operating lease commitments

As lessee

As at 30th June, 2018, 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,
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	19,217	22,805
In the second to fifth years inclusive	32,653	35,439
Over five years	61,418	135
	<hr/>	<hr/>
	113,288	58,379
	<hr/>	<hr/>

29. Commitments (Cont'd)

(b) Operating lease commitments (Cont'd)

As lessor

As at 30th June, 2018, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of land use rights as follows:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2018	2017
	RMB'000	RMB'000
Within one year	1,083	–
In the second to fifth years inclusive	1,721	–
	<hr/>	<hr/>
	2,804	–
	<hr/>	<hr/>

30. CONTINGENT LIABILITIES

Pursuant to an agreement dated 20th November, 2017 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 million for each party (As at 31st December, 2017: RMB600 million) for the period from 1st January, 2018 to 31st December, 2018. As at 30th June, 2018, under this agreement, outstanding bank loans and other banking facilities totaling RMB356 million (As at 31st December, 2017: RMB356 million) were utilised, of which RMB206 million (As at 31st December, 2017: RMB206 million) and RMB150 million (As at 31st December, 2017: RMB150 million) were supported by the Group's bank deposits pledged to and corporate guarantee provided to the banks, respectively.

## MANAGEMENT'S DISCUSSION & ANALYSIS

### Business Discussion and Analysis

The unaudited consolidated revenue of the Group (which comprised primarily net sales derived from the businesses operated by our major operating subsidiaries including RBJAC and Xing Yuan Dong) for the first six months of 2018 was RMB2,287.1 million, representing a decrease of 19.4% from the RMB2,837.1 million generated during the same period in 2017. The decrease in revenue was mainly due to the decrease in the number of non-BMW automobiles sold during the period.

RBJAC sold 22,739 minibuses and multi-purpose vehicles (“MPV”) in the first half of 2018, representing a 32.4% decrease from the 33,616 units sold during the same period in 2017. Out of the 22,739 units sold, 20,980 units were Haise minibuses, representing a decrease of 26.7% from 28,629 units sold during the first six months of 2017. The enforcement of Regulation Nos 453 and 7258 in China had caused a decrease in the sales volume of Haise during the first half of 2018. Furthermore, sales volume of the Granse products decreased by 44.5% from 2,784 units for the first half of 2017 to 1,544 units for the same period in 2018. The decrease was a result of shortage in the supply of certain key components, and intensive market competition.

Unaudited cost of sales decreased by 21.7% from RMB2,720.1 million in the first six months of 2017 to RMB2,130.2 million for the same period in 2018. The proportionally higher decrease in cost of sales as compared to the decrease in revenue during the first half of 2018 was mainly due to continuing efforts in cost control. As a result, the unaudited gross profit of the Group increased by 34.0% from RMB117.1 million in the first six months of 2017 to RMB156.9 million for the same period in 2018. Unaudited gross profit margin of the Group increased to 6.9% in the first half of 2018 from 4.1% in the same period in 2017.

Unaudited other income increased by 75.2% from RMB29.4 million in the first six months of 2017 to RMB51.5 million for the same period in 2018. The increase was mainly due to the increase of scrap sales in the first half of 2018 compared to the same period in last year.

Unaudited interest income increased by 28.9% from RMB24.6 million in the first six months of 2017 to RMB31.7 million for the same period in 2018 as the balance of interest-bearing bank deposits have increased, which was due to the contribution of additional paid-up capital by non-controlling interest of RMB490 million in RBJAC, in the first six months of 2018 as compared to the same period in last year.

Unaudited selling expenses decreased by 38.5% from RMB289.8 million in the first half of 2017 to RMB178.3 million for the same period in 2018. The decrease in selling expenses was driven mainly by decreases in transportation costs, advertising and certain aftersales-related services resulting from the decrease in the number of units sold. As a result, selling expenses as a percentage of revenue decreased from 10.2% to 7.8% as compared to the same period in 2017.



Unaudited general and administrative expenses decreased by 50.9% from RMB555.2 million in the first six months of 2017 to RMB272.4 million for the same period in 2018 due to an impairment loss of RMB350.0 million related to Huasong which was recorded in the first half of 2017. However, there was an increase in R&D expenses during the first half of 2018 due to the organization change of RBJAC during the period.

