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
华晨汽车

Annual Report 2018

* for identification purposes only

Contents

Corporate Information

BOARD OF DIRECTORS

Mr. Wu Xiao An
(also known as Mr. Ng Siu On) *(chairman)*
Mr. Yan Bingzhe *(chief executive officer)*#
Mr. Qian Zuming
Mr. Zhang Wei
Mr. Xu Bingjin*
Mr. Song Jian*
Mr. Jiang Bo*

* *independent non-executive director*
\# *appointed on 12th April, 2019*

AUTHORISED REPRESENTATIVE

Mr. Wu Xiao An

CHIEF FINANCIAL OFFICER

Mr. Qian Zuming

COMPANY SECRETARY

Ms. Lam Yee Wah Eva

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Chater House
8 Connaught Road Central
Hong Kong

AUDITOR

Grant Thornton Hong Kong Limited
Level 12, 28 Hennessy Road
Wanchai
Hong Kong

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited,
Hong Kong Branch

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–16
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

LEGAL ADVISORS TO THE COMPANY

Appleby
Lau, Horton & Wise LLP

INVESTOR RELATIONS

Weber Shandwick
10th Floor, Oxford House
Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

STOCK CODE

The main board of The Stock Exchange of Hong Kong Limited: 1114

(Note: The above information was made up to the date of despatch of this annual report, i.e. 29th April, 2019)

Five Year Financial Summary

SELECTED CONSOLIDATED FINANCIAL INFORMATION OF BRILLIANCE CHINA AUTOMOTIVE HOLDINGS LIMITED AND ITS SUBSIDIARIES

(Amounts in thousands except for earnings per share)

	Year Ended and as at 31st December,				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Income Statement Data:					
Revenue	**4,377,263**	5,304,723	5,125,118	4,862,855	5,514,804
Profit before Income Tax Expense	**5,359,046**	3,899,766	3,424,537	3,324,798	5,342,882
Income Tax (Expense)	**(64,552)**	(33,953)	(35,933)	(44,529)	(42,913)
Profit for the Year	**5,294,494**	3,865,813	3,388,604	3,280,269	5,299,969
Attributable to:					
Equity Holders of the Company	**5,820,909**	4,376,120	3,682,074	3,494,733	5,403,434
Non-controlling Interests	**(526,415)**	(510,307)	(293,470)	(214,464)	(103,465)
	5,294,494	3,865,813	3,388,604	3,280,269	5,299,969
Basic Earnings per Share	**RMB1.15374**	RMB0.86776	RMB0.73103	RMB0.69536	RMB1.07515
Diluted Earnings per Share	**RMB1.15374**	RMB0.86738	RMB0.72987	RMB0.69258	RMB1.07082
Statement of Financial Position Data:					
Non-current Assets	**32,818,148**	28,824,292	24,033,672	19,897,290	16,862,136
Current Assets	**9,281,708**	9,031,839	7,009,340	7,174,984	6,344,793
Current Liabilities	**(10,131,964)**	(10,964,975)	(8,322,660)	(7,871,885)	(7,133,993)
Non-current Liabilities	**(143,070)**	(190,949)	(121,829)	(136,708)	(119,003)
Non-controlling Interests	**(745,078)**	(177,256)	1,125,334	831,864	977,400
Shareholders' Equity	**31,079,744**	26,522,951	23,723,857	19,895,545	16,931,333

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "**Board**"), I hereby present the annual results of Brilliance China Automotive Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") for the year ended 31st December, 2018.

The year 2018 was a challenging one for the Chinese economy, with GDP growing 6.6% compared to the prior year which was the slowest pace of annual growth since 1990. Total vehicle sales in China decreased by approximately 2.8% to 28.08 million units, according to the China Association of Automobile Manufacturers, representing the first year of contraction since the 1990s. Passenger vehicle sales accounted for 23.71 million units in 2018, or a drop of approximately 4.1%. The weakness in auto sales was caused by the general economic slowdown, the phasing out of purchase tax cuts on smaller cars, and was further exasperated by the Sino-US trade and import tariff disputes. Nevertheless, the premium passenger vehicle segment had once again outperformed that of the overall market and achieved outstanding sales volume growth of approximately 10.0% in 2018 which was primarily driven by new product launches.

In April 2018, the PRC government announced the removal of all restrictions on foreign ownership of auto companies in China by 2022. Having considered the uncertainties to the future cooperation of the two shareholders in our BMW Brilliance joint venture, BMW Brilliance Automotive Ltd. ("**BBA**") that this new regulation will impose under the existing joint venture contract which was due to expire in 2028, the two shareholders reached agreement in October 2018 on a transfer of a 25% ownership of BBA from the Group to BMW for cash consideration of RMB29 billion subject to adjustments (the "**Disposal**"), together with other new products and strategic investments in BBA as well as the extension of the joint venture term to 2040. Although the Disposal would reduce the Group's percentage of earnings to be received from BBA, considering the growing Chinese premium auto market as well as the future business plan of BBA and the extension of the joint venture contract tenure, the Board was of the view that the transaction was in the interest of the Company and its shareholders. Shareholder resolutions for the Disposal were duly passed at a special general meeting held on 18th January, 2019, and completion is expected to take place no later than 2022 subject to certain conditions including the necessary approvals by the PRC government.

During 2018, despite economic turbulence BBA had continued to deliver impressive results. BBA achieved sales of 466,182 BMW vehicles in 2018, representing an increase of approximately 20.6% when compared to the prior year. The joint venture was kept busy with implementation of additional production capacity and market launches of new models. The new generation X3 sport activity vehicle ("**SAV**"), which is the sixth BMW model that is locally produced by BBA, underwent market launch in June 2018 and served to further fortify the competitiveness of BBA's product offerings in China. In addition to the X3, BBA 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 increasing sales volumes during the year.

BBA has continued with expansion of its dealer network which had reached 531 full service 4S shops nationwide as at 31st December, 2018, maintaining its leading position in having the biggest dealer network among premium auto operators in China. The company continues to work closely with its sales organization 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 and Herald International Financial Leasing Co., Ltd., both of which have been performing well in supporting the sales effort of and contributing profits to BBA.

Despite the recent market slowdown, Brilliance continues to be confident about the long-term growth prospects of the Chinese premium auto industry. The new X3 will be a key product which will bolster the competitiveness of BBA's product offerings in China. In addition, the new generation 3-series sedan, the X2 SAV which will be the seventh BMW model to be locally produced by BBA, as well as the X1 facelift version are all scheduled for 2019 launch and these new products will further drive sales growth. Moreover, BMW is taking leadership as the premium E-mobility provider in China. BBA has outlined an advanced roadmap of its NEV strategy and product lineup for the next few years to proactively position itself for participation in this potentially lucrative and rapidly growing area in China. In addition, BBA will be integrated into BMW's worldwide production network to enable export business from China, with the pure battery electric ("**BEV**") variant of the X3 to be solely produced by BBA and exported worldwide after 2020. Future new products will also be equipped with both the ICE and BEV variants to provide flexibility in meeting market demand. Furthermore, the highly popular X5 SAV model will also be introduced into BBA as a local product in the future. In light of the above, the two shareholders had agreed, as part of the discussion for the Disposal, to embark on further capacity expansion which will include construction of a new greenfield plant as well as extension of the existing Dadong and Tiexi facilities, all of which are scheduled to be completed in 2022 and will encompass fully flexible production architectures for all types of drivetrains. Concurrently, in an effort to prepare for the rapid advancement of digitalized customer ecosystem in China, BBA has also recently established a new subsidiary for the development and provision of digitalized mobility services in China.

As for our non-BMW automobile business under Renault Brilliance Jinbei Automotive Company Limited ("**RBJAC**"), since the formation of this joint venture at the beginning of 2018, the new management team has been focusing its efforts on formulating both an immediate and mid-range business plan for the company. Our new partner Renault has also provided tremendous support to the new joint venture. During the year 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. The new management team, under the direction of Renault and the Group, was able to sustain the company and achieve a slight reduction in operating losses compared to the previous year. Although we expect RBJAC to continue to contribute negative earnings to the Group in 2019, our aim is to further stabilize the company's existing business, develop new business models such as cooperation with ride-hailing operators to open up additional sales channels, achieve cost down, cultivate sales network in focus cities, and strengthen new product pipeline with new Renault branded products as well as upgrades of existing products to comply with new regulations, all in an effort to reduce losses year-on-year and ultimately return to profitability over time.

Brilliance-BEA Auto Finance Co., Ltd. ("**BBAFC**"), the Company's auto finance subsidiary in China, had achieved significant improvement in 2018 both in terms of serviced portfolio and profitability, despite severe liquidity crunch and challenges in securing bank borrowings during the first half of the year. The company has also built up processes and technology capable of serving premium brands and their customers. In addition to supporting Huachen Group and RBJAC's sales of their sport utility vehicles ("**SUV**"), sedans, minibuses and multi-purpose vehicles ("**MPV**"), the company has continued to grow its businesses with Jaguar Land Rover ("**JLR**") and Tesla while holding advanced discussions with other OEMs. The goal is to further expand its serviced portfolio by adding both premium and multi-brand customers in order to increase its business scale and improve profitability. The shareholders of BBAFC had shown support to the company through an equity injection of RMB800 million in October 2018. The company will also continue to diversify its funding sources via expansion of funding channels and issuances of financial instruments.

2019 will continue to be a very challenging year for the Chinese auto industry and for the Group 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 by working closely with Renault, and driving for additional businesses and profits for BBAFC, will all remain the Group's business priorities. Apart from that, the Group also continues to look for ways to further streamline its existing operation and corporate structure to support its business growth.

Last but not least, I would like to express my sincere appreciation to our shareholders, business partners, management team and employees for their continued support and dedication to the Group.

Wu Xiao An
(also known as Ng Siu On)
Chairman
26th March, 2019

Report of Directors

The directors of the Company present this report together with the audited financial statements of the Group for the year ended 31st December, 2018.

PRINCIPAL ACTIVITIES

The Company is a holding company. The Group is principally engaged in the manufacture and sale of non-BMW automobiles and automotive components, and the provision of auto financing service in the People's Republic of China (the "**PRC**") through its subsidiaries and major joint venture. RBJAC (formerly known as Shenyang Brilliance JinBei Automobile Co., Ltd. ("**Shenyang Automotive**")) is the Company's major operating subsidiary in the PRC, whose equity interests are beneficially owned as to 51% by the Company. BBA, the Company's 50% owned major joint venture, engages in the manufacture and sale of BMW vehicles in the PRC. BBAFC, the Company's 55% owned subsidiary, engages in the provision of auto financing service to customers and dealers in the PRC. The principal activities of the Company's subsidiaries are set out in note 38 to the financial statements.

Prior to May 1998, the Company's sole operating asset was its interests in RBJAC. As a result, the Company's historical results of operations had been primarily driven by the sales price, sales volume and cost of production of RBJAC's minibuses. With a view to maintain quality, ensure a stable supply of certain key components and develop new businesses and products, the Company has acquired interests in various suppliers of components and established joint ventures in the PRC since May 1998. With additional investments and joint ventures, the Company's income base has since been broadened and its financial performance has been diversified from that of RBJAC.

In May 1998, the Company acquired indirect interests in two automotive components suppliers in the PRC: a 51% equity interest in Ningbo Yuming Machinery Industrial Co., Ltd. ("**Ningbo Yuming**"), which primarily engaged in the production of automobile window molding, stripping and other auto components; and a 50% equity interest in Mianyang Xinchen Engine Co., Ltd. ("**Mianyang Xinchen**"), which primarily engaged in the development, manufacturing and sale of light-duty gasoline and diesel engines for use in passenger vehicles and light commercial vehicles. In October 1998, June 2000 and July 2000, the Company established Shenyang XingYuanDong Automobile Component Co., Ltd. ("**Xing Yuan Dong**"), Ningbo Brilliance Ruixing Auto Components Co., Ltd. ("**Ningbo Ruixing**") and Mianyang Brilliance Ruian Automotive Components Co., Ltd. ("**Mianyang Ruian**"), respectively, as its wholly owned subsidiaries to centralize and consolidate the sourcing of auto parts and components for RBJAC. In 2001, in order to maintain their eligibility for preferential tax treatment from the PRC government, all three companies began manufacturing automotive components as well. Subsequently in 2004, the Company acquired the remaining 49% equity interest in Ningbo Yuming which became a wholly owned subsidiary of the Company on 25th November, 2004.

In December 2000, the Company acquired a 50% equity interest in Shenyang Xinguang Brilliance Automobile Engine Co., Ltd., a sino-foreign equity joint venture primarily engaged in the manufacture of gasoline engines for use in passenger vehicles. In December 2001, the Company acquired a 100% equity interest in Shenyang Brilliance Dongxing Automotive Component Co., Ltd. ("**Dongxing Automotive**"), a foreign-invested manufacturer of automotive components in the PRC.

On 18th April, 2002, Shenyang Jindong Development Co., Ltd. ("**Shenyang Jindong**") was established for the purpose of trading automotive components in the PRC. Currently, it is indirectly beneficially owned as to 100% by the Company.

In May 2002, RBJAC obtained the approval from the Chinese government to produce and sell Zhonghua sedans in the PRC. The Zhonghua sedans were launched in August 2002. The Zhonghua sedan business was disposed of to Huachen Automotive Group Holdings Company Limited ("**Huachen**") in December 2009.

On 27th March, 2003, the Company, through its indirect subsidiary, Shenyang JinBei Automotive Industry Holdings Co., Ltd. ("**SJAI**"), entered into a joint venture contract with BMW Holding B.V. ("**BMW**") to produce and sell BMW-designed and branded sedans in the PRC. As at the date of this report, the registered capital and total investment cost of the joint venture, BBA, is Euro 150 million and Euro 450 million, respectively; and the Company's effective interests in BBA is 50%. The locally produced BMW sedans were formally launched in the PRC in the fourth quarter of 2003. BBA commenced production and sale of BMW SAVs in the PRC in early 2012.

In April 2018, the PRC government announced that the foreign ownership restrictions in the Chinese auto sector would be relaxed and the Chinese market for passenger vehicles would be opened up in 2022. Against these developments and background, the Company agreed with BMW on a new ownership structure of BBA, together with other new products and strategic investments in BBA as well as the extension of the current joint venture term to the year 2040, subject to fulfilment of several conditions. At a special general meeting held on 18th January, 2019, the shareholders of the Company approved the Disposal. Completion is expected to take place no later than 2022 subject to certain conditions including the necessary approvals by the PRC government.

As at the date of this report, BBA is holding interests in two auto finance companies, namely BMW Automotive Finance (China) Co., Ltd. and Herald International Financial Leasing Co., Ltd., as well as a data processing & software application services company namely Ling Yue Digital Information Technology Co., Ltd. BBA is holding 42%, 42% and 100% in these companies, respectively.

In June 2003, the Company established Shenyang ChenFa Automobile Component Co., Ltd. ("**Shenyang ChenFa**"), a wholly foreign-owned enterprise in the PRC, for the development, manufacture and sale of engine components in China. In December 2011, the Company completed the disposal of 75% equity interests in Shenyang ChenFa to an independent third party. Currently, Shenyang ChenFa is directly held as to 25% by the Company.

On 29th December, 2003, the Company entered into agreements in relation to the proposed acquisition of an indirect 40.1% interest in Shenyang JinBei Automotive Co., Ltd. ("**JBC**"), a supplier of automotive components for the Group's minibuses. JBC is an A-share company listed on The Shanghai Stock Exchange. As a result of JBC's share reform, which took place in August 2006, all issued shares of JBC were converted into tradable shares on The Shanghai Stock Exchange. The Company's prospective 40.1% interest in JBC was reduced to 33.35%.

On 16th April, 2004, Shanghai Hidea Auto Design Co., Ltd. ("**Shanghai Hidea**") was established for the design of automobiles. Currently, Shanghai Hidea is beneficially owned as to 100% by the Company.

On 13th December, 2004, the Company, together with RBJAC, established Shenyang Brilliance Power Train Machinery Co., Ltd. ("**Shenyang Brilliance Power**") which principally engages in the manufacture and sale of power trains in China. In October 2009, RBJAC agreed to transfer its entire interests in Shenyang Brilliance Power to Huachen. As a result, the Company's beneficial interests in Shenyang Brilliance Power decreased from 75.01% to 49%.

The Company, through SJAI, had once held an indirect 9.9% equity interest in RBJAC, in addition to a direct 51% equity interest in RBJAC. On 23rd June, 2017, SJAI and JBC entered into an acquisition agreement, pursuant to which SJAI agreed to acquire 39.1% equity interest in RBJAC from JBC. On 4th July, 2017, the Company and Renault entered into a framework cooperation agreement, pursuant to which the Group agreed to dispose of 49% equity interest in RBJAC to Renault. Currently, RBJAC is owned as to 51% by SJAI and 49% by Renault.

Mianyang Xinchen was formerly a sino-foreign equity joint venture established in the PRC owned as to 50% by each of Southern State Investment Limited, a wholly owned subsidiary of the Company, and Mianyang Xinhua Internal Combustion Engine Joint-stock Company Limited. Subsequent to the completion of group restructuring in August 2011 and pre-IPO investment in October 2011 and immediately before the global offering which took place in March 2013, Mianyang Xinchen was indirectly held as to 100% by Xinchen China Power Holdings Limited ("**Power Xinchen**") which was in turn indirectly held as to 42.54% by the Company. On 13th March, 2013, the shares of Power Xinchen were listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with 313,400,000 new shares subscribed by the public at an offer price of HK$2.23 per share. Following the listing of Power Xinchen in March 2013 and the partial exercise of an over-allotment option to issue an addition 33,808,000 shares of Power Xinchen in April 2013, the indirect shareholding of the Company in Power Xinchen decreased from 42.54% to 31.07%. Currently, the Company, through its wholly-owned subsidiary, indirectly holds 31.20% equity interest in Power Xinchen.

On 7th April, 2015, BBAFC, the Company's auto finance joint venture in China together with Bank of East Asia and CaixaBank, S.A., received final approval to commence business in the PRC. BBAFC is a multi-brand service provider, and is owned as to 55% by the Company, 22.5% by Bank of East Asia and 22.5% by CaixaBank. In addition to supporting our major shareholder Huachen group and RBJAC's sales of their SUVs, sedans, minibuses and MPVs, BBAFC has continued to grow its businesses with JLR, Tesla and other multi-brands.

REVENUE AND CONTRIBUTION

The Group's revenue and contribution to profit from operations for the year ended 31st December, 2018, analysed by product category, are as follows:

	Manufacture and sale of non-BMW automobiles and automotive components RMB'000	Manufacture and sale of BMW vehicles RMB'000	Provision of auto financing service RMB'000	Reconciliation to the Group's consolidated statement of profit or loss and intersegment elimination RMB'000	Total RMB'000
Segment sales	**4,000,492**	**138,704,000**	**385,758**	**(138,712,987)**	**4,377,263**
Segment results	**(873,783)**	**16,772,823**	**3,719**	**(16,738,144)**	**(835,385)**
Unallocated costs net of unallocated income					**(30,467)**
Interest income					**60,712**
Finance costs					**(113,927)**
Share of results of:					
Joint ventures	**–**	**6,244,848**	**–**	**–**	**6,244,848**
Associates	**33,265**	**–**	**–**	**–**	**33,265**
Profit before income tax expense					**5,359,046**

FINANCIAL RESULTS

The results of the Group for the year ended 31st December, 2018 are set out in the financial statements of the Group on pages 73 and 74.