Unaudited finance costs increased by 6.5% from RMB62.9 million for the first six months of 2017 to RMB67.0 million for the same period in 2018, due to a decrease in capitalised interest costs for capital expenditures incurred during the period.

The Group's unaudited share of results of joint ventures increased by 37.9% from RMB2,666.4 million in the first half of 2017 to RMB3,677.4 million for the same period in 2018. 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 37.8% from RMB2,668.8 million in the first half of 2017 to RMB3,677.4 million for the same period this year. The BMW joint venture achieved sales of 209,768 BMW vehicles in the first six months of 2018, an increase of 13.4% as compared to 185,021 BMW vehicles sold in the same period in 2017. The sales volumes of the locally produced 1-series sedan, 3-series, 5-series, X1 and 2-series active tourer for the first six months of 2018 were 19,394 units, 66,664 units, 69,086 units, 47,736 units and 4,627 units, respectively, compared to 11,572 units, 63,073 units, 59,214 units, 42,732 units and 8,430 units, respectively, for the same period in 2017. The brand new X3 sport activity vehicle ("SAV") was launched in June 2018 and achieved sales volume of 2,261 units during the month.

The Group's unaudited share of results of associates decreased by 67.0% from RMB125.3 million in the first half of 2017 to RMB41.3 million in the corresponding period in 2018. This was primarily attributable to a decrease in profit contribution from Shenyang Aerospace Mitsubishi Motors Engine Manufacturing Co., Ltd. and Power Xinchun, two major associates of the Group.

The Group's unaudited profit before income tax expense increased by 67.5% from RMB2,054.8 million in the first half of 2017 to RMB3,441.2 million for the same period in 2018. Unaudited income tax expense has increased by 312.2% from RMB4.1 million in the first half of 2017 to RMB16.9 million for the same period in 2018, mainly due to an increase in PRC dividend withholding tax on dividends distributed by a subsidiary to the Company in the first half of 2018.

As a result of the above, the Group recorded an unaudited profit attributable to equity holders of the Company of RMB3,566.1 million for the first half of 2018, representing an increase of 54.3% from the RMB2,310.5 million for the same period in 2017. Unaudited basic earnings per share for the six months ended 30th June, 2018 amounted to RMB0.70683 compared to RMB0.45837 for the same period in 2017.

The Company has declared a dividend of HK\$0.11 per share (2017: HK\$0.11 per share), amounting to a total of about HK\$555.0 million for the year (2017: HK\$555.0 million).

## Prospects

During the first six months of 2018, China's economy showed steady growth with GDP up 6.8% compared to the same period last year. According to the China Association of Automobile Manufacturers, total Chinese vehicle sales in the first half increased by 5.6% to 14.07 million units. Of this figure, passenger vehicles accounted for 11.78 million units, up by 4.6%. Consistent with prior periods, the growth in premium passenger vehicle sales had again stayed ahead of overall market growth, and reached 12% during this period. The growth in premium passenger vehicle sales was driven by launch of new products and strong market demand which had continued since the beginning of the year until the recent outbreak of the Sino-US trade conflict.

During the first half of 2018, our BMW Brilliance joint venture ("**BBA**") has been kept busy with implementation of production capacity overhaul and market launches of new models. The modification of the Dadong South plant was completed in preparation for production of the new generation X3 SAV which was launched to the market in June 2018. The brand new X3 SAV represents the sixth BMW model that is locally produced by BBA, the addition of which has further strengthened the competitiveness of BBA's product offerings in China. The new X3 SAV has received raving market reviews and extremely positive customer response since launch. In addition to the X3, BBA has also introduced in March 2018 the plug-in hybrid version of the new 5-series. This new energy vehicle ("**NEV**") version of the 5-series offers not just the same cutting-edge innovations and class-leading driving dynamics of the traditional internal combustion engine ("**ICE**") version, but it also adds to the NEV portfolio of BBA allowing it to position for NEV sales proliferation over time. Alongside these new launches, our X1, 1-series sedan and 3-series also continued to deliver increased sales volumes during the period. As a result, BBA achieved sales of 209,768 BMW vehicles in the first half of 2018, representing an increase of 13.4% when compared to the same period in 2017.

BBA has continued to expand its dealer network which reached 515 full service 4S shops nationwide as at 30th June, 2018, making it the biggest dealer network in the Chinese premium auto segment. The company continues to work closely with its sales organisation on all fronts in an effort to sustain the profitability of both BBA and its dealers. BBA's sales activities also continue to be supported by the BMW auto finance company which has been performing well and contributing profits to BBA. In addition, BBA has also taken a 42% stake in the new Herald International Financial Leasing Co. Ltd. (with BMW AG being the other 58% shareholder) which together with the BMW auto finance company will continue to support the sales of BBA and its dealers.

We continue to be confident about the long-term growth prospects of the Chinese premium auto industry, despite the recent market slowdown since May due to the disruption caused by import tariff adjustments. We believe the current market lull will be short-lived, and that demand will return once the tariff related uncertainty is stabilised. The new X3 will be a key product which will bolster up the competitiveness of BBA's product offerings in China, and we expect its sales to continue to ramp up in the second half of this year. Furthermore, BBA is also actively finalising its NEV strategy and product lineup for the next few years to properly position itself for participation in this rapidly growing area in China. BMW is taking leadership as the premium E-mobility provider in China. BBA will be integrated into BMW's worldwide production network to facilitate export of locally produced products from China. It is expected that the pure battery electric ("BEV") variant of the X3 will be solely produced by BBA for export worldwide after 2020. Future new products will also be equipped with both the ICE and BEV variants to provide flexibility in meeting market demands. In light of the above, the board of BBA is currently assessing the need for further capacity expansion (including a new greenfield plant) and the feasibility of introducing additional BMW models into BBA for local production over time. Concurrently, due to the recent announcement by the Chinese government to remove foreign ownership caps on local auto companies by 2022, the two shareholders have commenced discussions in relation to the continuous cooperation in BBA, including the term of the joint venture contract, ownership structure, and capacity expansion. Nevertheless, no concrete terms have been agreed and no legally binding agreements have been signed to date. Should any agreement be reached by the two shareholders in connection with the joint venture, the Company will ensure that such agreement will comply with all applicable laws and regulations, including the Listing Rules, and the Company will pay due regard to the interests of our minority shareholders during any negotiation.

As for our business under RBJAC, since the formation of this venture at the beginning of the year the new management team has been focusing its efforts on formulating both an immediate and mid-range business plan for the company. During the past few months the company saw a rapid gear up of its operations in sales, R&D, and product planning. The strategy is to increase sales of the existing products by working with dealers and implementing renewed marketing strategies, while at the same time pushing forward with the development of new products such as the Renault Master model and a new Jinbei product. Although we expect RBJAC to continue to contribute negative earnings to the Group in 2018, our aim is to craft a concrete plan to stabilise the company's existing business, achieve immediate cost reduction and sales overhaul, and strengthen new product pipeline so as to reduce losses year-on-year and ultimately return to profitability over time.

BBAFC, the Company's auto finance subsidiary in China, had continued to be profitable during the first half of 2018 despite facing severe liquidity crunch and challenges in securing bank borrowings. In addition to supporting Huachen group and RBJAC's sales of their sport utility vehicles, sedans, minibuses and MPVs, the company has continued to grow its businesses with Jaguar Land Rover and Tesla. The shareholders of BBAFC are looking for ways to support the company through an equity increase which is currently pending regulatory approval, as well as expansion of funding channels and instruments. We are confident that the growth of BBAFC's business will pick up again once additional funds are available.