BUSINESS REVIEW

The Company is an investment holding company. The principal activities of the Company's subsidiaries are the manufacture and sale of non-BMW automobiles and automotive components, and the provision of auto financing service to customers and dealers in the PRC. RBJAC (formerly known as Shenyang Automotive) is the Company's major operating subsidiary in the PRC, which contributed about 64% of the revenue of the Group in 2018.

Business discussion and analysis

The consolidated revenues of the Group (which represent primarily those derived from major operating subsidiaries RBJAC, Xing Yuan Dong, and BBAFC) for the year ended 31st December, 2018 was RMB4,377.3 million, representing a 17.5% decrease from RMB5,304.7 million for the year ended 31st December, 2017. Within these figures, revenue derived from the provision of auto financing services by BBAFC was RMB376.8 million in 2018, which was 167.8% higher than the RMB140.7 million reported for the previous year. The consolidated revenues of the Group for the year ended 31st December, 2018 had decreased mainly due to a reduction in the sales volumes of minibuses and MPVs during the year.

RBJAC sold 43,000 minibuses and MPVs in 2018, which was 29.5% lower than the 61,028 vehicles sold in 2017. Of the minibuses sold, 38,924 units were Haise minibuses, representing a 25.5% decrease from the 52,216 units sold in 2017. The unit sales of Granse minibuses also decreased by 36.6% from 4,745 units in 2017 to 3,007 units in 2018. The drop in the sales volumes of both the Haise and Granse models was due to mature product portfolios and intensive market competition. The enforcement of certain new regulations in China also negatively affected the sales of Haise minibuses during the year. As for the Huasong 7 MPV, sales of 1,069 units was recorded during the year, representing a 73.7% decrease from the 4,067 units sold in 2017.

Cost of sales decreased by 20.1% from RMB5,118.5 million in 2017 to RMB4,090.7 million in 2018. The percentage decrease in cost of sales was higher than the percentage decrease in revenue, mainly due to continuing efforts in cost control at RBJAC resulting in improved margin for this business, as well as increased revenue contribution of the higher margin BBAFC business in 2018. As a result, the gross profit margin of the Group has improved from 3.5% in 2017 to 6.5% in 2018.

Other income increased by 27.9% from RMB110.5 million in 2017 to RMB141.3 million in 2018 due to the increase of scrap sales.

Interest income increased by 9.6% from RMB55.4 million in 2017 to RMB60.7 million in 2018 as the balance of interest-bearing bank deposits have increased in the year, which was mainly due to the contribution of additional paid-up capital by non-controlling interests in both RBJAC and BBAFC during the year.

Selling expenses decreased by 34.3% from RMB571.9 million in 2017 to RMB375.7 million in 2018. The decrease in selling expenses was driven mainly by decreases in transportation costs, refocused advertising effort driving down advertising costs, and a reduction in certain aftersales-related services resulting from the decrease in the number of units of minibuses and MPVs sold. Selling expenses as a percentage of revenue has dropped from 10.8% in 2017 to 8.6% in 2018.

General and administrative expenses decreased by 23.0% from RMB1,192.9 million in 2017 to RMB918.1 million in 2018 primarily due to lower impairment losses related to Huasong of RMB274 million in 2018 compared to RMB700 million in 2017, which was partly offset by higher R&D expenses incurred by RBJAC during the year. As a result, general and administrative expenses as a percentage of revenue have decreased from 22.5% in 2017 to 21.0% for 2018.

Finance costs decreased by 17.4% from RMB137.9 million in 2017 to RMB113.9 million in 2018 due to reduced financing activities from discounting bank guaranteed notes particularly in the second half of the year after the receipt of additional capital contribution in RBJAC.

The Group's share of results of joint ventures increased by 19.3% from RMB5,233.3 million in 2017 to RMB6,244.8 million in 2018. This was attributable to the increased profits contributed by BBA, the Group's 50% indirectly-owned joint venture.

Net profits contributed to the Group by BBA increased by 19.2% from RMB5,237.7 million in 2017 to RMB6,244.8 million in 2018. The BMW joint venture achieved sales of 466,182 BMW vehicles in 2018, an increase of 20.6% as compared to 386,549 BMW vehicles sold in 2017. The 2018 sales volumes of the locally produced 3-series, 5-series, X1, 1-series sedan and 2-series active tourer were 134,600 units, 146,014 units, 97,418 units, 41,242 units and 8,503 units, respectively. In addition, the new X3 launched in June 2018 recorded sales of 38,405 units during the year.

The Group's share of results of associates decreased by 84.7% from RMB217.0 million in 2017 to RMB33.3 million in 2018. This was primarily attributable to the decrease in contributions from two major associates Shenyang Aerospace Mitsubishi Motors Engine Manufacturing Co. Ltd. and Power Xinchen during the year.

The Group's profit before income tax expense increased by 37.4% from RMB3,899.8 million in 2017 to RMB5,359.0 million in 2018. Income tax expense increased by 90.1% from RMB34.0 million in 2017 to RMB64.6 million in 2018, primarily due to an increase in PRC dividend withholding tax on dividends distributed by a subsidiary to the Company in 2018.

As a result of the above, the Group recorded net profit attributable to equity holders of the Company of RMB5,820.9 million for the year 2018, representing an increase of 33.0% from the RMB4,376.1 million realised in 2017. Basic earnings per share in 2018 amounted to RMB1.15374, compared to RMB0.86776 in 2017. In addition, return on capital employed (as defined by the EBITDA ÷ average capital employed) for 2018 was 19.7%, compared to 17.5% for 2017.

Financial highlights

Certain financial key performance indicators are provided in the sub-section headed "Business discussion and analysis" above and the section headed "Management's Discussion & Analysis".

Principal risks and uncertainties facing the Group

During 2018, we identified the following main risks and uncertainties which the Group was exposed to:

1. Capital expenditures demand

Automobile manufacturing is a capital intensive business, with frequent product updates to keep abreast with customer demands and to maintain competitive edge. In response to market demand, RBJAC needs to constantly undertake new R&D projects to expand its product portfolio and upgrade its products, which might require extra capital expenditures and funding in the future. Currently, the financial position of RBJAC is good, with a strong credit record and established solid relations with a number of commercial banks. Given the fast development of the automobile industry, which necessitates growing R&D investment in the future and greater efforts in marketing campaigns, RBJAC faces risks that are beyond its control as to whether it can meet its capital needs over the next few years. Such risks include changes in bank interest rates and relevant policies.

2. A relatively high corporate gearing ratio

RBJAC has a relatively high gearing ratio, which may affect its capability to obtain funding in the banking sector to a certain extent. The company intends to work on various fronts to lower its gearing ratio and improve its financing capability, such as cutting production costs and boosting sales and profitability.

3. Market risks

In general, 2018 witnessed slowdown in the growth of the overall economy with a 6.6% GDP growth for China, representing a decrease of 0.2% over the previous year. Following a steady growth in the first half of 2018, China's macro economy faced internal and external challenges of financial deleveraging, cutting overcapacity and Sino-US trade frictions in the second half of the year, resulting in the decline of several indicators to the lowest level for recent years with apparently increasing downward pressure and at historical lows. The Chinese economy has shifted from high-speed growth to high-quality development. According to China Association of Automobile Manufacturers, 28.08 million vehicles were sold in China during 2018, which represented a year-on-year decrease of 2.8%.

4. Regulation risk

China has imposed more stringent policies and regulations on the automobile industry, such as restrictions on car ownership, fuel consumption and waste emission. Accordingly, automobile manufacturers may need to increase their investments and costs to comply with the regulations. Fewer energy subsidies may also led to more pressure on technical upgrades and cost reduction.

In addition to those mentioned above, there may be other risks and uncertainties which are unknown to the Group or which may not be material at present but may become material in the future.

Likely future development of the Group's business

In response to a changing market environment for automobiles and intensifying competition, the Group will be customer-focused and market-oriented, and strive to develop products that meet customer demand and are competitive in the automobile market.

1. ***Slower growth, yet great volume and prospect***

   According to China Association of Automobile Manufacturers, the Chinese automobile market sold 28.08 million vehicles in 2018, representing a decrease of 2.8% over last year. Despite the decline for the first time over the last 28 years, China has maintained its global leadership in terms of sales volume, ranking top globally for 10 consecutive years. According to the information about the ownership of motor vehicles announced by the Traffic Management Bureau of the Ministry of Public Security (公安部交通管理局) in January 2019, there were 31.72 million newly registered motor vehicles and 327 million motor vehicles nationwide in 2018, including 240 million automobiles. The number of motor vehicle drivers has made a breakthrough at 409 million, of which 369 million were automobile drivers.

   At present, every 1,000 people in China own 170 automobiles. Yet, in general the Chinese automobile consumer market is still at its early stage of development. When their per capita GDP reached US$10,000, every 1,000 Japanese or South Koreans own approximately 200 vehicles. Currently, the Chinese per capita GDP stands at more than US$9,000. Assuming that every 1,000 Chinese citizens own 200 vehicles in the future, China will have 280 million automobiles, leaving considerable room for market expansion.

2. ***Reshaping the brand image***

   The Group's cooperation with Renault will combine the advanced technologies and experience of both parties in their respective fields, thus promoting joint development of JinBei, Huasong and Renault in the Chinese automobile market.

   Certain existing models of RBJAC are due for replacement and will be gradually phased out. RBJAC mainly focuses on low-priced vehicles, which is difficult to support an upward repositioning of its products. The new joint venture will leverage on Renault's advanced technology, professional management capability, and future light commercial vehicle ("**LCV**") products. The two shareholders, with different backgrounds and offerings, may complement and integrate with each other, so as to uplift the product image of JinBei, Huasong and Renault in the Chinese market.

3. ***SUV remains a main force of market growth***

   In recent years, SUV, with its increasing market share, has remained a leader in driving the demand growth of passenger vehicles in China. SUVs have sustained its popularity for years and are still the top choice for Chinese people. The segment accounted for over 40% market share of passenger vehicles. Given vehicle consumption upgrade as a predominant trend, SUVs will remain popular and become a key segment for many automobile manufacturers. With that in mind, RBJAC will launch its new product Guanjing (觀境) in due course, positioning it to be a seven-seat SUV & MPV mixed product for family use.

4. ***Consumption upgrade***

   The Chinese automobile market has entered into a stage featuring both fundamental consumption and demand for personalisation. On the one hand, there is sizable gap between the level of domestic automobile consumption and that of mature markets. First-time buyers remain the dominant consumer group, with car purchase under the umbrella of "fundamental consumption". Meanwhile, with higher personal income and younger consumer groups, Chinese auto consumers have become more sophisticated and are more concerned about brand, appearance, comfort, technology and easy operation, resulting in increased demand for personalised vehicle models. Renault's products have their advantages in comfort, space, personalisation and modification. RBJAC is expected to introduce more Renault products to adapt to market changes in the future. It will leverage the strengths of the Renault brand to capture more market share.

Important events affecting the Group that have occurred since the end of the financial year

As announced by the Company on 11th October, 2018, the Company agreed with BMW on a new ownership structure of BBA, together with other new products and strategic investments in BBA as well as the extension of the current joint venture term to the year 2040, subject to fulfilment of several conditions. At a special general meeting held on 18th January, 2019, the shareholders of the Company approved the Disposal. Completion is expected to take place no later than 2022 subject to certain conditions including the necessary approvals by the PRC government.

Save as disclosed herein, to the knowledge of the directors of the Company, no important events affecting the Group have occurred since the end of the financial year.

Other disclosures

Pursuant to the requirements under paragraph 28 of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), the Company's discussion on three aspects, namely "Environmental policies and performance", "Compliance with laws and regulations" and "Relationship with stakeholders and its importance" is set out below.

Environmental policies and performance

Under the increasingly severe trend of global warming, society requires enterprises to conserve energy and reduce emission, and the public have gradually improved their knowledge and understanding towards energy saving and environmental protection. The Company is concerned about the impacts caused by the manufacturing industry to the environment. RBJAC has consistently complied with various national and local applicable laws, regulations, standards and relevant requirements, such as the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), to establish the environmental protection management system. In the working principles of "environmental protection, pollution prevention, law compliance and continuous improvement" (保護環境、防治污染、遵紀守法、持續改進), RBJAC has reinforced its responsibility system in respect of environmental protection under the principle of "The person in charge bears the responsibility" (誰主管、誰負責). The company established and implemented Environmental Management System Certification (環境管理體系認證) according to GB/T24001-2016 "Environmental Management System Requirements and User's Guide" (《環境管理體系要求及使用指南》).

Every year, RBJAC appoints qualified monitoring institutions to monitor its sewage, exhaust and boundary noise, each monitoring indicator in 2018 satisfied the requirements under the national and local standards on the discharge of pollutants, including the Integrated Wastewater Discharge Standard (污水綜合排放標準), the Integrated Emission Standard of Air Pollutants (大氣污染物綜合排放標準) and the Emission Standard for Industrial Enterprises Noise at Boundary (工業企業廠界環境噪聲排放標準). In 2018, RBJAC has achieved the target of zero environmental pollution incident and met the pollutant emission standards. In respect of its development projects, RBJAC has invariably complied in strict terms with the Three Simultaneous Systems of Environmental Protection, under which the "design, construction, inspection and acceptance for pollution prevention facilities must take place simultaneously with that for main construction works" (「防治污染的設施必須與主體工程同時設計、同時施工和同時驗收」的環境三同時制度). In 2018, the company obtained the approval of the Environmental Impact Report for the Product Revamp Development Project (產品升級建設項目環境影響報告書). In 2018, RBJAC was engaged in energy saving and consumption and cost reductions according to the energy-saving work plan of municipal and district governments as well as the Group's economic indicators. In 2018, RBJAC proceeded with the contracted energy management projects of last year and replaced its metal halide lamps (金屬鹵化物燈) and fluorescent lamps with LED lamps in its coating workshops, in a bid to reduce costs of energy consumption. High energy-consuming equipment such as transformers and welding machines were eliminated. RBJAC has also entered into direct transactions between Liaoning electricity users and power generation enterprises arranged by Liaoning Provincial Economic and Informatization Committee (遼寧省經信委), thereby reducing unit electricity tariff and saving electricity costs.

In 2018, RBJAC was not engaged in any environmental breaches and did not have any complaints from the public or disputes concerning environmental pollution.

Compliance with the relevant laws and regulations that have a significant impact on the Group

The Company is an exempted company incorporated in Bermuda with limited liability, and registered as a non-Hong Kong company under the Hong Kong Companies Ordinance. The shares of the Company are traded on the main board of the Stock Exchange. The Company continues to review its current systems and procedures, emphasises and strives to comply with the Companies Law of Bermuda, the Listing Rules, the Securities and Futures Ordinance (the "**SFO**"), applicable Hong Kong Companies Ordinance, and other relevant laws and regulations which have a material effect on the Company. The Company endeavors to safeguard its shareholders' interests, enhance corporate governance and strengthen the functions of the Board.

Laws and regulations which have a significant impact on the operating subsidiaries of the Group include but are not limited to the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Regulations of the People's Republic of China on Company Registration (《中華人民共和國公司登記管理條例》), the Law of the People's Republic of China on Chinese-Foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》), Contract Law of the People's Republic of China (《中華人民共和國合同法》), Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Regulation on the Administration on Recall of Defective Auto Products (《缺陷汽車產品召回管理條例》), the Provisions on the Liability for the Repair, Replacement and Return of Household Automotive Products (《家用汽車產品修理、更換、退貨責任規定》), Trademark Law of the People's Republic of China (《中華人民共和國商標法》), Patent Law of the People's Republic of China (《中華人民共和國專利法》), and Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》). In particular, the Regulation on the Administration on Recall of Defective Auto Products and the Provisions on the Liability for the Repair, Replacement and Return of Household Automotive Products have increased the responsibility of automobile manufacturers in respect of product and after-sales service quality, as well as the cost and investment of after-sales service.

The operation of RBJAC has always complied with national and local laws and regulations. It upholds honesty and integrity, and performs its social responsibility. In 2018, there was no major litigation or dispute against RBJAC.

RBJAC has always been committed to governance via system (以制度管權) and continuously improving and strengthening the probity and integrity of the employees and management of the company.

The Company and its staff have exercised their best endeavours to strictly follow the applicable rules, regulations, laws and industry standard. The directors are not aware of any breach of laws or regulations which have a significant impact on the Group, nor are they aware of any litigation or cases of corruption, bribery, extortion, fraud and money laundering involving the Group in 2018.

Relationship with stakeholders and its importance

Stakeholder involvement is an integral part of the Company's development. The Company strives to maintain communications with its stakeholders, including investors, customers, employees and suppliers. The Company also engages its stakeholders to develop mutually beneficial relationships, seeks their suggestions on the Company's business and views on its work plans, and promotes sustainable development of the market, workplace, community and environment.

Key stakeholders	Importance
Investors	One of the Company's objectives is to create value for the investors. The Company is committed to enhancing its operational efficiency and providing reasonable, sustainable and stable returns on their investments.
Customers	The Company strives to satisfy the market demand in terms of product design and quality, and pursues technological innovation, in a bid to maintain a stable supply of high-quality products to customers. The major client of RBJAC is Guang Wu Automobile Trade Co., Ltd. (廣物汽貿股份有限公司) ("**Guang Wu Automobile**"), a core sub-group of Guangdong GW Holdings Group Co., Ltd. (廣東省廣物控股集團有限公司). Guang Wu Automobile owns nearly 200 4S stores, operates as the dealer of over a hundred of vehicle models, and has established enterprises in 12 provinces and cities across China. It is the largest vehicle dealer group in South China and one of the biggest national vehicle dealer groups. It has been purchasing and selling JinBei brand products for more than a decade, and conducting vehicle purchase and sale business with RBJAC.

Key stakeholders	Importance
	RBJAC provides the same credit conditions for its major clients as for other clients. Following the end of the financial year, the payments receivable from major clients are successively collected, with no provision being made. RBJAC relies on major clients to sell its products. To reduce the risk of demand changes brought by the changing distribution capacity of downstream clients, the company reviews its product mix from time to time to ensure its products meet customer demand. The company also undertakes product promotion and intensive management of 4S stores, provides administrative support, and monitors downstream distribution channels. Meanwhile, the company develops new customers to diversify distribution channels.
Employees	Employees are an important cornerstone for corporate development. The Group places high priority on occupational health and safety, and strives to create an attractive working environment to motivate and retain talents, so as to enhance the sustainability of the Group.
Suppliers	Suppliers are fundamental to the production processes of the Group. In the principles of mutual benefit, risk sharing and co-development, the Group seeks to foster a win-win partnership with its suppliers. In identifying suitable suppliers, the Group focuses on partners with strong technology development ability, fast response, stability and consistency in design and production quality, high level of project management, cost competitiveness, and willingness to cooperate. In 2018, the Group established good cooperative relations with suppliers in the win-win principle, with no major disagreement with them.

In 2018, the Company was engaged in positive and candid communication with its shareholders and investors through various channels, including general meetings, results press conferences, product launch events, and analyst and investor meetings. Such communication enabled the investors and customers to further understand the operation and development of the Company, and provided the investors with a platform to express their views to the management of the Company.

RBJAC holds annual conventions, board meetings, and economic and management meetings on a regular basis to discuss how to respond to the views and demands of the stakeholders. By collecting customer advice through surveys, RBJAC has built its data base on customer satisfaction and implement improvement measures on drawbacks, aiming to further improve product quality and customer satisfaction. RBJAC offers its staff suggestion forms, through which staff members can raise their suggestions on the company and job positions. Staff members whose suggestions are accepted will be rewarded. RBJAC convenes regular meetings with its suppliers to discuss and proactively address recent issues and solidify a harmonious relationship with them.

CASH FLOW POSITION

The cash flow position of the Group for the year ended 31st December, 2018 is set out and analysed in the consolidated statement of cash flows on page 79 and in note 34 to the financial statements.