The remaining months of 2018 will continue to be very challenging for the Group, especially on transaction pricing and sales volume in light of current market uncertainty. Maintaining the prominent position of BBA in the premium auto market, executing renewed strategies for the turnaround of RBJAC with Renault SAS ("**Renault**") as our new partner, and driving for additional businesses and profits for BBAFC, will all remain the Group's business priorities. Apart from these, 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, 2018, the Group had RMB1,899.2 million in cash and cash equivalents (*As at 31st December, 2017: RMB1,732.1 million*), RMB42.3 million in cash at central bank (*As at 31st December, 2017: RMB62.0 million*), RMB12.7 million in short-term bank deposits (*As at 31st December, 2017: RMB43.4 million*) and RMB913.8 million in pledged short-term bank deposits (*As at 31st December, 2017: RMB1,713.8 million*). As at 30th June, 2018, the Group had notes payable in the amount of RMB1,434.4 million (*As at 31st December, 2017: RMB2,780.6 million*).

As at 30th June, 2018, the Group had outstanding short-term bank borrowings of RMB4,456.4 million (*As at 31st December, 2017: RMB2,809.9 million*) and outstanding long-term bank borrowings of RMB70 million (*As at 31st December, 2017: RMB80 million*).

All short-term bank borrowings as at 30th June, 2018 were due within one year, being repayable from 2nd July, 2018 to 21st June, 2019 (*As at 31st December, 2017: repayable from 8th January, 2018 to 29th November, 2018*). As at 30th June, 2018, these borrowings bore interest at rates ranging from 4.35% to 7.50% per annum (*As at 31st December, 2017: 3.92% to 6.45% per annum*) and were denominated in Renminbi (*As at 31st December, 2017: same*). All long-term bank borrowings as at 30th June, 2018 were due within 3.5 years, being repayable on 1st December, 2021 (*As at 31st December, 2017: 4 years, being repayable on 1st December, 2021*). As at 30th June, 2018, these borrowings bore interest at 5.23% per annum (*As at 31st December, 2017: 5.23% per annum*) and were denominated in Renminbi (*As at 31st December, 2017: same*).

With an aim to improve its liquidity, the Group regularly monitors its accounts receivable turnover and inventory turnover. For the six months ended 30th June, 2018, the Group's accounts receivable turnover days was approximately 85 days, compared to approximately 90 days for the same period in 2017. Inventory turnover days was approximately 86 days in the first half of 2018, compared to approximately 75 days for the same period in 2017.

## Capital Structure and Funding Policies

As at 30th June, 2018, the Group's total assets was RMB40,909.1 million (*As at 31st December, 2017: RMB37,856.1 million*), which was funded by the following: (a) share capital of RMB397.2 million (*As at 31st December, 2017: RMB397.2 million*), (b) reserves of RMB29,081.9 million (*As at 31st December, 2017: RMB26,125.8 million*), (c) total liabilities of RMB10,904.6 million (*As at 31st December, 2017: RMB11,155.9 million*), and (d) contribution from non-controlling interests of RMB525.4 million (*As at 31st December, 2017: RMB177.3 million*).

As at 30th June, 2018, 97.2% (*As at 31st December, 2017: 94.3%*) of the Group's cash and cash equivalents (comprising cash on hand, bank balances and demand deposits within three months of maturity when acquired) were denominated in Renminbi, whereas 2.0% (*As at 31st December, 2017: 2.7%*) were denominated in United States Dollar. The remaining balance of 0.8% (*As at 31st December, 2017: 3%*) were denominated in other currencies.

Apart from the borrowings, banking facilities were in place for contingency purposes. As at 30th June, 2018, the Group's total available banking facilities for its daily operations amounted to RMB1,933.1 million (*As at 31st December, 2017: RMB315.8 million*) without any committed banking facilities.

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 to be adequate by the management to finance the Group's operations, expected expansion and product developments. 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 Expenditures and Commitments

For the first six months of 2018, the Group incurred capital expenditures of RMB107.8 million (*Six months ended 30th June, 2017: RMB276.9 million*) mainly for acquisition of tools and moulds, machinery and equipment, and development costs for non-BMW automobiles.

As at 30th June, 2018, the Group's capital commitments, including those authorised but not yet contracted for, amounted to RMB372.8 million (*As at 31st December, 2017: RMB412.3 million*). Among such, contracted capital commitments amounted to RMB260.0 million (*As at 31st December, 2017: RMB310.4 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**

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, 2018.