DIVIDENDS

During the year under review, the directors have declared a dividend of HK$0.11 per ordinary share of the Company to shareholders whose names appeared on the register of members of the Company as at 12th October, 2018 (2017: HK$0.11 per ordinary share). The dividend was paid on 26th October, 2018.

The directors did not recommend any dividend payment at the Board meeting held on 26th March, 2019 in respect of the Group's 2018 annual results (2017: nil).

CLOSURE OF REGISTER OF MEMBERS

The Company's forthcoming annual general meeting will be held on Tuesday, 4th June, 2019 at 9:00 a.m. (the "**2019 AGM**"). Notice of the 2019 AGM, which constitutes part of the circular to shareholders, is sent together with the annual report. The notice of the 2019 AGM and the proxy form are also available on the website of the Company.

The register of members of the Company will be closed from Thursday, 30th May, 2019 to Tuesday, 4th June, 2019, both days inclusive, during which period no transfer of shares will be registered. The record date for the 2019 AGM is Thursday, 30th May, 2019. Only shareholders of the Company whose names appear on the register of members of the Company on Thursday, 30th May, 2019 or their proxies or duly authorized corporate representatives are entitled to attend and vote at the 2019 AGM. In order to qualify for attending and voting at the 2019 AGM, 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 Wednesday, 29th May, 2019.

PROXY LODGMENT DEADLINE DATE AND TIME

Whether or not a shareholder is able to attend the 2019 AGM, he/she is requested to complete the proxy form in accordance with the instructions printed thereon and return it to the office of the Company's branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong before 9:00 a.m., Hong Kong time, on Sunday, 2nd June, 2019, or not less than 48 hours before the time appointed for the holding of any adjourned meeting of the 2019 AGM.

Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the 2019 AGM or any adjourned meeting thereof if they so wish and in such event, the form of proxy will be deemed to be revoked.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 3.

RESERVES

Movements in the reserves of the Group and the Company during the year ended 31st December, 2018 are set out in notes 32 and 37, respectively to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

The movements of property, plant and equipment of the Group for the year ended 31st December, 2018 are set out in note 13 to the financial statements.

SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Particulars of the subsidiaries, joint ventures and associates are set out in notes 38, 15 and 16, respectively to the financial statements.

SHARE CAPITAL

Details of the Company's share capital as of 31st December, 2018 are set out in note 31 to the financial statements.

SHARE OPTIONS

2018 share option scheme

At a special general meeting held on 11th November, 2008, shareholders of the Company adopted a share option scheme (the "**2008 Share Option Scheme**"). The 2008 Share Option Scheme came into effect on 14th November, 2008 and remained in force for a period of 10 years till 13th November, 2018 (inclusive). The period during which an option may be exercised was determined by the directors at their absolute discretion, save that no option shall be exercised later than 10 years from the date of grant.

During the year ended 31st December, 2018:

(a) no share options under the 2008 Share Option Scheme have been granted, exercised, lapsed or cancelled;

(b) no share options under the 2008 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 2008 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 at 31st December, 2018, there was no outstanding share option under the 2008 Share Option Scheme.

As no share options have been granted by the Company under the 2008 Share Option Scheme for the year ended 31st December, 2018, no expenses were recognised by the Group for 2018 (2017: nil).

New share option scheme

As reported, the 2008 Share Option Scheme expired on 13th November, 2018, and as at the date of this report, there was no outstanding share options under the 2008 Share Option Scheme. To provide appropriate incentives or rewards to eligible persons for their contributions or potential contributions to the Group, the Board considers that it is in the interests of the Company to adopt a new share option scheme (the "**New Share Option Scheme**") and proposes to recommend to the shareholders of the Company at the 2019 AGM to approve and adopt the New Share Option Scheme. The New Share Option Scheme will become effective on the date of fulfilment of certain conditions precedent, including shareholders' approval and approval by the Stock Exchange for the listing of, and permission to deal in any new shares which may fall to be allotted and issued upon the exercise of the subscription rights attaching to the options that may be granted under the New Share Option Scheme.

DIRECTORS

The directors of the Company who held office during the year ended 31st December, 2018 and up to the date of this report (i.e. 26th March, 2019) are:

Executive directors:

Mr. Wu Xiao An *(chairman of the Board)*
Mr. Qi Yumin *(chief executive officer)*
Mr. Qian Zuming *(chief financial officer)*
Mr. Zhang Wei

Independent non-executive directors:

Mr. Xu Bingjin
Mr. Song Jian
Mr. Jiang Bo

Taking into account the composition of the Board as at the date of this report, and pursuant to bye-law 99 and the code provision A.4.2 of Appendix 14 to the Listing Rules, Mr. Qian Zuming and Mr. Zhang Wei will retire by rotation at the 2019 AGM.

Each of Mr. Qian Zuming and Mr. Zhang Wei, being eligible, will offer himself for re-election and the Board has recommended them for election at the 2019 AGM.

Biographical details of the directors standing for re-election at the 2019 AGM are set out in the circular sent to the shareholders of the Company together with the annual report.

UPDATE ON DIRECTORS' INFORMATION

There have not been any change in information of the directors of the Company since the date of the 2018 interim report and up to the date of this report (i.e. 26th March, 2019), that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

As at 31st December, 2018, so far as is known to the directors or chief executives of the Company, 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 SFO:

	Number and class of shares held/ Approximate shareholding percentage *(Note 1)*					
Name of shareholders	**Long position**	**%**	**Short position**	**%**	**Lending pool**	**%**
Citigroup Inc. *(Note 2)*	411,529,857 ordinary	8.15	11,652,055	0.23	398,935,351	7.90
GIC Private Limited *(Note 3)*	309,904,000 ordinary	6.14	–	–	–	–
Huachen *(Note 4)*	2,135,074,988 ordinary	42.32	–	–	–	–
J.P. Morgan Chase & Co. *(Note 5)*	362,349,918 ordinary	7.18	32,715,148	0.64	314,632,472	6.23
Templeton Asset Management Ltd. *(Note 6)*	356,705,276 ordinary	7.07	–	–	–	–

Notes:

1. The percentage of shareholding is calculated on the basis of 5,045,269,388 shares in issue as at 31st December, 2018.

2. The 411,529,857 shares in long position were held as to 12,594,506 Shares as corporate interest and as to 398,935,351 shares in the capacity as approved lending agent. The 11,652,055 shares in short position were held as corporate interest.

3. The 309,904,000 shares in long position were held in the capacity as investment manager.

4. The 2,135,074,988 shares in long position were held in the capacity as beneficial owner.

5. The 362,349,918 shares in long position were held as to 46,324,546 shares as corporate interest, as to 1,066,000 shares were held in the capacity as investment manager, as to 326,000 shares in the capacity as person having a security interest in shares, as to 900 shares in the capacity as trustee and as to 314,632,472 shares in the capacity as approved lending agent. The 32,715,148 shares in short position were held in the capacity as corporate interest.

6. The 356,705,276 shares in long position were held in the capacity as investment manager.

Save as disclosed herein, as at 31st December, 2018, there was no other person so far as is 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 31st December, 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 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)* Long position	%	Short position	%	Number of share options granted (Percentage of the Company's issued share capital)
Mr. Wu Xiao An	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 shares in issue as at 31st December, 2018.

Associated Corporation of the Company

Name of directors/ chief executives	Name of associated corporations	Type of interests	Number and class of shares held/ Approximate shareholding percentage *(Note 1)* Long position	%	Short position	%
Mr. Wu Xiao An	Power Xinchen	Trustee and interest in a controlled corporation *(Note 2)*	33,993,385 ordinary	2.65%	–	–
		Beneficial owner (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 shares in issue of Power Xinchen as at 31st December, 2018.

2. As at 31st December, 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 31st December, 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 31st December, 2018.

Save as disclosed above, as at 31st December, 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 into the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year ended 31st December, 2018 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate; and none of the directors, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed herein, no transactions, arrangements or contracts of significance to which the Company was a party and in which a director of the Company or an entity connected with such director is or was materially interested, whether directly or indirectly, subsisted during or at the end of the financial year.

DIRECTORS' SERVICE CONTRACTS

None of the directors of the Company who are proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with members of the Group that is not determinable by the employer within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the financial year ended 31st December, 2018, none of the directors of the Company was considered to have interests in business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

PERMITTED INDEMNITY PROVISIONS

During the financial year and up to the date of this report, the Company has in force indemnity provisions as permitted under the relevant statutes for the benefit of the directors and officers of the Company and its subsidiaries. The permitted indemnity provisions are provided for in the Company's bye-laws and in the directors & officers liability insurance maintained for the Group in respect of potential liability and costs associated with legal proceedings that may be brought against such persons.

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 in 2018.

ANALYSIS OF INTEREST CAPITALISED

Details of interest capitalised are set out in note 6 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

In 2018, the aggregate sales attributable to the Group's five largest customers, excluding the Group's associates and joint ventures, represented approximately 24.0% of the Group's total revenue from sales of goods or rendering of services while the sales attributable to the Group's largest customer represented approximately 11.7% of the Group's total revenue. The aggregate purchases attributable to the Group's five largest suppliers, excluding the Group's associates and joint ventures, during the year represented approximately 26.8% of the Group's total purchases and the purchases attributable to the Group's largest supplier represented approximately 12.8% of the Group's total purchases.

None of the directors, their close associates or any shareholders that, to the knowledge of the directors is interested in more than 5% of the number of issued shares of the Company, has any interests in the above five largest customers or suppliers of the Group.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, as at the date of this report, the Company maintains the prescribed percentage of public float under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

In 2018, the Group entered into certain related party transactions which also constitute continuing connected transactions under Chapter 14A of the Listing Rules. The continuing connected transactions during the year that are not exempt from the annual reporting requirement in Chapter 14A of the Listing Rules are listed below and these transactions are, among others, also set out in note 33(a) to the financial statements. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules. Announcements have been made on these continuing connected transactions and the relevant shareholders' approvals have been obtained, if necessary.

(A) Continuing Connected Transactions with Huachen

– ***Agreements signed on 15th November, 2017***

On 15th November, 2017, the Company entered into the following four agreements with Huachen:

(A1) a framework agreement in relation to the sale of automobiles, materials and/or automotive components by the Group to Huachen and its subsidiaries and its 30%-controlled companies (collectively, the "**Huachen Group**") for a period of three financial years commencing from 1st January, 2018 to 31st December, 2020;

(A2) a framework agreement in relation to the purchases of materials and automotive components by the Group from the Huachen Group for a period of three financial years commencing from 1st January, 2018 to 31st December, 2020;

(A3) a comprehensive services agreement ("**Huachen Comprehensive Services Framework Agreement**") in relation to the provision of services by the Group to the Huachen Group for a period of three financial years commencing from 1st January, 2018 to 31st December, 2020. Services to be provided by members of the Group to members of the Huachen Group mainly include manual labour and design; and

(A4) a comprehensive services agreement in relation to the purchases of services by the Group from the Huachen Group for a period of three financial years commencing from 1st January, 2018 to 31st December, 2020. Services to be provided by members of the Huachen Group to members of the Group mainly include information technology support, research and development, charging services, processing and refitting services and transportation services.

At the time of entering into of these four agreements, Huachen was interested in approximately 42.32% of the entire issued share capital of the Company. Being a substantial shareholder of the Company, Huachen was considered as a connected person of the Company under the Listing Rules. Transactions between members of the Group and members of the Huachen Group constitute continuing connected transactions under Rule 14A.23 of the Listing Rules.

Among these transactions, the continuing connected transactions falling within the categories of (A1), (A2) and (A4) are subject to reporting, announcement and independent shareholders' approval requirements as set out in Chapter 14A of the Listing Rules. At a special general meeting held on 21st December, 2017, the independent shareholders of the Company approved these transactions and the relevant annual caps for a period of three financial years ending 31st December, 2020.

The continuing connected transactions falling within the category of (A3) are de minimus transactions exempt from the circular, independent financial advice and shareholders' approval requirements but are subject to the reporting and announcement requirements under Rule 14A.76(2) of the Listing Rules.

Details of the transactions are set out in the announcement of the Company dated 15th November, 2017 and the circular of the Company dated 5th December, 2017.

– ***Agreements signed on 15th December, 2017***

The Company entered into a framework cooperation agreement (the "**Framework Cooperation Agreement**") on 4th July, 2017 with Renault (together with its subsidiaries and its 30%-controlled companies, collectively the "**Renault Group**") in relation to the disposal of 49% equity interest in RBJAC (formerly known as Shenyang Automotive) from the Group to Renault.

Following the completion of the disposal of RBJAC to Renault, it is planned that RBJAC, i.e. the new Renault joint venture, will begin manufacturing and distribution of LCV products. During the course of its business, RBJAC will acquire and obtain automotive production related components and services from the Huachen Group, on an ongoing basis.

To fulfil certain conditions precedent to the Framework Cooperation Agreement, on 15th December, 2017, RBJAC entered into five agreements with Huachen in its ordinary and usual course of business. These agreements include:

(A5) a technology license agreement ("**Huachen Technology License Agreement**") in relation to the licensing by Huachen to RBJAC of certain technology owned by Huachen to manufacture, assemble, sell and provide after sales services for licensed products for a period of 10 years commencing from 15th December, 2017. There is no royalty fee to be charged for the usage of such technology before 1st January, 2025;

(A6) a trademark license agreement ("**Huasong Trademark License Agreement**") in relation to the licensing of rights by Huachen to RBJAC to use certain "Huasong" trademarks owned by Huachen for a period of 50 years commencing from 15th December, 2017. There is no royalty fee to be charged for the usage of such trademarks before 1st January, 2025;

(A7) a general services agreement ("**Huachen General Services Agreement**") in relation to the provision of general services by Huachen to RBJAC, the term of which commenced from 15th December, 2017 and will be in force as long as the joint venture contract of RBJAC is in effect;

(A8) a lease agreement ("**Huachen Lease Agreement**") in relation to the lease of certain factory facilities, workshops and office space with a total area of approximately 43,795.5 sq.m. by Huachen to RBJAC for a period of 20 years commencing from 1st December, 2017 at an annual rental of approximately RMB4,232,000 until it is being reviewed at the fifth anniversary of its term; and

(A9) a personnel transfer agreement ("**Huachen Personnel Transfer Agreement**") in relation to the transfer of certain employees between RBJAC and Huachen. In the event that some employees are unwilling to resign and RBJAC is unable to terminate the employment of such employees, Huachen has agreed to bear the full cost of such employees, estimated to be approximately RMB12.8 million per year. RBJAC and Huachen intend to terminate such employment with the relevant employees within three years of signing of the Huachen Personnel Transfer Agreement.

As at the date of signing of these five agreements, Huachen was interested in approximately 42.32% of the entire issued share capital of the Company. Being a substantial shareholder of the Company, Huachen was considered as a connected person of the Company under the Listing Rules. Transactions between members of the Group and members of the Huachen Group constitute continuing connected transactions under Rule 14A.23 of the Listing Rules.

As the continuing connected transactions with Huachen contemplated under the Huachen Technology License Agreement (i.e. Transaction A5) and the Huasong Trademark License Agreement (i.e. Transaction A6) will be conducted on a royalty-free basis for the first seven years commencing from the effectiveness of these agreements and that the Huachen Lease Agreement (i.e. Transaction A8) is a de minimis transaction, these three transactions are fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The transactions with Huachen contemplated under the Huachen General Services Agreement (i.e. Transaction A7) and the Huachen Personnel Transfer Agreement (i.e. Transaction A9) constitute continuing connected transactions that are subject to the reporting and announcement requirement but are exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

Details of the transactions are set out in the announcement of the Company dated 20th December, 2017.

– ***Agreements signed on 6th December, 2018***

On 6th December 2018, the following three agreements were signed with Huachen in the Group's ordinary and usual course of business. These agreements include:

(A10) a leasing agreement ("**Huachen Premises Leasing Framework Agreement**") executed between RBJAC and Huachen, pursuant to which RBJAC agreed to lease from the Huachen Group premises to be used for and as research and development centre and vehicle testing centre for the purpose of RBJAC's daily operation for a period of three financial years from 1st January, 2018 to 31st December, 2020;

(A11) an IT equipment rental agreement (the "**Huachen IT Equipment Rental Framework Agreement**") executed between RBJAC and Huachen, pursuant to which RBJAC agreed to rent from the Huachen Group various information technology equipment for the purpose of RBJAC's daily operation for a period of three financial years from 1st January, 2018 to 31st December, 2020; and

(A12) a supplemental agreement (the "**Supplemental Agreement**") executed between the Company and Huachen to amend the Huachen Comprehensive Services Framework Agreement (i.e. Transaction A3) by including additional services and revising the approved annual caps under the transaction. Pursuant to the Huachen Comprehensive Services Framework Agreement (as amended and supplemented by the Supplemental Agreement), the services to be provided by the Group to the Huachen Group mainly include manual labour, design and the newly added energy services. Apart from these, all other terms and conditions under the Huachen Comprehensive Services Framework Agreement remain the same.

As at the date of signing of these three agreements, Huachen was interested in approximately 42.32% of the entire issued share capital of the Company. Being a substantial shareholder of the Company, Huachen was considered as a connected person of the Company under the Listing Rules. Transactions between members of the Group and members of the Huachen Group constitute continuing connected transactions under Rule 14A.23 of the Listing Rules.

The Huachen Premises Leasing Framework Agreement (i.e. Transaction A10), when aggregated with the applicable similar transactions previously signed with Huachen, and the Huachen IT Equipment Rental Framework Agreement (i.e. Transaction A11) constitute continuing connected transactions that are subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules. Due to the inclusion of additional services, by entering into of the Supplemental Agreement (i.e. Transaction A12) to the Huachen Comprehensive Services Framework Agreement, the Supplemental Agreement and the revised annual caps are only subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

Details of the transactions are set out in the announcement of the Company dated 6th December, 2018.

(B) Continuing Connected Transactions with Renault

– ***Agreements signed on 15th December, 2017***

To fulfil certain conditions precedent to the Framework Cooperation Agreement, on 15th December, 2017, RBJAC entered into three agreements with Renault in its ordinary and usual course of business. These agreements include:

(B1) a framework technology license contract (the "**Renault Framework Technology License Contract**") in relation to the licensing by Renault to RBJAC of certain technological rights owned by Renault to RBJAC to manufacture, assemble, sell and provide after sales services for licensed products for a period of 10 years commencing from 15th December, 2017. There is no royalty fee to be charged for the usage of such technology before 1st January, 2025;

(B2) a trademark license agreement ("**Renault Trademark License Agreement**") in relation to the licensing of rights by Renault to RBJAC to use certain trademarks owned by Renault for a period of 50 years commencing from 15th December, 2017. There is no royalty fee to be charged for the usage of such trademarks before 1st January, 2025; and

(B3) a framework imported parts supply agreement ("**Renault Framework Imported Parts Supply Agreement**") in relation to the sale of imported automotive production related components by Renault to RBJAC. The term of the agreement commenced on 15th December, 2017 and will be in force as long as the joint venture contract of RBJAC and the Renault Framework Technology License Contract are in effect.

Upon completion of the disposal of RBJAC to Renault in January 2018, Renault was interested in 49% equity interest in RBJAC. Accordingly, Renault was considered as a connected person of the Company by virtue of being a controlling shareholder of the Company's non-wholly owned subsidiary and therefore the transactions with Renault constitute continuing connected transactions of the Company under Rule 14A.23 of the Listing Rules.

As the continuing connected transactions with Renault contemplated under the Renault Framework Technology License Contract (i.e. Transaction B1) and the Renault Trademark License Agreement (i.e. Transaction B2) will be conducted on a royalty-free basis for the first seven years commencing from the effectiveness of these agreements, they are fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the continuing connected transaction with Renault contemplated under the Renault Framework Imported Parts Supply Agreement (i.e. Transaction B3) is a transaction with a connected person at the subsidiary level and on normal commercial terms or better, it is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules, but is subject to the reporting and announcement requirements.

Details of the transactions are set out in an announcement of the Company dated 20th December, 2017.

– ***Agreements signed on 6th December, 2018***

On 6th December, 2018, RBJAC entered into the following two agreements with Renault in its ordinary and usual course of business. These agreements include:

(B4) a framework purchase agreement ("**Renault Framework Purchase Agreement**") in relation to the purchases of automobiles, materials and automotive components by RBJAC from the Renault Group for a period of three financial years from 1st January, 2018 to 31st December, 2020; and

(B5) a comprehensive services agreement ("**Renault Comprehensive Services Framework Agreement**") in relation to the purchases of services by RBJAC from the Renault Group for a period of three financial years from 1st January, 2018 to 31st December, 2020. Services to be provided by the Renault Group to RBJAC mainly include technical assistant services, information technology support services, research and development services, and personnel secondment services.

As at the date of signing of these two agreements, Renault was interested in 49% of the entire issued share capital of RBJAC. Accordingly, Renault is a connected person of the Company by virtue of being a substantial shareholder of the Company's non-wholly owned subsidiary. Transactions between RBJAC and members of the Renault Group constitute continuing connected transactions under Rule 14A.23 of the Listing Rules.

As the continuing connected transactions with Renault contemplated under the Renault Framework Purchase Agreement (i.e. Transaction B4) and the Renault Comprehensive Services Framework Agreement (i.e. Transaction B5) are transactions with a connected person at the subsidiary level and on normal commercial terms or better, they are exempt from the circular, independent financial advice and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules, but are subject to the reporting and announcement requirements.

Details of the transactions are set out in the announcement of the Company dated 6th December, 2018.

The actual monetary value of all the above continuing connected transactions (collectively, the "**Continuing Connected Transactions**") for the financial year ended 31st December, 2018 is set out below.

Continuing Connected Transactions		Major type of products	Actual monetary value for the financial year ended 31st December, 2018 RMB'000
A1.	**Sale of automobiles, materials and/or automotive components by the Group to the Huachen Group under the framework agreement dated 15th November, 2017**		
A1(i)	Sale of materials and automotive components by Xing Yuan Dong	Interior trim parts, anti-freezing fluid and presswork	36,102
A1(ii)	Sale of materials and automotive components by Dongxing Automotive	Press parts, welding parts and complete outsourced parts	153,767
A1(iii)	Sale of materials and automotive components by Shenyang Jindong	Matching components and welding assemblies	54,833
A1(iv)	Sale of materials and automotive components by Mianyang Ruian	Camshafts	43
A1(v)	Sale of materials and automotive components by Ningbo Yuming	Trim strips, triangular windows and sealing bars	10,547
A1(vi)	Sale of materials and automotive components by Ningbo Ruixing	Rear view mirrors	–
A1(vii)	Sale of automobiles, materials and automotive components by RBJAC	Automobiles, engines and spare parts	320,561
A2.	**Purchases of materials and automotive components by the Group from the Huachen Group under the framework agreement dated 15th November, 2017**		
A2(i)	Purchase of materials and automotive components by Dongxing Automotive	Steels	72,558
A2(ii)	Purchase of materials and automotive components by RBJAC	Power trains and spare parts	269,590
A2(iii)	Purchase of materials and automotive components by Shenyang Jindong	Scrap materials, welding press parts and matching components	40,877

Continuing Connected Transactions	Major type of products	Actual monetary value for the financial year ended 31st December, 2018 RMB'000
A3. Provision of services by the Group to the Huachen Group under the Huachen Comprehensive Services Framework Agreement (as amended and supplemented by the Supplemental Agreement)		
Provision of services by members of the Group to members of the Huachen Group	Manual labour, design and energy services	58,912
A4. Purchase of services by the Group from the Huachen Group under the comprehensive services agreement dated 15th November, 2017		
Purchase of services by members of the Group from members of the Huachen Group	Information technology support, research and development, charging services, processing and refitting services and transportation services	268,147
A5. Licensing of technology owned by Huachen to RBJAC under the Huachen Technology License Agreement		
Licensing of technology by Huachen to RBJAC	Rights to manufacture, assemble, sell and provide after sales services for licensed products	– (Nil before 1st January, 2025)
A6. Licensing of "Huasong" trademarks owned by Huachen to RBJAC under the Huasong Trademark License Agreement		
Licensing of "Huasong" trademarks by Huachen to RBJAC	Right to use certain "Huasong" trademarks owned by Huachen	– (Nil before 1st January, 2025)
A7. Provision of general services by Huachen to RBJAC under the Huachen General Services Agreement		
Provision of general services by Huachen to RBJAC	Transportation services, security, road and piping services, charging services, manual labour, provision of utilities, general office services, medical care and testing services	21,946
A8. Lease of properties by Huachen to RBJAC under the Huachen Lease Agreement		
Lease of factory facilities by Huachen to RBJAC	Lease of certain factory facilities, workshops and office space with a total area of approximately 43,795.5 sq. m.	3,495

Continuing Connected Transactions	Major type of products	Actual monetary value for the financial year ended 31st December, 2018 RMB'000
A9. Transfer of certain employees between RBJAC and Huachen under the Huachen Personnel Transfer Agreement		
Transfer of certain employees from RBJAC to Huachen, and from Huachen to RBJAC	Employee costs	12,800
A10. Lease of premises by RBJAC from the Huachen Group under the Huachen Premises Leasing Framework Agreement		
Lease of premises by RBJAC from the Huachen Group	Lease of premises to be used for and as research and development centre and vehicle testing centre	2,748
A11. Rental of information technology equipment by RBJAC from the Huachen Group under the Huachen IT Equipment Rental Framework Agreement		
Rental of information technology equipment by RBJAC from the Huachen Group	Rental of computer hardwares	5,630
B1. Licensing of technology owned by Renault to RBJAC under the Renault Framework Technology License Contract		
Licensing of technology by Renault to RBJAC	Rights to manufacture, assemble, sell and provide after sales services for licensed products	– (Nil before 1st January, 2025)
B2. Licensing of "Renault" trademarks owned by Renault to RBJAC under the Renault Trademark License Agreement		
Licensing of "Renault" trademarks by Renault to RBJAC	Right to use certain "Renault" trademarks owned by Renault	– (Nil before 1st January, 2025)
B3. Sale of imported automotive production related components by Renault to RBJAC under the Renault Framework Imported Parts Supply Agreement		
Sale of imported automotive production related components by Renault to RBJAC	Imported production parts, accessories and spare parts	–

Continuing Connected Transactions	Major type of products	Actual monetary value for the financial year ended 31st December, 2018 RMB'000
B4. Purchase of automobiles, materials and automotive components by RBJAC from the Renault Group under the Renault Framework Purchase Agreement		
Purchase of automobiles, materials and automotive components by RBJAC from the Renault Group	Automobiles, engines, radios, rear axles, head lights, safety air bags and seat belts	600
B5. Purchases of services by RBJAC from the Renault Group under the Renault Comprehensive Services Framework Agreement		
Purchases of services by RBJAC from the Renault Group	Technical assistant services, information technology support services, research and development services, and personnel secondment services	103,087

The independent non-executive directors of the Company have reviewed and confirmed that the internal control procedures put in place by the Company are adequate and effective and the Continuing Connected Transactions have been entered into:

1. in the ordinary and usual course of business of the Group;

2. either on normal commercial terms or better; and

3. in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information", and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the Continuing Connected Transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The Group also entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of these transactions are disclosed in note 33 to the financial statements of this annual report.

Save as disclosed above, in the opinion of the directors, the transactions disclosed as related party transactions in note 33 to the financial statements do not constitute connected transactions or continuing connected transactions (as defined under the Listing Rules in force at the time of the entering into of the relevant transactions) that are required to be reported pursuant to Chapter 14A of the Listing Rules.

Report of Directors (Cont'd)

AUDITOR

Grant Thornton Hong Kong Limited will retire at the conclusion of the 2019 AGM and be eligible to offer itself for re-appointment. A resolution will be submitted to the 2019 AGM to seek shareholders' approval on the appointment of Grant Thornton Hong Kong Limited as our auditor until the conclusion of the next annual general meeting and to authorise the Board to fix its remuneration.

By order of the Board

Wu Xiao An
(also known as Ng Siu On)
Chairman

Hong Kong,
26th March, 2019

Management's Discussion & Analysis

BUSINESS DISCUSSION AND ANALYSIS

A review of the business of the Group during the financial year ended 31st December, 2018 and the outlook of the Group's business are discussed throughout this annual report including the sections headed "Chairman's Statement" and "Business Review" on pages 4 to 7 and pages 10 to 16 of this annual report.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2018, the Group had RMB2,310.5 million in cash and cash equivalents (As at 31st December, 2017: RMB1,732.1 million), RMB32.6 million in statutory deposit reserves at central bank (As at 31st December, 2017: RMB62.0 million), RMB576.3 million in short-term bank deposits (As at 31st December, 2017: RMB43.4 million) and RMB1,075.8 million in pledged short-term bank deposits (As at 31st December, 2017: RMB1,713.8 million). As at 31st December, 2018, the Group had notes payable in the amount of RMB1,630.6 million (As at 31st December, 2017: RMB2,780.6 million).

As at 31st December, 2018, the Group had outstanding short-term bank borrowings and long-term bank borrowings due within one year of RMB4,623.5 million and RMB20 million, respectively (As at 31st December, 2017: RMB2,809.9 million and nil, respectively), and outstanding long-term bank borrowings of RMB40 million (As at 31st December, 2017: RMB80 million).

All short-term bank borrowings as at 31st December, 2018 were due within one year, being repayable from 14th January, 2019 to 5th November, 2019 (As at 31st December, 2017: repayable from 8th January, 2018 to 29th November, 2018). As at 31st December, 2018, these borrowings were at fixed interest rates and were denominated in Renminbi (As at 31st December, 2017: same). RMB20 million of the long-term bank borrowings as at 31st December, 2018 were due within one year, being repayable from 20th March, 2019 to 20th December, 2019; and RMB40 million were due within 3 years, being repayable from 20th March, 2020 to 1st December, 2021 (As at 31st December, 2017: 4 years). As at 31st December, 2018, these long-term bank borrowings were interest-bearing at 5.23% per annum, and were denominated in Renminbi (As at 31st December, 2017: 5.23%, Renminbi).

With an aim to improve its liquidity, the Group regularly monitors its accounts receivable turnover and inventory turnover. For the year ended 31st December, 2018, the Group's accounts receivable turnover days was approximately 84 days, compared to approximately 88 days for 2017. Inventory turnover days was approximately 96 days in 2018, compared to approximately 76 days in 2017.

CAPITAL STRUCTURE AND FUNDING POLICIES

As at 31st December, 2018, the Group's total assets was RMB42,099.9 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 RMB30,682.6 million (As at 31st December, 2017: RMB26,125.8 million), (c) total liabilities of RMB10,275.0 million (As at 31st December, 2017: RMB11,155.9 million) and (d) contribution from non-controlling interests of RMB745.1 million (As at 31st December, 2017: RMB177.3 million).

As at 31st December, 2018, 97.3% (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 3 months of maturity when acquired) were denominated in Renminbi, whereas 2.0% (As at 31st December, 2017: 2.7%) were denominated in U.S. Dollar. The remaining balance of 0.7% (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 31st December, 2018, the Group's total available banking facilities for its daily operations amounted to RMB1,819.7 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 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

In 2018, the Group incurred capital expenditures of RMB462.8 million (2017: RMB670.5 million) mainly for acquisition of tools and moulds, machinery and equipment, and development costs for non-BMW automobiles.

As at 31st December, 2018, the Group's capital commitments amounted to RMB275.0 million (As at 31st December, 2017: RMB412.3 million). Among such, contracted capital commitments amounted to RMB275.0 million (As at 31st December, 2017: RMB310.4 million), which was primarily related to the 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

In April 2018, the PRC government announced that the foreign ownership restrictions in the Chinese auto sector would be relaxed and the Chinese market for passenger vehicles would be opened up in 2022. Against these developments and background, BMW and the Company reached agreement to transfer a 25% stake in BBA from the Group to BMW. At a special general meeting held on 18th January, 2019, the shareholders of the Company approved the Disposal. Completion is expected to take place no later than 2022 subject to certain conditions including the necessary approvals by the PRC government.

Apart from those disclosed herein, there were no significant investments held, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31st December, 2018.

NEW BUSINESS AND NEW PRODUCTS

BBA will be introducing new models of both ICE and NEV BMW vehicles into the Chinese market over the next few years. The iX3, which is the electrified version of the X3 model, will commence production in China in 2020 for both local sales and exports to the rest of the world.

RBJAC is pushing forward with the development of new products such as the Renault Master model and a new JinBei product.

BBAFC is holding ongoing discussions with potential new OEM customers with a goal to further expand its serviced portfolio by adding both premium and multi-brand customers.

EMPLOYEES, REMUNERATION POLICY AND TRAINING PROGRAMMES

The Group employed approximately 6,541 employees as at 31st December, 2018 (As at 31st December, 2017: approximately 6,280). Employee costs amounted to RMB710.7 million for the year ended 31st December, 2018 (For the year ended 31st December, 2017: RMB736.0 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. More details in respect of the Company's emolument policy and the basis for determining the emolument payable to the Company's directors are set out in note 11 to the financial statements.

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 "Procedures for Training Management" (《培訓管理程序》), 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 31st December, 2018, short-term bank borrowings of RMB98 million (As at 31st December, 2017: RMB575 million) were secured by the Group's buildings, tools and moulds, machinery and equipment with total net book values of approximately RMB220.4 million (As at 31st December, 2017: RMB197.1 million). As at 31st December, 2017, bank borrowings were also secured by guaranteed bank notes of RMB250 million.

As at 31st December, 2018, long-term bank borrowings of RMB60 million (As at 31st December, 2017: RMB80 million) were secured by the Group's land lease prepayments with a net book value of RMB30.6 million (As at 31st December, 2017: RMB31.2 million) and buildings, plant and equipment with total net book value of RMB51.8 million (As at 31st December, 2017: RMB45.3 million).

In addition, as at 31st December, 2018, the Group pledged short-term bank deposits of RMB847.1 million (As at 31st December, 2017: RMB1,503.2 million) for issue of bank guaranteed notes to trade creditors, RMB210.5 million (As at 31st December, 2017: RMB210.5 million) to secure bank loans granted to a related party of the Group, and RMB18.2 million (As at 31st December, 2017: nil) for co-operative financing arrangement.

As at 31st December, 2018, the Group had also pledged bank guaranteed notes receivable from third parties and related parties in the amount of RMB91.9 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 notes receivable from affiliated companies in the amount of approximately RMB250 million to secure the bank borrowings.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR ADDITIONS OF CAPITAL ASSETS

There was no plan authorised by the Board for material investments or additions of capital assets as at the date of this annual report.

GEARING RATIO

As at 31st December, 2018, the gearing ratio, computed by dividing total liabilities by total equity attributable to equity holders of the Company, was approximately 0.33 (As at 31st December, 2017: 0.42). The decrease in the gearing ratio was primarily due to continuing profit attributable to equity holders generated during 2018.

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 31st December, 2018 (As at 31st December, 2017: nil).

CONTINGENT LIABILITIES

Pursuant to an agreement dated 20th November, 2017 entered into between a member of the Group and JBC, 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 31st December, 2018, under this agreement, outstanding bank loans and other banking facilities totaling RMB206 million (2017: RMB356 million) were utilised, of which RMB206 million (As at 31st December, 2017: RMB206 million) was supported by the Group's bank deposits pledged to the banks. As at 31st December, 2017, the remaining RMB150 million was supported by the Group's corporate guarantee provided to the banks.

Directors, Senior Management and Company Secretary

The directors, senior management and company secretary of the Company as at 31st December, 2018 and up to the date of despatch of this annual report (i.e. 29th April, 2019) are set out below:

EXECUTIVE DIRECTORS

Mr. Wu Xiao An (also known as Mr. Ng Siu On), aged 57, has been the chairman of the Board since 18th June, 2002 and our executive director since 11th January, 1994. He is also a member of the remuneration committee and nomination committee of the Company. Mr. Wu has over 24 years of experience in the automotive industry and is primarily responsible for the overall strategic planning and business development of the Group. He was the vice chairman and the chief financial officer of the Company from January 1994 to June 2002. He has been a director of Huachen since October 2002, the chairman of BBA since May 2003, and the chairman of BBAFC since April 2015. He was a director of RBJAC from January 1994 to August 2016; and has been a director of RBJAC since January 2018. From 1988 to 1993, he was the deputy manager of the Bank of China, New York Branch. Mr. Wu obtained a bachelor's degree of arts from Beijing Foreign Languages Institute (now known as Beijing Foreign Studies University) in 1985 and a master of business administration degree from Fordham University in New York in 1992. Currently, Mr. Wu is the chairman of the board of directors of Power Xinchen, a company listed on the main board of the Stock Exchange (stock code: 1148). In March 2011, Mr. Wu was appointed as a director and in April 2012 designated as an executive director of Power Xinchen.

Mr. Qi Yumin, aged 60, was an executive director and the chief executive officer of the Company from 6th January, 2006 to 12th April, 2019. He was also a member of the remuneration committee and nomination committee of the Company. Mr. Qi was the chairman and president of Huachen during the period from December 2005 to January 2016 and has served as the chairman of Huachen from January 2016 to April 2019. From November 2006 to April 2019, Mr. Qi was a director of BBA. He was a director of RBJAC from January 2018 to April 2019. From 1982 to 2004, Mr. Qi held various positions in Dalian Heavy Industries Co., Ltd. (大連重工集團有限公司), including chairman and general manager. From October 2004 to December 2005, he was the vice mayor of Dalian municipal government. Mr. Qi graduated from Xi'an University of Technology (formerly known as Shaanxi Institute of Mechanical Engineering) Department of engineering and economics, with a major in machinery manufacturing management and engineering, in July 1982 and a master's degree in business administration from Dalian University of Technology in April 2004. He was qualified as a senior engineer (professor level) by the Personnel Department of Liaoning Province in December 1992. Mr. Qi was a director of Power Xinchen (stock code: 1148) from November 2011 to September 2016. Mr. Qi was also the chairman and a director of JBC (stock code: 600609) and Shanghai Shenhua Holdings Co., Ltd. ("**Shanghai Shenhua**") (stock code: 600653), both of which are companies listed on The Shanghai Stock Exchange, from May 2009 to August 2016, and from April 2009 to April 2019, respectively. As announced by the Company on 12th April, 2019, Mr. Qi resigned as an executive director, chief executive officer and other positions of the Company with effect from 12th April, 2019.

Mr. Yan Bingzhe, aged 56, has been an executive director and chief executive officer of the Company since 12th April, 2019. He has also been appointed as a member of the remuneration committee and nomination committee of the Company since 12th April, 2019. Further, Mr. Yan has been appointed as a director of RBJAC and BBA since April 2019. Mr. Yan has been appointed as the Chairman of Huachen since April 2019. Mr. Yan has once held various positions in Shenyang Municipal Government since 2006, including but not limited to Chief Executive of Shenbei District (瀋北新區區長), Director of Shenyang Municipal Planning and Land & Resources Administration (瀋陽市規劃和國土資源管理局局長), Chief Executive of Tiexi District (鐵西區區長), as well as the Director of Shenyang Economic and Technological Development Zone Commission (瀋陽經濟技術開發區管理委員會主任). From October 2010 to October 2012, Mr. Yan was the Secretary-General of Shenyang Municipal Government (瀋陽市政府秘書長). From July 2016 to February 2018, Mr. Yan was the Director of Shenyang Municipal Development and Reform Commission (瀋陽市發展和改革委員會主任). From August 2017 to March 2019, Mr. Yan was the Vice Mayor of Shenyang (瀋陽市副市長). Mr. Yan obtained a bachelor's degree of arts from Northeast Normal University in the PRC in 1989 and a PhD in philosophy of science and technology from the School of Humanities and Law Northeastern University in the PRC in 2005.