## **New Business and New Products**

To meet the changing customer demands and to strengthen its market position in the PRC, RBJAC will continue to evaluate, on an ongoing basis, the development of new light commercial vehicle (“**LCV**”) and MPV models, upgrading of existing products, expansion of its product portfolio, and potential strategic partnerships.

It is planned that RBJAC will engage in the manufacture and sale of LCV products under the JinBei, Renault and Huasong brands.

RBJAC will try to invigorate the JinBei brand and manufacture the Renault LCVs in the PRC within the next few years.

## **Employees, Remuneration Policy and Training programmes**

The Group employed approximately 6,920 employees as at 30th June, 2018 (*As at 30th June, 2017: approximately 7,150*). Employee costs amounted to RMB387.1 million for the six months ended 30th June, 2018 (*Six months ended 30th June, 2017: RMB389.8 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. RBJAC 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, 2018, short-term bank borrowings of RMB91 million (*As at 31st December, 2017: RMB575 million*) were secured by the Group's buildings and tools and moulds, machinery and equipment with total net book values of approximately RMB194.5 million (*As at 31st December, 2017: RMB197.1 million*). As at 30th June, 2018, no bank borrowings are secured by the Group's bank guaranteed notes (*As at 31st December, 2017: RMB250 million*).

As at 30th June, 2018, long-term bank borrowings of RMB70 million (*As at 31st December, 2017: RMB80 million*) were secured by the Group's land lease prepayments with a net book value of RMB31.0 million (*As at 31st December, 2017: RMB31.2 million*) and buildings, plant and equipment with total net book value of RMB42.1 million (*As at 31st December, 2017: RMB45.3 million*).

In addition, as at 30th June, 2018, the Group pledged short-term bank deposits of RMB703.2 million (*As at 31st December, 2017: RMB1,503.2 million*) for issue of bank guaranteed notes to trade creditors, and RMB210.5 million (*As at 31st December, 2017: RMB210.5 million*) to secure bank loans granted to an associate of Huachen.

As at 30th June, 2018, the Group had also pledged bank guaranteed notes receivable from third parties and affiliated companies in the amount of RMB78.9 million (*As at 31st December, 2017: RMB64.2 million*) to secure the issue of bank guaranteed notes. As at 31st December, 2017, the Group also pledged additional bank guaranteed notes receivable from third parties and affiliated companies in the amount of RMB250 million to secure bank borrowings.

## Future Plans for Material Investments or Additions of Capital Assets

As disclosed in the announcement of the Company dated 4th July, 2017, following the registration of Renault as a 49% shareholder of RBJAC (the "**Completion**"), the Company and Renault will complete an increase of the registered capital of RBJAC in an aggregate amount of RMB1.5 billion. Among such, RMB1 billion was paid up by the Company and Renault in proportion to their respective equity interests in RBJAC in March 2018. The remaining RMB0.5 billion will be paid up, within 12 months after the Completion, by the Company and Renault in proportion to their respective equity interests in RBJAC.

Save as disclosed above, there was no plan authorised by the Board for other material investments or additions of capital assets during the six months ended 30th June, 2018 and since then up to the date of this report.

## Gearing Ratio

As at 30th June, 2018, 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, 2017: 0.42*). The decrease in the gearing ratio was primarily due to the increase in total equity attributable to equity holders of the Company as compared to 31st December, 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, 2018 (*As at 30th June, 2017: nil*).

## **Contingent Liabilities**

Pursuant to an agreement dated 20th November, 2017 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 million for each party (*As at 31st December, 2017: RMB600 million*) for the period from 1st January, 2018 to 31st December, 2018. As at 30th June, 2018, under this agreement, outstanding bank loans and other banking facilities totaling RMB356 million (*As at 31st December, 2017: RMB356 million*) were utilised, of which RMB206 million (*As at 31st December, 2017: RMB206 million*) and RMB150 million (*As at 31st December, 2017: RMB150 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 12th October, 2018 (*2017: HK\$0.11 per ordinary share*). The dividend is expected to be paid on Friday, 26th October, 2018.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Wednesday, 10th October, 2018 to Friday, 12th October, 2018, both days inclusive, during which period no transfer of shares will be registered. The record date for the dividend is Friday, 12th October, 2018. 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, 9th October, 2018.