Mr. Qian Zuming, aged 56, has been an executive director of the Company since 12th September, 2016. Mr. Qian has been the chief financial officer of the Company since 1st July, 2008. He has around 36 years of experience in finance and accounting practice. Mr. Qian has been appointed as an assistant to the president of Huachen since December 2009 and a director of BBAFC since March 2017. He was a director of RBJAC from January 2010 to November 2017. From 1982 to 1996, Mr. Qian was the deputy section head (副科長) of the finance section of Shanghai Maritime Bureau (上海海運局) of Ministry of Transport. From 1996 to 1998 and from 1998 to 2000, he was the finance manager of Shanghai Tai Li Shipping Co., Ltd. (上海泰利船務有限公司) and Shanghai Xiao Song Packaging Machinery Co., Ltd. (上海小松包裝機械有限公司), respectively. From January 2006 to March 2007, Mr. Qian was the chief financial officer of Shanghai Hua Sheng Group Co., Ltd. (上海華盛集團有限公司). Mr. Qian is a fellow of the Institute of Financial Accountants of the United Kingdom since October 2010. He is also an academic member of the Association of International Accountants since April 2013. Mr. Qian obtained a master's degree in finance from the Graduate School, The Chinese Academy of Social Sciences in 1998 and a master's degree in business administration from The Wisconsin International University (USA), Ukraine in 2001. Since August 2016, Mr. Qian has been appointed as a director of Shanghai Shenhua (stock code: 600653), a company listed on The Shanghai Stock Exchange.

Mr. Zhang Wei, aged 45, has been an executive director of the Company since 12th September, 2016. Mr. Zhang has been a director of SJAI and RBJAC since June 2014 and January 2018, respectively. Mr. Zhang joined Huachen in 2003 and has since held various positions in Huachen, including but not limited to senior project manager of assets operation department, secretary of president, division leader of human resources department, deputy manager of administrative office and assistant to president. Mr. Zhang has been the secretary of the board of directors of Huachen since March 2016. From July 1996 to February 1997, and from February 1997 to January 2003, Mr. Zhang was a specialist of import and export department and a project manager, respectively, of Liaoning Branch of China Metallurgical Import and Export Company (中國冶金進出口遼寧公司). Mr. Zhang obtained a bachelor's degree in engineering from Shenyang University of Technology in 1996. Mr. Zhang also received a master's degree of science, with a major in business and information technology, from University of Salford in 2001. Since August 2016, Mr. Zhang has been appointed as a director of Shanghai Shenhua (stock code: 600653), a company listed on The Shanghai Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Xu Bingjin, aged 79, has been an independent non-executive director of the Company since 27th June, 2003 and his further appointment as an independent non-executive director of the Company was approved by our shareholders at the annual general meetings held on 18th May, 2012, 2nd June, 2015 and 22nd June, 2018. Mr. Xu is also the chairman of the audit committee, remuneration committee and nomination committee of the Company. Mr. Xu is currently the president of The Association of Sino-European Economic and Technical Cooperation. He was formerly an assistant minister of The Ministry of Foreign Trade and Economic Cooperation, the deputy director of the Office of National Mechanic and Electronic Products Importation and Exportation and the vice president of the World Trade Organization Research Association. Mr. Xu received a bachelor's degree in engineering economics from Jilin University of Technology in 1964 and holds the title of senior engineer. Mr. Xu was an independent non-executive director of Qingling Motors Co. Ltd. (stock code: 1122), a company listed on the main board of the Stock Exchange, from September 2004 to May 2015.

Mr. Song Jian, aged 62, has been an independent non-executive director of the Company since 17th September, 2004 and his further appointment as an independent non-executive director of the Company was approved by our shareholders at the annual general meetings held on 30th May, 2014 and 16th June, 2017. He is also a member of the audit committee, remuneration committee and nomination committee of the Company. Mr. Song is currently the vice director of the National Laboratory in Automotive Safety and Energy and an expert consultant to the Beijing Government. Mr. Song was formerly the dean of the Automotive Technology Institute at Tsinghua University and the deputy dean of the automotive engineering department at Tsinghua University. In 1998, Mr. Song received the Award for Outstanding Science and Technology Persons in the China Automotive Industry. In 2005, he was ranked first in the Class One China Automotive Industry and Technology Advancement Award. In 2006, Mr. Song was named jointly by The China Association of Automobile Manufacturers, The China Society of Automotive Engineers and The China Automotive News as the best chief designer of the automobile industry in the PRC. In 2008, Mr. Song was awarded "The Outstanding People of the China Automotive Industry: Commemorating the 30th Anniversary of China's Reform and Opening-up". In 2009, Mr. Song won "China Academic Award for Creative Talents of Automotive Industry – First Prize" from the State Ministry of Education. Mr. Song holds a bachelor's degree and a doctorate, both in engineering science, from Tsinghua University. He is currently a professor of the automotive engineering department at Tsinghua University. Since May 2010, Mr. Song has been appointed as an independent non-executive director of Hybrid Kinetic Group Limited (stock code: 1188), a company listed on the main board of the Stock Exchange.

Mr. Jiang Bo, aged 59, has been an independent non-executive director of the Company since 27th September, 2004 and his further appointment as an independent non-executive director of the Company was approved by our shareholders at the annual general meetings held on 30th May, 2014 and 16th June, 2017. He is also a member of the audit committee, remuneration committee and nomination committee of the Company. Mr. Jiang is a certified public accountant and a certified public valuer in the PRC. Currently, Mr. Jiang is a partner of RuiHua Certified Public Accountants (瑞華會計師事務所), the vice chairman of Ruihua Group (瑞華集團) and the chairman of Beijing Huaya Zhengxin Asset Appraisal Co., Ltd. (北京華亞正信資產評估有限公司) in the PRC. In addition, Mr. Jiang is currently the Honorary Dean of the Ruihua Auditing and Accounting Institute of Nanjing Audit University (南京審計大學瑞華審計與會計學院) and the executive vice president of Beijing Social Enterprise Promotion Association (北京市社會企業促進會). From 1993 to 1999, Mr. Jiang was a director of Dandong Zhongpeng Accounting Firm. Mr. Jiang has approximately 25 years of experience in auditing financial statements of companies listed on the PRC stock exchanges. Mr. Jiang has been a certified public valuer since 1998 and has been involved in asset appraisals of companies in preparation for listing in the PRC. He has participated in various listing projects of state-owned enterprises in the PRC and overseas and has gained experience in reviewing and analyzing the audited financial statements of companies listed in the PRC. Mr. Jiang has worked with one of the "Big-4" international accounting firms in the auditing of a state-owned enterprise. Mr. Jiang holds a bachelor of science degree in mathematics from Liaoning University and a diploma in accounting from Central Finance and Economics University. Mr. Jiang was an independent non-executive director of China Health Group Limited (formerly known as China HealthCare Holdings Limited) (stock code: 673), a company listed on the main board of the Stock Exchange, from July 2007 to June 2016.

SENIOR MANAGEMENT

Mr. Qian Zuming, aged 56, has been the chief financial officer of the Company since 1st July, 2008. His biographical details are set out in the section headed " Executive Directors" above.

Ms. Lisa Ng is the executive vice president of the Company, with primary responsibilities in the formation of joint ventures and monitoring of group business entity operations, investor relations, capital market transactions, and financial reporting review. Ms. Ng is the vice-chairman of the boards of BMW Automotive Finance (China) Co., Ltd. and Herald International Financial Leasing Co., Ltd. She is also a director of RBJAC and BBAFC, and the company secretary to the board of directors and audit and compliance committee of BBA. Ms. Ng is a CPA of both the Hong Kong Institute of Certified Public Accountants and Chartered Professional Accountants Canada. Ms. Ng graduated from the University of Waterloo with a bachelor of arts degree in chartered accountancy. She is also a graduate from the Schulich School of Business of York University with a master of business administration degree. Ms. Ng has extensive experience spanning from public accounting to corporate finance and private equity. Prior to joining the Group in October 2006, she had spent 7 years with AIG Global Investment Corp. (Asia) Ltd. and was responsible for the sourcing and execution of private equity investments. She was also a member of the Listing Division of The Hong Kong Exchanges and Clearing Limited, as well as an auditor with Ernst & Young in Canada.

Ms. Huang Yu is currently the vice president and chief accountant of the Company. She is also a director of BBAFC. Ms. Huang has worked for RBJAC as a financial analyst and internal auditor from July 1999 to June 2000, and worked as a manager of the financial center of the Group from June 2002 to April 2007. She was appointed as the qualified accountant of the Company from May 2007 to January 2009 pursuant to the requirements set out in the Listing Rules. She has been the chief accountant of the Company since May 2007. Ms. Huang graduated with a bachelor's degree and a master's degree, both in economics, from South Western University of Finance and Economics. She is a certified public accountant of the PRC and also a member of the Association of Chartered Certified Accountants. Ms. Huang also holds the qualifications to be a lawyer in the PRC.

Mr. Thierry Aubry, aged 54, is currently the chief executive officer of RBJAC. Prior to joining the company in 2018, he worked in Goodbaby for 2 years as senior vice-president Group and chief executive officer China. From 1995 to 2015, Mr. Aubry has spent 20 years with Faurecia Corp. Ltd. serving in total four plants. He was appointed as purchasing/quality/logistic manager in Faurecia Changchun, tool workshop manager and unit production business manager in Faurecia Beaulieu, general manager in Faurecia Wuhan, and China general manager in Faurecia Shanghai. Mr. Aubry also has 5 years' working experience in technical departments of Société Courthieu France and Gaz de France from 1990 to 1995. Mr. Aubry graduated with a degree of Automation and Mechanical Science from Tours Engineer School (E.I.T.). He also obtained a Dual EMBA degree from Marseille Euromed and Shanghai Jiaotong University in 2010. Mr. Aubry is also a board member of European Union Chamber of Commerce in China.

Mr. Jongheon Won, aged 48, currently serves as the chief executive officer of BBAFC. From January 2016 to December 2018 he has been the chief operation officer in BBAFC. He has over 20 years of international experiences in the financial services and automotive segment across Korea, Russia, Germany and China. Before joining BBAFC, Mr. Won started his career in Korea Exchange Bank Leasing from December 1996 to April 2000 as a corporate credit analyst. He holds various key positions in BMW Group from 2000 to 2015 covering finance, risk management, operations as well as sales and marketing including the company set-up support for BMW Financial Services Korea and BMW Bank Russia. He was appointed as the general manager for Regional Business Support and Project Management for Asia Pacific, Russia and South Africa at BMW AG in Germany from July 2010 to September 2013. He also took the role of Head of Sales Services of BMW Automotive Finance (China) Co., Ltd. from October 2013 to December 2015. Mr. Won holds a bachelor degree of business administration from Korea University.

COMPANY SECRETARY

Ms. Lam Yee Wah Eva has been the company secretary of the Company since 20th June, 2005. Ms. Lam is a fellow of The Hong Kong Institute of Chartered Secretaries and a fellow of The Institute of Chartered Secretaries and Administrators. Ms. Lam graduated from The City University of Hong Kong with a bachelor of arts (honours) degree in public and social administration. She was also awarded a postgraduate diploma in corporate administration by The City University of Hong Kong. Prior to joining the Company in March 2004, Ms. Lam worked in the company secretarial department of Hang Seng Bank Limited (stock code: 11) and Tom.com Limited (now known as TOM Group Limited (stock Code: 2383)), both of which are listed on the Stock Exchange. Ms. Lam also has 5 years' working experience in the company secretarial department of Ernst & Young, a certified public accountants firm in Hong Kong.

Corporate Governance Report

CORPORATE GOVERNANCE

The Company is committed to achieving and maintaining the highest standards of corporate governance consistent with the needs and requirements of the business and its shareholders, and consistent with the "Corporate Governance Code" (the "**CG Code**") set out in Appendix 14 to the Listing Rules. The Group has considered the CG Code and has put in place corporate governance practices to meet the code provisions. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders.

Throughout the financial year ended 31st December, 2018, the Group has complied with all code provisions which were in effect in the financial year ended 31st December, 2018.

A. DIRECTORS

A.1 The Board

We are governed by the Board which assumes the responsibility for leadership and control of the Company. Our directors are collectively responsible for promoting the success of the Company by developing the strategic direction of the Group and directing and supervising the affairs of the Company.

The Board has a fiduciary duty and statutory responsibility towards the Group and is directly accountable to the shareholders.

The Board is responsible for the management of the business and affairs of the Group with the objective of enhancing shareholder value and presenting a balanced, clear and understandable assessment of the Company's performance, position and prospects in its annual and interim reports and other financial disclosures as required under the Listing Rules, reports to regulators, and information required to be disclosed pursuant to statutory requirements. The Board is also required to approve acquisitions or disposals that require shareholders' notification or approval under the Listing Rules.

Daily management and administration functions are delegated to the management. The responsibilities and matters specifically reserved to the Board are set out in paragraph D below.

The Board meets regularly, normally four times each year at approximately three-month intervals and additional meetings would be arranged if and when necessary. The dates of regular Board meetings for each year are normally made available to all directors at the beginning of the year to provide early notice to all directors so that they could grasp every opportunity to attend. Special Board meetings will be held when necessary. Matters on transactions where directors are considered having a material conflict of interest would not be dealt with by way of written resolutions and a separate Board meeting shall be held where independent non-executive directors who have no material interests should be present. Directors having a conflict of interest or material interests in a transaction will, before the meeting of the Board, declare his interest(s) therein in accordance with the bye-laws of the Company, and shall abstain from voting on the resolution(s) and shall not be counted in the quorum present at such Board meeting. Such declaration of interests will be duly noted in the minutes of the relevant Board meeting.

Notices are given to all the directors for attending regular Board meetings fourteen (14) days before such meetings. For other Board meetings, reasonable notices are generally given.

Board meetings involve the active participation, either in person or through other electronic means of communication, by all of the directors attending. The company secretary assists the chairman in preparing the meeting agenda and, during which, the directors are consulted for matters to be included in the agenda for all regular meetings of the Board. Each director may also request the inclusion of items in the meeting agenda.

Minutes of the Board meetings are recorded in detail and draft minutes are circulated within a reasonable time after the meeting to all directors for their review and comments before being approved by the directors attending the relevant meetings. All the minutes of the Board meetings are properly kept by the company secretary and are available for inspection by the directors during normal office hours.

Participation of individual directors at Board meetings in 2018 were as follows:

Number of meetings		**7**
	Attendance by director	**Attendance rate**
Executive directors:		
Mr. Wu Xiao An *(chairman of the Board)*	7/7	100%
Mr. Qi Yumin	7/7	100%
Mr. Qian Zuming	7/7	100%
Mr. Zhang Wei	7/7	100%
Independent non-executive directors:		
Mr. Xu Bingjin	7/7	100%
Mr. Song Jian	7/7	100%
Mr. Jiang Bo	7/7	100%
Average attendance rate		100%

During 2018, apart from the seven (7) meetings of the Board, consent/approval from the Board had also been obtained via circulation of written resolutions on a number of issues.

Participation of individual directors at the general meetings in 2018 were as follows:

Number of meeting		**1**
	Attendance by director	**Attendance rate**
Executive directors:		
Mr. Wu Xiao An *(chairman of the Board)*	1/1	100%
Mr. Qi Yumin	1/1	100%
Mr. Qian Zuming	1/1	100%
Mr. Zhang Wei	1/1	100%
Independent non-executive directors:		
Mr. Xu Bingjin	1/1	100%
Mr. Song Jian	1/1	100%
Mr. Jiang Bo	1/1	100%
Average attendance rate		100%

The Company considers that it has taken out appropriate insurance cover for its directors and officers in respect of legal actions that may be taken against directors and officers. The Company reviews the extent of the insurance coverage every year and is satisfied with the insurance coverage for year 2018.

A.2 Chairman and chief executive officer

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

The Company has segregated the roles of chairman of the Board and chief executive officer. As at the date of despatch of this annual report (i.e. 29th April, 2019), Mr. Wu Xiao An is the chairman of the Board and Mr. Yan Bingzhe is the chief executive officer. On 20th June, 2005, the Board first adopted a set of clear guidelines regarding the powers and duties of each of the chairman and the chief executive officer, which were revised on 28th March, 2012 and were further revised with effect from 27th March, 2013 after a regular review by the Board.

One (1) meeting was held by the chairman of the Board with the independent non-executive directors without the presence of other directors in 2018 in compliance with code provision A.2.7 of the CG Code. This provides an additional platform for direct communication of the non-executive directors (including the independent non-executive directors) with the chairman of the Board without the presence of the executive directors.

A.3 Board composition

As at the date of despatch of this annual report (i.e. 29th April, 2019), the Board comprises seven (7) directors: four (4) executive directors and three (3) independent non-executive directors. The current composition of the Board is as follows:

	Membership of Board Committee(s)
Executive directors:	
Mr. Wu Xiao An *(chairman of the Board)*	Member of the remuneration committee Member of the nomination committee
Mr. Yan Bingzhe *(chief executive officer)*	Member of the remuneration committee Member of the nomination committee
Mr. Qian Zuming *(chief financial officer)*	–
Mr. Zhang Wei	–
Independent non-executive directors:	
Mr. Xu Bingjin	Chairman of the audit committee Chairman of the remuneration committee Chairman of the nomination committee
Mr. Song Jian	Member of the audit committee Member of the remuneration committee Member of the nomination committee
Mr. Jiang Bo	Member of the audit committee Member of the remuneration committee Member of the nomination committee

Under the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors. And, with effect from 31st December, 2012, every listed issuer is required by the Listing Rules to have such number of independent non-executive directors representing at least one-third of the Board, and at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. Throughout the year 2018, the number of independent non-executive directors has fulfilled the minimum requirement of the Listing Rules. Mr. Jiang Bo is a certified public accountant and a certified public valuer in the PRC. Mr. Jiang has approximately 25 years of experience in auditing financial statements of companies listed on the stock exchanges of the PRC, has participated in various listing projects of state-owned enterprises in the PRC and overseas, and has experience in reviewing and analyzing the audited financial statements of companies listed in the PRC.

The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The nomination committee has assessed the independence of all the independent non-executive directors and the Board is satisfied with their independence.

The Board members do not have any family, financial, business or other material/relevant relations with each other.

The biographies of our directors are set out on pages 36 to 37 of this annual report.

The list of directors has been published on the website of the Company and that of the Stock Exchange, and is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

A.4 Appointment, re-election and removal of directors

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

Code provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Pursuant to bye-law 102(B) of the Company, a director appointed by the Board to fill a casual vacancy shall hold office until the next following general meeting while a director appointed by the Board as an addition to the Board shall hold office until the next following annual general meeting.

The Company had signed a formal letter of appointment or service agreement with each director (including independent non-executive directors) and whose appointment was for a specific term of three (3) years subject to the retirement by rotation provisions in the bye-laws of the Company. 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, the number nearest to but not greater than one-third, shall retire from office by rotation according to bye-law 99 of the Company. All directors of the Company are subject to the retirement by rotation provision in the bye-laws of the Company and are subject to the retirement by rotation at least once every three years pursuant to code provision A.4.2.

To comply with code provision A.4.2 and in accordance with bye-law 99, Mr. Qian Zuming and Mr. Zhang Wei will retire by rotation at the 2019 AGM and have offered themselves for re-election at the 2019 AGM.

Pursuant to bye-law 102(B), Mr. Yan Bingzhe, who was appointed by the Board to fill a casual vacancy of the Board after the 2018 AGM, will hold office until the 2019 AGM. Mr. Yan has offered himself for re-election at the 2019 AGM.

Pursuant to code provision A.4.3, serving more than nine (9) years could be relevant to the determination of a non-executive director's independence. If an independent non-executive director serves more than nine (9) years, his/her further appointment will be subject to a separate resolution to be approved by shareholders.

Mr. Xu Bingjin, Mr. Song Jian and Mr. Jiang Bo were first appointed as the independent non-executive directors of the Company on 27th June, 2003, 17th September, 2004 and 27th September, 2004, respectively. All of them have continuously served as our independent non-executive directors for more than nine (9) years. The latest re-appointment of each of them as our independent non-executive directors has been approved by our shareholders at the general meeting held on 22nd June, 2018, 16th June, 2017 and 16th June, 2017, respectively.

A.5 Responsibilities of directors

Each newly appointed director is provided with a package of orientation materials setting out the required duties and responsibilities of directors under the Listing Rules and other relevant statutory requirements of Hong Kong. An orientation as to a director's duties and obligations under the Listing Rules and relevant legislations will be arranged for all newly appointed directors. Our directors are kept informed from time to time on the latest development of any changes to the regulatory requirements and the progress of compliance of applicable rules and regulations by the Company. Our directors will also be updated from time to time on the business development and operation plans of the Company.

In compliance with code provision A.6.5, the Company has arranged for, and provided fund for, all the directors of the Company to participate in continuous professional development organized in the form of in-house training, seminars or other appropriate courses to keep them abreast of their knowledge, skill and understanding of the Group and its business or to update their skills and knowledge on the latest development or changes in the relevant statutes, the Listing Rules and corporate governance practices. As part of the continuous professional development program, the Company has also updated the directors of any material changes in the Listing Rules and corporate governance practices from time to time. Directors are provided with reading materials summarizing the duties and responsibilities in acting as directors from time to time to keep the directors abreast of such duties and responsibilities.

In addition to directors' attendance at meetings and review of papers and circulars distributed by management during 2018, each director has participated in the continuing professional development arranged and funded by the Company as follows:

Name of directors	Reading regulatory updates	Attending in-house seminars
Mr. Wu Xiao An	√	√
Mr. Qi Yumin	√	√
Mr. Qian Zuming	√	√
Mr. Zhang Wei	√	√
Mr. Xu Bingjin	√	√
Mr. Song Jian	√	√
Mr. Jiang Bo	√	√

The functions of non-executive directors include the functions as specified in code provision A.6.2(a) to (d) of the CG Code.

All independent non-executive directors have attended the 2018 AGM in person as required by code provision A.6.7 of the CG Code.

The Company has adopted the standard set out in Appendix 10 – Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") of the Listing Rules, in relation to the dealings in securities of the Company by the directors.

Having made specific enquiry of all directors, each director of the Company has confirmed that he has complied with the standard set out in the Model Code during the year ended 31st December, 2018.

The Company has also established on 17th June, 2005 written guidelines on no less exacting terms than the Model Code (the "**Code for Securities Transactions by Employees**") for securities transactions by employees of the Company or directors or employees of its subsidiaries and its holding company, who because of such office or employment, are likely to be in possession of unpublished inside information of the Group or the securities of the Company. The guidelines were revised in 2009 to incorporate amendments to the Model Code which came into effect on 1st April, 2009. Slight amendments have also been made to the guidelines on 28th March, 2012 and 27th March, 2013 to keep the guidelines in line with the current practices of the Company and the statutory requirements.

No incident of non-compliance of the Code for Securities Transactions by Employees by the employees during the year was noted by the Company.

A.6 Directors' commitments

The Company has signed a formal letter of appointment or service agreement setting out the key terms and conditions of the directors' appointments. All directors are committed to devote sufficient time and attention to the affairs of the Group. The directors have disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organizations and other significant commitments, with the identity of the public companies or organizations. The directors are reminded to notify the Company in a timely manner and at least bi-annually to confirm to the Company of any changes of such information. With respect to those directors who stand for re-election at the 2019 AGM, all of their directorships held in listed public companies in the past three years are also set out in the document accompanying the notice of the 2019 AGM.

A.7 Supply of and access to information

With respect to regular Board meetings, and so far as practicable in all other cases, an agenda and accompanying board papers are sent in full to all directors in a timely manner as permitted under the circumstances. Notices are given to all the directors for attending regular Board meetings fourteen (14) days before the meetings. For other Board meetings, reasonable notices are generally given. It has been the practice of the Board and accepted by all members of the Board that relevant information of Board meetings will be sent to all directors three (3) days in advance of the relevant meetings or any reasonable time before such meetings where it is not practicable to send out the information three (3) days in advance.

Members of the management have been reminded that they have an obligation to supply the Board and the Board committees with adequate information on a timely basis to enable each of them to make informed decisions. The Board and each director have separate and independent access to the Group's senior management.

All directors are entitled to have access to board papers, minutes and related materials.

B. BOARD COMMITTEES

B.1 Nomination committee

The Board follows a formal and transparent procedure for the appointment of new directors to the Board. The appointment of a new director is a collective decision of the Board, taking into consideration the candidate's academic background, qualification, experience, integrity and commitment to his/her responsibilities within the Group. In addition, all candidates to be selected and appointed as directors must be able to meet the standards set out in Rules 3.08 and 3.09 of the Listing Rules. A candidate who is to be appointed as an independent non-executive director must also meet the independence criteria set out in Rule 3.13 of the Listing Rules.

The nomination committee was established on 28th March, 2012 with specific written terms of reference (as amended with effect from 27th March, 2013 for incorporation of certain amendments to the CG Code effective from September 2013). Terms of reference of the nomination committee have included the duties set out in code provision A.5.2(a) to (d) of the CG Code. As at the date of despatch of this annual report (i.e. 29th April, 2019), the members of the nomination committee include Mr. Xu Bingjin, Mr. Song Jian and Mr. Jiang Bo, all of whom are independent non-executive directors. Mr. Wu Xiao An and Mr. Yan Bingzhe, both of whom are executive directors, are also members of the nomination committee. Mr. Xu Bingjin is the chairman of the nomination committee.

During 2018, the nomination committee met on two (2) occasions and discharged its responsibilities. Attendance of individual members at nomination committee meetings in 2018 were as follows:

Number of meetings	**2**
Mr. Xu Bingjin *(chairman of the nomination committee)*	2/2 (100%)
Mr. Song Jian	2/2 (100%)
Mr. Jiang Bo	2/2 (100%)
Mr. Wu Xiao An	2/2 (100%)
Mr. Qi Yumin	2/2 (100%)
Average attendance rate	100%

The nomination committee is responsible for reviewing the Board's composition and diversity, developing the relevant procedures for nomination and appointment of directors and assessing the independence of the independent non-executive directors to ensure that the Board has a balance of expertise, experience and diversity of perspectives appropriate to the requirements of the Company's business and for formulating succession plans for executive directors and senior executives. The nomination committee is also authorised to obtain outside professional advice and to seek information from employees, and the Company will provide sufficient resources to the nomination committee for performance of its duties.

In terms of nomination procedures, any Board member may nominate or invite a candidate for appointment as a director of the Company to be considered by the nomination committee. The nomination committee will then evaluate the personal profile of the candidate based on the selection criteria set out above, undertake due diligence in respect of such candidate and make recommendation for the Board's consideration and approval. For nomination of independent non-executive director of the Company, the nomination committee will also assess the candidate's independence in accordance with the CG Code and the Listing Rules. For re-appointment of retiring directors of the Company, the nomination committee will review the candidate's overall contribution and performance (including the candidate's attendance at Board committee meetings, Board meetings and general meetings, his/her level of participation and performance on the Board), and make recommendations to the Board and shareholders for re-election at general meetings.

The Company adopted a board diversity policy on 13th August, 2013. The Company recognizes and embraces the benefits of diversity in Board members and a truly diverse Board will include and make good use of differences in the skills, regional and industry experience, background, race, gender and other qualities of directors. Selection of candidates will be based on a range of diversity perspectives, including but not limited to educational background, professional experience and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The nomination committee will review annually on the composition of the Board under diversified perspectives, and monitor the implementation of the board diversity policy to ensure the effectiveness of the policy. It will also review the policy and discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The work performed by the nomination committee during 2018 included:

– making recommendation on re-election of directors at the 2018 AGM;

– assessing the independence of the independent non-executive directors;

– reviewing the current Board's structure, size and composition;

– reviewing the current Board's composition in terms of the current requirements of the Listing Rules on the number of independent non-executive directors and requisite qualification and expertise under Rule 3.10(2) of the Listing Rules; and

– reviewing the terms of reference of the nomination committee and the board diversity policy.

No new members have been appointed to the Board during the year 2018.

Mr. Qi Yumin resigned while Mr. Yan Bingzhe was appointed as a director of the Company on 12th April, 2019.

Full minutes of the nomination committee meetings are kept by the company secretary. Draft and final versions of the minutes of the nomination committee meetings are sent to all members of the nomination committee for comments and approval and all decisions and recommendations of the nomination committee are reported to the Board.

The terms of reference of the nomination committee are available on the website of the Company and the website of the Stock Exchange.

B.2 Remuneration committee

The remuneration committee was established on 17th June, 2005 with specific written terms of reference (as amended with effect from 28th March, 2012 and 27th March, 2013, respectively for incorporation of certain amendments after a regular review by the Board). As at the date of despatch of this annual report (i.e. 29th April, 2019), the members of the remuneration committee include Mr. Xu Bingjin, Mr. Song Jian and Mr. Jiang Bo, all of whom are independent non-executive directors. Mr. Wu Xiao An and Mr. Yan Bingzhe, both of whom are executive directors, are also members of the remuneration committee. Mr. Xu Bingjin is the chairman of the remuneration committee. The terms of reference of the remuneration committee are adopted with reference to the CG Code, including the specific duties set out in code provision B.1.2(a) to (h) of the CG Code.

During 2018, the remuneration committee met on one (1) occasion and discharged its responsibilities. Attendance of individual members at remuneration committee meeting in 2018 were as follows:

Number of meeting	**1**
Mr. Xu Bingjin *(chairman of the remuneration committee)*	1/1 (100%)
Mr. Song Jian	1/1 (100%)
Mr. Jiang Bo	1/1 (100%)
Mr. Wu Xiao An	1/1 (100%)
Mr. Qi Yumin	1/1 (100%)
Average attendance rate	100%

The remuneration committee is responsible for making recommendations to the Board regarding the Group's policy and structure for all remuneration of directors and senior management and approving the remuneration package of the individual executive directors. The remuneration committee is authorised to seek any information it requires from any employee of the Group and has the power to request the executive directors and other persons to attend its meetings. The remuneration committee is also authorised to obtain outside professional advice and to secure the attendance of other persons with relevant experience and expertise if it considers as necessary, and the Company will provide sufficient resources to the remuneration committee for performance of its duties.

The work performed by the remuneration committee during 2018 included:

– reviewing the terms of reference of the remuneration committee and the "Policy and Guidelines of The Remuneration Committee"; and

– reviewing the remuneration package of the individual directors and the senior management of the Company.

During the process of consideration, no individual director will be involved in decisions relating to his own remuneration.

Full minutes of the remuneration committee meetings are kept by the company secretary. Draft and final versions of the minutes of the remuneration committee meetings are sent to all members of the remuneration committee for comments and approval and all decisions and recommendations of the remuneration committee are reported to the Board.

The terms of reference of the remuneration committee are available on the website of the Company and the website of the Stock Exchange.

B.3 Audit committee

The audit committee was established on 20th December, 1999 with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants. Recently on 26th March, 2019, a revised terms of reference of the audit committee was adopted with effect from 1st January, 2019 for incorporation of certain amendments to the CG Code made by the Stock Exchange. The terms of reference of the audit committee have included the duties set out in code provision C.3.3(a) to (n) of the CG Code. As at the date of despatch of this annual report (i.e. 29th April, 2019), the members of the audit committee comprise Mr. Xu Bingjin, Mr. Song Jian and Mr. Jiang Bo, all of whom are independent non-executive directors. Mr. Xu Bingjin is the chairman of the audit committee. The audit committee does not have a former partner of the Group's existing audit firm as its member. The Company has adopted on 28th March, 2012 policy for hiring of employees and former employees of its external auditor to ensure judgment or independence for the audit of the Group will not be impaired.

During 2018, the audit committee met on three (3) occasions and discharged its responsibilities. Attendance of individual members at audit committee meetings in 2018 were as follows:

Number of meetings	**3**
Mr. Xu Bingjin *(chairman of the audit committee)*	3/3 (100%)
Mr. Song Jian	3/3 (100%)
Mr. Jiang Bo	3/3 (100%)
Average attendance rate	100%

The principal duties of the audit committee included reviewing the Company's financial controls, internal control and risk management system, annual reports, accounts and semi-annual reports. The audit committee is also authorised to obtain outside professional advice and to seek information from employees, and the Company will provide sufficient resources to the audit committee for performance of its duties.

The following is a summary of the work performed by the audit committee during 2018:

– reviewing the auditor's management letter and management's response;

– noting the recently issued accounting standards, the adoption of new accounting standards and the change in significant accounting policies;

– reviewing the audited financial statements and final results announcement for the year ended 31st December, 2017;

– reviewing the interim report and the interim results announcement for the six months ended 30th June, 2018;

– meeting with the auditor to go through any significant audit issues or key findings noted during the audit of the Group's 2017 final results;

– meeting with the auditor to go through any significant key findings on the internal control and financial reporting matters based on the agreed-upon procedures performed for the Group's 2018 unaudited interim results;

– reviewing the continuing connected transactions and connected transactions for 2017;

– making recommendations to the Board for seeking shareholders' approval on the re-appointment of external auditor and the fixing of auditor's remuneration;

– reviewing the terms of reference of the audit committee;

- reviewing the hiring policies for employees and former employees of the external auditor;
- reviewing the pricing policies adopted by the Group; and
- reviewing the effectiveness of the Group's risk management and internal control system.

All issues raised by the audit committee have been addressed by the management. The work and findings of the audit committee have been reported to the Board. During 2018, no issues brought to the attention of the management and the Board were of sufficient importance to require disclosure in this annual report.

In 2018, the audit committee has met with the auditor in the absence of management pursuant to code provision C.3.3 note (1)(iii) of the CG Code.

Full minutes of the audit committee meetings are kept by the company secretary. Draft and final versions of the minutes of the audit committee meetings are sent to all members of the audit committee for comments and approval and all decisions and recommendations of the audit committee are reported to the Board.

The terms of reference of the audit committee are available on the website of the Company and the website of the Stock Exchange.

This annual report has been reviewed by the audit committee.

B.4 Corporate governance function

The Company has adopted the terms of reference for the corporate governance function of the Board on 28th March, 2012 in compliance with code provision D.3 of the CG Code, effective from 1st April, 2012. Pursuant to the terms of reference of the corporate governance function, the Board shall be responsible for developing, reviewing and/or monitoring the policies and practices on corporate governance of the Company; training and continuous professional development of directors and senior management; and compliance with legal and regulatory requirements of the Company. This corporate governance report has been reviewed by the Board in discharge of its corporate governance function.

C. ACCOUNTABILITY AND AUDIT

C.1 Financial reporting

Management shall provide such explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other matters put before the Board for approval.

The directors are responsible for overseeing all financial aspects of the Company and for keeping proper accounting records and preparing financial statements for each financial period, that give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 31st December, 2018, the directors have:

- approved the adoption of all applicable Hong Kong Financial Reporting Standards which are issued by the Hong Kong Institute of Certified Public Accountants;
- noted any changes in accounting policies and practices;
- selected and applied consistently appropriate accounting policies;
- made judgments and estimates that are prudent and reasonable; and
- prepared the accounts on a going concern basis.

The Board is accountable to its shareholders for a clear and balanced assessment of the Company's financial position and prospects. In this regard, the directors' responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports and other financial disclosures required under the Listing Rules, reports to regulators, and information required to be disclosed pursuant to statutory requirements.

Financial results of the Group are announced in a timely manner in accordance with all statutory requirements, particularly the timeframe stipulated in Rule 13.49(1) and (6) of the Listing Rules.

Directors are provided with monthly updates of the Company pursuant to code provision C.1.2 of the CG Code.

All directors acknowledge their responsibility for preparing the financial statements for the year ended 31st December, 2018.

Currently, the Company's external auditor is Grant Thornton Hong Kong Limited (the "**Auditor**").

For the year ended 31st December, 2018, the audit and non-audit service fees paid or payable to the Auditor by the Company amounted to approximately HK$3,442,000 (approximately RMB2,905,000) (2017: HK$2,660,000, or approximately RMB2,306,000) and HK$436,000 (approximately RMB368,000) (2017: HK$420,000, or approximately RMB364,000), respectively. The non-audit services mainly included conducting agreed-upon procedures on the 2018 interim consolidated financial statements. Further, as stated in note 7 to the financial statements on page 123 of this annual report, the auditors' remuneration paid or payable by the Group for the year ended 31st December, 2018 amounted to approximately RMB3,974,000 (2017: approximately RMB3,285,000) in aggregate. The said auditors' remuneration was incurred for the audit works performed for the Company and its subsidiaries.

The statement of the Auditor about its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 71 and 72 of this annual report.

C.2 Risk management and internal controls

The Board is entrusted with the responsibility of evaluating and determining the nature and extent of the risks exposure for the Company, and ensuring that the Company has established and maintained appropriate and effective risk management and internal control systems for the Group's various business and operational functions. The Board is also responsible for overseeing such systems on an ongoing basis and reviewing its effectiveness so that the interests of the shareholders are well protected. Such systems are designed to manage rather than eliminate the risks of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The major operating companies of the Group (such as RBJAC) have defined the principal functions, authorities and responsibilities of each business and operating department to ensure that each department can effectively discharge its duties to achieve effective mutual coordination and balance, and procure the proper implementation of the Group's business policies and strategies. Management of the Company has assisted the Board in carrying out risk and control policies and procedures so as to identify and assess the risks we faced, and were involved in designing, implementing and monitoring appropriate internal control measures to reduce and control such risks. The Board has overseen the management's design, implementation and supervision of risk management and internal control systems and authorised the audit committee to monitor the effectiveness of such risk management and internal control systems.

Risk Management

During the year, RBJAC has continued to carry out risk management from risk information collection and risk assessment, formulation of risk management strategies, proposal and implementation of risk management solutions to monitor improvements, all of which were processed in an orderly manner.

RBJAC has determined that the company's overall risk management shall be led by the person in charge of finance, and management of the company is the authority to manage the internal audit function including overall risk management, which shall exercise the decision-making power for various aspects of the overall risk management. RBJAC has set up risk management responsible persons (風險管理負責人) and risk administrators (風險管理員) in a number of departmental positions of various company systems, including staff administration (人事行政), engineering planning (配套工藝規劃), production (生產), quality (質量), finance (財務) and Party (黨群).

Based on the risk management strategies, each system/department of the company has formulated and adopted prevention and control measures on the major risks arising from daily management and business activities, identified risk management objectives, responsible persons, the management and business processes involved, the prevention measures before risk occurs and the control and corresponding measures after risk occurs, and formed the "major risk information base" (《主要風險信息庫》) of each system which shall be updated on a quarterly basis.