## **UPDATE ON DIRECTORS' INFORMATION**

There is no change in information of the directors of the Company as required to be disclosed under Rule 13.51(B)(1) of the Listing Rules since the date of the 2017 annual report up to the date of this report.



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

As at 30th June, 2018, 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	%
Citigroup Inc. (Note 2)	316,590,539 ordinary	6.27	19,929,124	0.39	293,858,927	5.82
Huachen (Note 3)	2,135,074,988 ordinary	42.32	–	–	–	–
J.P. Morgan Chase & Co. (Note 4)	404,003,103 ordinary	8.00	21,472,535	0.42	289,037,991	5.72
Templeton Asset Management Ltd. (Note 5)	345,983,276 ordinary	6.86	–	–	–	–

### Notes:

- 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, 2018.
- The 316,590,539 shares in long position were held as to 22,731,612 shares as corporate interest and as to 293,858,927 shares in the capacity as approved lending agent. The 19,929,124 shares in short position were held as corporate interest.
- The 2,135,074,988 shares in long position were held in the capacity as beneficial owner.
- The 404,003,103 shares in long position were held as to 52,397,839 shares in the capacity as beneficial owner, as to 62,544,823 shares held in the capacity as investment manager, as to 22,450 shares in the capacity as trustee and as to 289,037,991 shares in the capacity as approved lending agent. The 21,472,535 shares in short position were held in the capacity as beneficial owner.
- The 345,983,276 shares in long position were held in the capacity as investment manager.

Save as disclosed herein, as at 30th June, 2018, 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, 2018, 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 (also known as Mr. Ng Siu On)	Personal	6,200,000 ordinary	0.12%	–	–	–
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, 2018.

## 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		Short	
			Position	%	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, 2018.
2. As at 30th June, 2018, 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, 2018.
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, 2018.

Save as disclosed above, as at 30th June, 2018, 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.

As at 1st January, 2018, there was no outstanding share option under the Share Option Scheme.

During the six months ended 30th June, 2018:

- (a) no share options under the Share Option Scheme have been granted, exercised, lapsed or cancelled;
- (b) 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;
- (c) there is no participant with options granted in excess of the individual limit; and
- (d) 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.

As no share options have been granted by the Company under the Share Option Scheme for the six months ended 30th June, 2018, no expenses were recognised by the Group for the period under review (*Six months ended 30th June, 2017: 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, 2018.

## **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, 2018.

### **Major updates**

There have not been material changes to the information disclosed in the Company's 2017 annual report in respect of our corporate governance practices. Major updates since the 2017 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. Wu Xiao An, Mr. Qi Yumin and Mr. Xu Bingjin retired by rotation at the annual general meeting of the Company held on 22nd June, 2018 (the "2018 AGM").

Each of Mr. Wu Xiao An, Mr. Qi Yumin and Mr. Xu Bingjin were re-elected as directors of the Company by shareholders of the Company at the 2018 AGM.

### *Communications with shareholders*

In accordance with the code provision E.1.2, (a) Mr. Xu Bingjin, the chairman of each of the audit committee, remuneration committee and nomination committee and an independent non-executive director, (b) Mr. Song Jian and Mr. Jiang Bo, members of the aforementioned three board committees and independent non-executive directors, and (c) Mr. Wu Xiao An and Mr. Qi Yumin, both members of the remuneration committee and nomination committee and executive directors attended the 2018 AGM in person to answer questions from shareholders. In addition, all other directors of the Company also attended the 2018 AGM in person or by way of telephone conference.

Pursuant to the code provision E.1.2, the Company has invited representatives of the external auditor of the Company to attend the 2018 AGM to answer shareholders' questions about the conduct of the audit, the preparation and content of the auditor's 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 condensed consolidated interim financial statements of the Group for the six months ended 30th June, 2018.

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, 2018.

### **BOARD OF DIRECTORS**

As at the date of this report, the Board comprises four executive directors, Mr. Wu Xiao An (*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, 24th August, 2018