RBJAC has identified five risk areas namely, strategic risk (戰略風險), financial risk (財務風險), operational risk (運營風險), market risk (市場風險) and legal risk (法律風險). Its risk management system categorised risks in each area into three types: significant risk (重大風險), important risk (重要風險) and general risk (一般風險). The three risk categories form a "main risk list" (《主要風險清單》) for each system/department which shall be updated regularly. The legal and compliance department (法務與合規部) regularly supervises and evaluates the risk management of each system, and urges the responsible entity to make timely improvement when deficiency and shortcoming have been identified. The actual or potential risks identified by each system in the daily works will be reported to risk administrators and risk management responsible persons in a timely manner, and communicated with the legal and compliance department. A report prepared by the legal and compliance department will be presented to the Company's audit committee and chief executive officer annually, which reports the risk management and internal control issues.

In 2018, RBJAC has added certain "risk spots" (風險點) and "control measures" (管控措施) in the existing workflows, and undergone inspection and direction by the legal and compliance department and the board office (董事會辦公室) of the company in the fourth quarter with positive feedback. During the year, RBJAC has sorted out 115 main risk spots, 4 of which were significant risks, and has formulated solutions and implemented plans to control such risks. Each system will be evaluated at least once every six months against significant risks and significant risk events.

The company will engage external legal adviser to conduct risk business training for the risk administrators of each system from time to time. It further broadens relevant knowledge of overall risk management and improves the risk management awareness of staff at all levels.

Internal control

In terms of internal control, RBJAC has established an internal audit panel (內審小組) to conduct regular internal audit. An internal audit plan is developed at the beginning of every year, and the internal control and audit work is carried out in accordance with the plan. In terms of the issues identified in the internal audit work, the responsible departments will be required to make improvements to prevent reoccurrence in the future. In addition, the company has provided financial-related personnel with training in financial and internal control every year. In 2018, the internal control and audit panel (內控內審小組) further improved the organisation, job responsibilities and workflow in this area. Internal control and audit work will be performed in accordance with the annual plan, and inspection work is performed monthly with records maintained/kept by the company following each inspection. When problems are identified, the company will designate responsible personnel to rectify the problems within a specified timeframe, and the panel members will be involved in overseeing the implementation according to the rectification plan.

- *Financial control*

  The major operating subsidiaries of the Company have external audits every year, including annual statement audit, taxation audit, group audit and irregular government audit.

  To ensure the reliability of the financial reports and the truthfulness and completeness of the accounting information, RBJAC has developed "Company Accounting Audit Guidelines" (《公司會計核算指引》) ("**Guidelines**") in accordance with "Accounting Standards for Business Enterprises-Basic Standards" (《企業會計準則 – 基本準則》) issued by the Order No.33 of the Ministry of Finance of the People's Republic of China, and "Accounting Standards for Business Enterprises-Specific Principles No.1 to No.38" (《企業會計準則 – 第1號至第38號具體準則》) issued by Cai Kuai (財會) [2006] No. 3 of the Ministry of Finance and other relevant national laws and regulations. The Guidelines ensure that RBJAC has complied with the relevant principles to ascertain the integrity and reliability of its financial information during the account audit.

  In order to strengthen internal control and prevent financial risks, RBJAC has developed a "Financial Certification Management System" (《財務憑證管理制度》) to ensure consistency between journal voucher amount and original certificate amount, and that the contents and attachments of the original certificate are complete, legal and valid. It also stipulates the control procedures of enterprise financial reports, and the examination systems for approval and control of daily information. Multiple audit systems have been implemented on the financial statements. RBJAC has designed an SAP internal management control process on four aspects, namely, materials procurement, manufacturing, sales of products and financial management, and utilises such information technology to ensure the reliability of financial information.

  The Group will engage domestic and international accounting firms to conduct audits or reviews of its subsidiaries on a semi-annual basis. The legality, rationale and efficiency of enterprise economic activities will be audited, monitored and evaluated to ensure the integrity and reliability of the enterprises' financial information. At the beginning of each year, RBJAC is also subject to final accounts examination (决算審查) by Stated-owned Assets Supervision and Administration Commission and Department of Finance (財政廳), so as to ensure the information in the company's financial reports are true and reliable.

- *Operational control*

  RBJAC has formulated various relevant management systems and business approval processes for protecting its asset safety. It established an Inventory Counting Management System (《存貨盤點管理制度》) to conduct an inventory count every half year, and formulated the Fixed Assets Management System (《固定資產管理制度》), Fixed Assets Changes Approval Form (《固定資產變動審批表》) and Management Measures for Assets Retirement (《資產報廢管理辦法》) etc. to standardise the determination criteria for fixed assets classification, the relevant responsibilities and roles of the user department, management department and finance department to regulate the purchase, acceptance, repair and alteration, and transfer and adjustment of assets, inventory counting and retirement of assets.

  To ensure capital safety, RBJAC established Management Measures of Capital (《資金管理辦法》), where the operational standards such as the preparation of the capital revenue and expenditure plans, receivables, payments, reimbursement tracking and warning systems were clearly stipulated.

  RBJAC has prepared 5 years' and annual operation plans in its bottom-up and top-down planning processes. The annual plan mainly includes three aspects, namely, product plan, expense plan and investment plan. Before making any project investment, generally, the company will conduct a feasibility study and an operability study on project implementation, make forecasts of project input and output, expected project investment term and finance costs. In addition, we also prepare quarterly rolling budgets according to the actual situation. Since the auto market can be volatile and unpredictable, RBJAC refine and update the assumed sales volume, product structure and profit situation in the remaining months to adjust the business plan established at the beginning of the year in a timely manner, in an effort to facilitate decision for adjustments to production and marketing so as to minimalise costs. After the monthly settlement, the company will analyse product profitability and identify the reasons for variances, and then provide timely feedback to the management for making changes to sales strategies, pursuing higher sales, expanding market share and increasing product profitability, in order to ensure the sustainable development of the enterprises.

- *Compliance control*

  In terms of compliance, the companies of the Group have been strictly following the laws and regulations at both the national and local levels, and have been legally operating in accordance with the requirements of such laws and regulations. None of the directors of the Company was aware of any breach of laws or regulations that may have a significant impact on the Group, nor did they note any litigation or any case of corruption, bribery, extortion, fraud and money laundering involving the Group in 2018.

  The Company places great importance to the procedures for the processing and releasing of inside information. It is the responsibility of the Company to disclose to the public as soon as reasonably practicable any inside information (as defined in the Listing Rules) that has come to its knowledge to avoid a false market in its securities.

  The Company adheres to the guidelines and relevant information on disclosure of inside information issued and updated by the Securities and Futures Commission from time to time. The Board has adopted a set of policies on disclosure control and procedures in order to ensure compliance with the requirements regarding the continuous disclosure obligation under the Listing Rules and the SFO.

  In respect of enquiries made by external parties on the Group's affairs, the Company has designated and authorised directors and certain management personnel as the Company's spokespersons to respond to enquiries with respect to specific categories (subject to the permission of the Listing Rules and any regulatory requirements).

The Company adopted a bottom-up approach to communicate information about its business and corporate developments. Employees from different departments are obliged to notify their department heads of any potential transactions or corporate developments that may require actions by the Company to fulfill its disclosure obligations. The department heads are responsible for providing the Board with adequate, reliable and timely information via the Working Team (as described below) to enable the directors to make an informed decision on whether the transaction or developments are likely to constitute inside information and whether it should be announced immediately.

The chairman of the Board and the chief executive officer, serving as the overall supervisors, shall be responsible for overseeing the implementation and operation of the disclosure control and procedures. A working team (the "**Working Team**") was established to collate the information submitted by the department heads to the Board, review any potential inside information that may need to be disclosed and make recommendations to the Board for its final decision and action. The Working Team also offers help in managing the drafting and review process of announcements, overseeing the trading halt of the shares of the Company (if appropriate), and coordinating the continuous education of the personnel involved in the disclosure process (if appropriate). External legal advisors will be involved in the process of assessing the potential inside information, the preparation of announcements and any other compliance documentation, if and when necessary.

The Company shall keep the written records of any discussion concerning the assessment of potential inside information and the reason for the conclusion. Back-up files supporting information contained in the disclosure documents shall also be kept.

In cases where a decision by the Board is pending or in cases of incomplete negotiations or proposals, the Company shall implement measures to maintain the confidentiality of such information.

Summary

In 2018, the Company conducted an annual review on the effectiveness of the Group's major risk management and internal control systems. The Board also reviewed resources, staff qualifications and experience in terms of accounting, internal audit and financial reporting functions, as well as the employee training courses and sufficiency of the relevant budget. The Company is of the view that the risk management and internal control systems are generally efficient and adequate, and no significant matters that could affect shareholders and demand attention were found during the year. To the knowledge of the Board, there are no material control failures or weaknesses in finance, operation and compliance control during the year under review. The Board and the audit committee will continue to improve the effectiveness of the Group's risk management and internal control systems, where necessary and to monitor the systems and the progress of improvements. The Board and the audit committee considered that the key areas of the Group's risk management and internal control systems are reasonably implemented and the Group has generally complied with the provisions of Corporate Governance Code on risk management and internal control systems.

D. DELEGATION BY THE BOARD

Management functions

In general, the Board oversees the Company's strategic development and determines the objectives, strategies and policies of the Group. The Board also monitors and controls operating and financial performance and sets appropriate policies for risk management in pursuit of the Group's strategic objectives. The Board delegates the implementation of strategies and day-to-day operation of the Group to the management. These arrangements will be reviewed periodically to ensure that they remain appropriate to the Company's needs. The Board has adopted a revised memorandum on the respective functions of the Board and management on 27th March, 2013 after a regular review. The Board is entrusted with the following reserved powers:

1. *Business strategy*

   - approval of strategic objectives, annual plans and performance targets for the Group;
   - approval of proposals for expansion or closures other than those which have been specifically approved in the strategic objectives and/or annual plans of the Group;
   - approval of budgets; and
   - approval of performance indicators.

2. *Appointment*

   - appointment of any person as director to fill a casual vacancy or as an additional director;
   - appointment of the chairman and chief executive officer;
   - appointment of senior executives;
   - fixing of auditor's remuneration;
   - selection, appointment and dismissal of company secretary; and
   - formation of board committees and approval of the membership and terms of reference of the board committees.

3. *Board and senior management*

   - delegation of authority to the chairman, chief executive officer, management and board committee(s);
   - approval of remuneration and incentive policies;
   - approval of group benefit policies;
   - approval of remuneration of directors and senior management; and
   - assessment of the performance of the Company and the Board.

4. *Relations with the shareholders*

   - arrangements for the annual general meeting and any other shareholders' meetings;
   - matters relating to disclosure as required by the applicable laws and regulations; and
   - formation of shareholders' communication policy.

5. *Financial matters*

   - approval of annual accounts and directors' reports;
   - approval of accounting policies;

- approval of any substantial change in the policies of the Company for statements of financial position management including but without limitation capital adequacy, credit, liquidity, debt maturity profile, interest rate and exchange rate risks and asset concentration both geographically and by sector;

- approval of internal audit plan;

- approval of internal control policy and procedures;

- acceptance of auditor's reports including management letters; and

- declaration of interim dividends and making recommendations on final dividends.

6. *Capital expenditures*

- approval of the capital expenditures budget;

- approval of capital commitment, whether or not the same has been provided for in the capital expenditures budget and/or annual budget; and

- approval of priorities.

7. Any transaction that constitutes notifiable transaction or connected transaction for the Company under the Listing Rules (as amended from time to time).

8. To assess the likely impact of unexpected and significant events and other events which can affect the price and market activity of the shares of the Company and to decide whether the relevant information would be price-sensitive and needs to be disclosed.

9. *Risk management*

- risk assessment and insurance; and

- risk management policies.

10. *Internal controls and reporting system*

- approval and establishment of any effective procedures for monitoring and control of operations including internal procedures for audit and compliance.

11. Use of the company seal(s).

12. Donations and sponsorships (if any) above approved limits.

E. COMPANY SECRETARY

Ms. Lam Yee Wah Eva, the company secretary appointed by the Board and an employee of the Company, in the opinion of the Board, possesses the necessary qualification and experience and is capable of performance of the functions of the company secretary. The Company will provide funds for Ms. Lam to take not less than 15 hours of appropriate professional training in each financial year as required under Rule 3.29 of the Listing Rules. During 2018, Ms. Lam has attended training programs and seminars arranged by The Hong Kong Institute of Chartered Secretaries and the Stock Exchange and has satisfied the 15 hours of professional training requirement of the Listing Rules.

F. COMMUNICATION WITH SHAREHOLDERS

F.1 Effective communication

The Company attaches great importance to communications with shareholders. Information on the Group's activities, business, strategies and developments is provided in the Company's annual reports and interim reports. Shareholders of the Company are encouraged to attend the annual general meetings of the Company which offer a valuable forum for dialogue and interaction with management.

In line with the practice of the Company, in respect of each issue to be considered at the annual general meetings and special general meetings, including the re-election of directors, a separate resolution will be proposed by the chairman of the meeting.

In accordance with code provision E.1.2 of the CG Code, Mr. Wu Xiao An, the chairman of the Board, and Mr. Xu Bingjin, the chairman of the audit committee, remuneration committee and nomination committee, have attended the 2018 AGM. Mr. Song Jian and Mr. Jiang Bo, both of whom are members of the three committees, also attended the 2018 AGM. All other directors attended the 2018 AGM in person or by way of telephone conference.

The Company has arranged for notice and related documents to shareholders for the 2018 AGM at least twenty (20) clear business days before the meeting pursuant to code provision E.1.3 of the CG Code. A separate resolution was prepared for each substantive matter presented to shareholders for approval at the 2018 AGM.

The chairman of the Board, the chairman of the audit committee, remuneration committee and nomination committee, or in their absence, another member of the relevant committee or an appointed representative, will attend the 2019 AGM to answer questions of shareholders.

Pursuant to code provision E.1.2 of the CG Code, the Company will invite representatives of the Auditor to attend the 2019 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.

F.2 Voting by poll

At the 2018 AGM, the chairman has provided an explanation of the procedures for conducting a poll at the commencement of the meeting. Poll results were posted on the website of the Stock Exchange (as well as on the website of the Company) on the day of the holding of the shareholders' meeting.

G. SHAREHOLDERS' RIGHT

Shareholders' right to convene special general meeting

Pursuant to bye-law 62 of the Company's bye-laws and section 74 of The Companies Act 1981 of Bermuda (as amended), shareholder(s), holding not less than one-tenth of the issued and paid-up share capital of the Company carrying voting right at general meetings of the Company, have the right to make written requisition (the "**Requisition**") to the Board to convene a special general meeting.

Procedures for shareholders to convene and put forward proposals at special general meeting

The Requisition to convene and put forward proposals at special general meeting must be in writing and signed by all requisitionist(s) (being the shareholder(s) making the Requisition) and must be deposited at the registered office of the Company at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda, with a copy sent to the Company' head office address at Suites 1602–05, Chater House, 8 Connaught Road Central, Hong Kong.

Shareholders' enquiries

The Company has adopted a shareholders' communication policy on 28th March, 2012 (as revised with effect on 27th March, 2013 after a regular review by the Board) and the policy is available on the website of the Company.

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available.

The Company has an investor relationship personnel to attend to enquiries from the shareholders. Contact details of the investor relationship personnel are set out in the shareholders' communication policy.

H. INVESTOR RELATIONS

Significant changes in the Company's bye-laws

There was no amendment made to the bye-laws of the Company during the year 2018.

I. DIVIDEND POLICY

Code provision E.1.5 stipulates that the Company should have a policy on payment of dividends and should disclose it in the annual report.

On 26th March, 2019, the Board approved and adopted a dividend policy (the "**Dividend Policy**"). According to the Dividend Policy, in deciding whether to propose/declare dividends and in determining the dividend amount, the Board shall take into account, inter alia, the following factors:

– the Group's overall results of operation and financial performance;

– the Group's expected working capital requirements, capital expenditure requirements and future development plans;

– the Group's financial position, retained earnings and distributable reserves;

– the financial covenants to which the Group is subject and any restrictions on the payment of dividends that may be imposed on the Group;

– the Company's business strategies;

– the general economic and other external factors that may have an impact on the future business and financial performance of the Group; and

– any other factors that the Board may consider relevant and appropriate.

Any recommendation, declaration and payment of dividends are also subject to the compliance with any applicable laws and regulations, including but not limited to the laws of Bermuda and the Company's bye-laws.

The Board will review the Dividend Policy from time to time. The Company's dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid in future. There is no assurance that dividends will be paid in any particular manner or amount for any given period.

Environmental, Social and Governance Report

OVERALL APPROACH

The Board has overall responsibility for the Group's environmental, social and governance (ESG) strategy and reporting. The Board is responsible for evaluating and identifying the Group's ESG risks and ensuring that the Company has an appropriate and effective ESG risk management system in place.

ESG helps to raise corporate awareness and enhance corporate responsibility. It also helps an enterprise better understand its supply chain needs, enhance reputation as well as fundraising and risk management ability, attract investors, retain talents, enhance innovation ability, obtain social recognition, reduce cost and improve profitability. ESG enables the Company to identify the relevant problems facing the Company and seek solutions to such problems, for the purposes of improving the Company's business and operations. Meanwhile, the Company can conduct regular evaluations by establishing an ESG management system, and develop strategic sustainable development plans to materialise its sustainable development goals.

Below is a discussion of our environmental and social matters. Corporate governance is reported separately in the section headed "Corporate Governance Report" of this annual report. This report is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" set out in Appendix 27 to the Listing Rules. RBJAC is the Company's major operating subsidiary in the PRC, which contributed nearly 64% of the revenue of the Group in 2018. Therefore, the following discussion mainly covers RBJAC.

The Company has complied with the "comply or explain" provision set out in the "Environmental, Social and Governance Reporting Guide" for the year ended 31st December, 2018.

SUBJECT AREA: (A) ENVIRONMENTAL

A1. Emissions

RBJAC has complied with applicable national and local laws, regulations, standards and relevant requirements, including the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法) to establish its environmental protection management system. With the approach of "environmental protection, pollution prevention, law compliance and continuous improvement" (保護環境、防治污染、遵紀守法、持續改進), RBJAC has reinforced its target responsibility system (目標責任制) in respect of environmental protection in the principle of "The person in charge bears the responsibility" (誰主管、誰負責). The company established and carried out the Environmental Management System Certification (環境管理體系認證) according to GB/T24001-2016 "Environmental Management System Requirements and User's Guide" (《環境管理體系要求及使用指南》).

RBJAC appoints qualified monitoring organizations to monitor the wastewater, exhaust gas and boundary noise of the company every year. In 2018, each monitoring indicator satisfied the requirements under the national and local standards on the discharge of pollutants, including the Integrated Wastewater Discharge Standard (污水綜合排放標準), the Integrated Emission Standard of Air Pollutants (大氣污染物綜合排放標準) and the Emission Standard for Industrial Enterprises Noise at Boundary (工業企業廠界環境雜訊排放標準). In 2018, RBJAC has achieved the target of "zero" environmental pollution incident and met the pollutant emission standards.

Hazardous wastes, as defined in the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法) and mentioned in the National Catalogue of Hazardous Wastes (國家危險廢物名錄), are disposed by qualified hazardous waste management institutions in accordance with applicable requirements.

In 2018, the main pollutant emissions of RBJAC included COD (chemical oxygen demand) in the amount of 79.06 tons (2017: 185.68 tons) and SO_2 (sulfur dioxide) in the amount of 2.11 tons (2017: 4.38 tons), respectively. The level of pollutant emissions fell below the permitted level.

Greenhouse gas is not the main pollutant of RBJAC. Hence, there is no relevant monitoring statistics.

In 2018, RBJAC commissioned qualified hazardous wastes disposal parties to carry out treatments such as land-filling, incineration and comprehensive utilisation (綜合利用) for all its hazardous wastes in accordance with regulatory requirements. The parties treated a total of 520.36 tons of various hazardous wastes (2017: 649.84 tons), including 39.46 tons of phosphate slag (2017: 98.26 tons), 88.66 tons of paint slag (2017: 146.2 tons), 272.06 tons of wastewater and sludge (2017: 276.92 tons), and 120.18 tons of other wastes (2017: 128.46 tons).

In 2018, RBJAC generated 677.94 tons of general non-hazardous wastes (2017: 1,078.15 tons), including 340.25 tons of used carton boxes (2017: 484.82 tons), 247.15 tons of waste plastic (2017: 352.16 tons), 88.74 tons of scrap metals (2017: 221.55 tons) and 1.8 tons of other wastes (2017: 19.62 tons). Relevant parties were commissioned to undertake comprehensive utilisation for the non-hazardous wastes generated by RBJAC. The company strengthened its process control and management, trained its staff of all work sections, improved the utilisation rate of raw materials, and enhanced its waste management training, while ensuring categorised placement and disposal of wastes to reduce the generation of hazardous wastes.

To reduce emissions, all the departments in RBJAC have enhanced their maintenance, operation and management of environmental protection treatment facilities. Members of operational and management personnel are trained regularly to understand the requirements of relevant regulations and national emission standards, and grasp the technical process and emergency plans for environmental protection treatment facilities. Malfunctions of such facilities are eliminated in a timely manner, to ensure their operation is in line with the designed emission standards. Each year, RBJAC commissions qualified institutions to monitor its wastewater, exhaust and boundary noise (廠界噪聲), with all the monitoring results in compliance with the requirements of relevant standards.

A2. Use of Resources

To improve the efficiency of use of resources (including energy, water and other raw materials), RBJAC has established energy management setups at different levels, built a two-level energy management network (comprising the level of the companies and of workshops) and formulated a series of management measures and methods. With reference to the process and characteristics of energy flows in the company, RBJAC manages different kinds of energy used in each production process and in the factory's main and auxiliary production systems based on four sections, namely purchase and storage (購入貯存), processing and conversion (加工轉換), transmission and distribution (輸送分配), and final usage of energy (最終使用).

The governing laws and regulations on resource usage include, but are not limited to: the Law of the People's Republic of China on Energy Conservation (《中華人民共和國節約能源法》), the Notice on the Implementation Plan of the Energy Conservation and Carbon Emission Reduction Actions by Ten-Thousand Enterprises (《關於印發萬家企業節能低碳行動實施方案的通知》), the General Principle of Energy Audit on Enterprise (《企業能源審計技術通則》), the General Principles for Monitoring and Testing of Energy Conservation (《節能監測技術通則》), the General Principles for Calculation of Thermal Efficiency of Equipment (《設備熱效率計算通則》), the General Principles for Calculation of Comprehensive Energy Consumption (《綜合能耗計算通則》), the Testing Guide for Energy Consumption of Equipment (《用能設備能量測試導則》), the Method of Calculating Energy Savings in Enterprises (《企業節能量計算方法》), the Guides for Energy Management in Industrial Enterprises (《工業企業能源管理導則》) and the General Principle for Provision and Management of the Measuring Instrument of Energy in Energy-consuming Organization (《用能單位能源計量器具配備和管理通則》).

RBJAC is one of the key energy-consuming enterprises in Shenyang. The types of energy mainly consumed by the company include, among others, electricity, water, natural gas, fuel and steam.

The following table sets out the consumption level of different types of energy (direct energy) by RBJAC in 2018 (Note 1):

Type	2018 Total consumption	2018 Density(Note 2)	2017 Total consumption	2017 Density(Note 2)
Electricity:	**39,587,200 kWh**	**935.43 kWh/unit**	44,857,300 kWh	743.74 kWh/unit
Water(Note 3):	**1,557,800 m^3**	**36.81 m^3/unit**	1,032,000 m^3	17.11 m^3/unit
Natural gas:	**6,627,300 m^3**	**156.6 m^3/unit**	6,954,200 m^3	115.3 m^3/unit
Fuel:	**598.09 tons**	**0.014 ton/unit**	803.06 tons	0.013 ton/unit
Steam:	**0 ton**	**0 tons/unit**	68,600 tons	1.14tons/unit

Notes:

1. Energy consumption is calculated according to the standard units set out by relevant departments of the PRC government (e.g. electricity – kWh, water – m^3, fuel – tons).

2. Density is calculated based on the production volume of 42,320 vehicles (2017: 60,313 vehicles) of RBJAC in 2018 (including Haise, Granse, H2 Series and Huasong 7).

3. The volumes of water consumption arising from production, recycled water consumption and wastewater discharge of RBJAC in 2018 were 1,557,800 m^3 (2017: 1,032,000 m^3), 732,800 m^3 (2017: 732,800 m^3) and 1,168,400 m^3 (2017: 774,000 m^3), respectively. The water consumed by RBJAC is mainly from municipal water supply, with no violation and in compliance with the "Energy Conservation Law of the People's Republic of China" (《中華人民共和國節約能源法》) so far.

There is no packaging material for the finished goods produced by RBJAC.

In respect of its energy utilisation efficiency plan and the results achieved, in 2018, RBJAC continued to lower its energy consumption and costs according to the energy-saving work plan of municipal and district governments as well as the Group's economic indicators. Specifically, RBJAC proceeded with contracted energy management projects and replaced its metal halide lamps (金屬鹵化物燈) and fluorescent lamps with LED lamps in its coating workshops, in a bid to reduce energy consumption and production costs. In 2018, RBJAC saved approximately RMB335,000 of electricity fee. Further, in 2018, RBJAC entered into direct transaction agreements between electricity users and power generating enterprises in Liaoning, which was organized by the Liaoning Provincial Economic and Informatization Committee (遼寧省經信委) so as to save production costs.

In respect of plans to improve water use efficiency and the results achieved, RBJAC saved 125,588 tons of water in 2018 in comparison with previous years (2017: 100,256 tons) by lowering its operating parameter of water supply, reducing water supply flow, reinforcing daily inspection on pipeline networks and timely addressing all types of water leakage and loss.

A3. The Environment and Natural Resources

As the Group's business activities can have certain impact on the environment and natural resources, the company has taken action to address such impact. In order to reduce its negative impact on the environment and natural resources, RBJAC controlled pollutant generation from the origin, prioritised the use of clean energy, and adopted environment-friendly techniques such as new process, technology, materials and equipment so as to eliminate or reduce pollutants and achieve clean production under the direction of various national and local laws, regulations, standards and relevant requirements.

The company discharged its wastewater to sewage treatment stations to undergo treatment. For the purpose of heating in winter, it adjusted the parameters of steam supply pressure, minimised the number of operating boilers according to temperature fluctuations and managed various types of energy leakage and loss more robustly. These energy saving measures in a sustainable way helps the company to manage energy saving issues in accordance to actual situations.

SUBJECT AREA: (B) SOCIAL

Employment and Labour Practices

B1. Employment

Set out below is a brief description of the Group's employment-related policies:

1. Recruitment: RBJAC strictly complies with the "Labour Law of the People's Republic of China" (《中華人民共和國勞動法》) and the "Labour Contract Law of the People's Republic of China" (《中華人民共和國勞動合同法》) during recruitment in the principle of complying with the relevant requirements of national labour policies, laws and regulations as well as meeting the needs and strategic operational objectives of the company in different developmental stages. RBJAC has consistently adhered to the people-oriented concept (以人為本) in recruitment, and formulated and implemented the "Recruitment Management Approach" (《招聘管理辦法》), which specifies the company's recruitment process to improve recruitment quality and efficiency.

   In 2018, the Group had approximately 6,541 employees in aggregate (2017: 6,280), of which RBJAC accounted for 3,773 (2017: 3,241) employees, while other operating subsidiaries such as Xing Yuan Dong, Dongxing Automotive, Shenyang Jindong, Mianyang Ruian and Ningbo Yuming accounted for 512 (2017: 571), 591 (2017: 756), 370 (2017: 411), 570 (2017: 590) and 473 (2017: 500) employees, respectively.

2. Promotion: Employees are provided with equal promotion opportunities under a fair, open and impartial competition mechanism, which takes into consideration the actual job requirements as well as each individual's overall strengths and performance. Open recruitment takes place to pursue talents, regardless of their educational level or qualifications.

3. Remuneration and benefits: In order to create a working environment that attracts, motivates and retains talents, and to enhance the company's sustainability, RBJAC provides attractive and competitive remuneration policies to employees. Employee remuneration consists of fixed components and variable components (performance salary, production bonus, rewards or fine and year-end bonus). In addition, it also formulates targeted incentive programmes, provides staff with a variety of career paths and encourages employees to develop into high-level technical personnel in their professional area. Remuneration is adjusted according to various factors such as company results, value of employee's position, individual ability and performance, and social condition.

   RBJAC contributes pension insurance, medical insurance, work-related injury insurance, unemployment insurance, maternity insurance and housing provident fund (五險一金) for their employees. It also provides employees with commuter cars, meal allowances, work uniform, protective clothing and other benefits. RBJAC organises physical examination for all its employees annually and provides occupational health checks to frontline production employees.

4. Dismissal: RBJAC strictly complies with the relevant requirements of the "Labour Law" (《勞動法》) and "Labour Contract Law" (《勞動合同法》) of the People's Republic of China when terminating employment relationship with its employees. The company values the importance of talent accumulation. Since 2018 is the first year after the establishment of the new joint venture, there is relatively significant personnel change. The turnover rate of RBJAC was 8.91% in 2018 (2017: 4.57%), representing an increase compared with last year.

5. Equal opportunities and anti-discrimination: RBJAC provides employees with equal opportunities for their development, promotion, benefits, evaluation and training etc. Employees are not be discriminated or lose opportunities due to factors such as gender, ethnicity, race, nationality and region, family background, religious beliefs, political ideologies and disability.

6. Diversity: Cultural diversity plays an important role in the growth and development of an enterprise. RBJAC has been hiring employees of different genders, ages, ethnic groups, races, nationalities and regions, religious beliefs, political ideologies and academic background.

7. Working hours and holidays: The working hours and holidays of RBJAC are in line with the relevant requirements of national labour policies, laws and regulations. It has formulated the "Employee Manual" (《員工手冊》), and strictly abides by working hours and holidays stipulated by the law of the region where the company is located. Employees work eight hours a day, five days a week, and rest on Saturdays, Sundays and public holidays. RBJAC provides casual leave, sick leave, marriage leave, bereavement leave, maternity leave, annual leave etc. to its employees.

In 2018, the total number of employees of the Group by gender is set out below:

	2018			2017		
Gender	**Number of employees**	**Percentage of total number of employees**	**Turnover rate (by gender)**	Number of employees	Percentage of total number of employees	Turnover rate (by gender)
Male	**5,407**	**82.7%**	**9.3%**	5,297	84.3%	6.7%
Female	**1,134**	**17.3%**	**1.8%**	984	15.7%	1.2%
Total	**6,541**	**100%**	**11.1%**	6,281	100%	7.9%

In 2018, the total number of employees of the Group by age group is set out below:

	2018			2017		
Age	**Number of employees**	**Percentage of total number of employees**	**Turnover rate (by age)**	Number of employees	Percentage of total number of employees	Turnover rate (by age)
30 years old or below	**2,060**	**31.5%**	**6.3%**	2,360	37.6%	4.6%
31 to 40 years old	**2,263**	**34.6%**	**3.0%**	1,891	30.1%	2.1%
41 to 50 years old	**1,291**	**19.7%**	**0.9%**	1,217	19.4%	0.6%
51 years old or above	**927**	**14.2%**	**0.8%**	813	12.9%	0.6%
Total	**6,541**	**100%**	**11.1%**	6,281	100%	7.9%

In 2018, the total number of employees of the Group by employment type is set out below:

	2018			2017		
Employment type	**Number of employees**	**Percentage of total number of employees**	**Turnover rate (by employment type)**	Number of employees	Percentage of total number of employees	Turnover rate (by employment type)
Administrative personnel	**882**	**13.5%**	**1.2%**	905	14.4%	0.9%
Technical personnel	**1,273**	**19.5%**	**2.2%**	657	10.5%	0.4%
Production workers	**3,973**	**60.7%**	**6.7%**	4,579	72.9%	6.4%
Early retired and departed staff (內退和離崗人員)	**413**	**6.3%**	**1.0%**	140	2.2%	0.2%
Total	**6,541**	**100%**	**11.1%**	6,281	100%	7.9%

B2. Health and Safety

RBJAC places occupational health and safety as its first priority. Specifically, RBJAC has established its health and safety management agency based on the CEO responsibility system (行政總裁負責制), has adopted various measures and techniques to promote the standardization of safety production and has constantly improved rules and regulations, post responsibility systems (崗位責任制) and post safety operation procedures (崗位安全操作規程) under national laws and regulations such as the "Law of the People's Republic of China on Work Safety" (《中華人民共和國安全生產法》), the "Law of the People's Republic of China on the Prevention and Control of Occupational Diseases" (《中華人民共和國職業病防治法》) and standard requirements. RBJAC has developed and implemented occupational health and safety management system certification in accordance with GB/T28001-2011 "Occupational Health and Safety Management System" (《職業健康安全管理體系》).

In 2018, RBJAC incurred no work-related fatal accident (2017: nil). According to the "Classification Standard of Corporate Casualty of Staff and Workers" (《企業職工傷亡事故分類標準》), occupational injuries resulting in a loss of fewer than 105 working days for a single person are classified as minor injuries. In 2018, there was one (2017: three) work-related minor injury in RBJAC, with one worker (2017: three workers) injured and a total loss of 60 (2017: 270) workings days.

RBJAC arranges annual training for safety management personnel, new employees, employees who changed functions, and special operational employees to enhance their safety awareness and skills and standardise their operational behaviours. RBJAC supervises and urges the employees to comply with relevant laws, regulations and operational procedures, instructs employees on how to use protective equipment and labour protection appliance correctly, and carries out supervision and inspection. RBJAC organises occupational health checks for the employees before they take up the post, during their employment and when they leave the post. In 2018, RBJAC completed the occupational health surveillance records for employees exposed to occupational hazards (職業危害崗位員工職業健康監護檔案) and archived such records for a total of 1,642 (2017: 1,691) employees. The company also organised pre-employment physical examination for 11 (2017: 9) employees exposed to occupational hazards and post-employment physical examination for 123 (2017: 476) employees exposed to occupational hazards.

Each year, RBJAC engages a qualified organisation to examine and evaluate occupational hazard factors of its workplaces. The examination results of 2018 were in line with national requirements.

Each year, RBJAC invests funds in its production environment improvement, labour protection appliance purchase, safety education, training and publicity, obsolete production equipment elimination or technical renovation. In 2018, RBJAC invested RMB10,088,400 (2017: RMB13,964,000) in enhancing workplace safety.

RBJAC conducted regular inspections to identify and rectify potential safety hazards timely and effectively. In 2018, RBJAC identified a total of 15 (2017: 19) potential hazards, and rectified all 15 (2017: 19) hazards, with a rectification rate of 100% (2016: 100%). RBJAC formulated 10 emergency rescue plans, including the "Emergency Response Plan for Severe Safety Production Accidents" (《重大安全生產事故應急處置預案》), the "Emergency Rescue Plan for Oil Depot Accidents" (《油庫事故應急救援預案》), the "Emergency Response Plan for Boiler and Pressure Vessel Accidents" (《鍋爐、壓力容器事故應急預案》) and the "Emergency Rescue Plan for Natural Gas Leakage Accidents" (《天然氣洩漏事故應急救援預案》), to direct and regulate emergency plans in response to unexpected safety production accidents of the company.

B3. Development and Training

The Group provides training to all its employees from time to time, to enhance their overall quality and professional expertise.

RBJAC has developed and implemented such systems and standards as the "Procedures for Training Management" (《培訓管理程序》), which emphasise three broad categories, namely "Working Skills"(崗位技能類), "Quality and Ability Improvement" (素質能力提升類) and"Innovation and Development" (創新發展類). Training is conducted in various forms, such as training by internal instructors, external training and online training. The curriculum covers a broad spectrum of topics such as professional skills, quality and ability, work efficiency, team cooperation, ethics and professional conduct.

Information on the percentage of trained employees of the Group by gender and employment type in 2018 is set out below:

2018

Employment type	**Male**	**Trained male**	**Percentage of trained employees**	**Female**	**Trained female**	**Percentage of trained employees**
Administrative personnel	**552**	**547**	**99.1%**	**330**	**323**	**97.9%**
Technical personnel	**928**	**924**	**99.6%**	**345**	**344**	**99.7%**
Production workers	**3,581**	**3,571**	**99.7%**	**392**	**389**	**99.2%**
Early retired and departed staff (內退和離崗人員)	**346**	**1**	**0.3%**	**67**	**–**	**0%**
	5,407	**5,043**	**93.3%**	**1,134**	**1,056**	**93.1%**

2017

Employment type	Male	Trained male	Percentage of trained employees	Female	Trained female	Percentage of trained employees
Administrative personnel	540	524	97.0%	365	357	97.8%
Technical personnel	541	536	99.1%	116	115	99.1%
Production workers	4,102	4,072	99.3%	477	473	99.2%
Early retired and departed staff (內退和離崗人員)	114	1	0.9%	26	0	0%
	5,297	5,133	96.9%	984	945	96.0%

Information on the average training hours completed by the employees of the Group by gender and employment type in 2018 is set out below:

2018

Employment type	**Training hours per male employee**	**Training hours per female employee**
Administrative personnel	**27 hours**	**22 hours**
Technical personnel	**46 hours**	**49 hours**
Production workers	**33 hours**	**29 hours**
Early retired and departed staff (內退和離崗人員)	**0 hour**	**0 hour**

2017

Employment type	Training hours per male employee	Training hours per female employee
Administrative personnel	38 hours	38 hours
Technical personnel	39 hours	50 hours
Production workers	41 hours	28 hours
Early retired and departed staff (內退和離崗人員)	0 hour	0 hour

B4. Labour Standards

The Group strictly complies with the applicable provisions of national labour policies, laws and regulations, and prohibits recruiting child labour. During the recruitment process, candidates are required to show their identity proofs to prevent child labour. If the identity proofs provided by the candidate do not comply with national labour policies, the process of recruitment will be terminated. All employees work freely and equally in the Group without forced labour.

Operating Practices

B5. Supply Chain Management

RBJAC is aware of the influence of supply chain management on the environment and society. In principle, RBJAC requests all its suppliers to pass the review of allied suppliers assessment system (聯盟供應商評估體系)and strongly recommend them to pass IATF16949 Quality Management System Certification of International Automotive Industry (《全球汽車產業質量管理系統認證》), and has established a robust system for the environment and occupational health and safety management. Enterprises which have a material effect on the environment and occupational health and safety must pass ISO14001 Standard of International Environment Management System (《國際環境管理系統標準》) and OHSAS18001 Occupational Safety and Health Management Certification (《職業安全衛生管理認證》).

In 2018, RBJAC had 443 (2017: 355) suppliers. By region, RBJAC had 192 (2017: 149) suppliers in Eastern China, 162 (2017: 139) in Northeastern China, 50 (2017: 43) in Northern China, 17 (2017: 11) in Southern China, 15 (2017: 10) in Southwestern China and 5 in Central China (2017: 0). Furthermore, there were 2 overseas suppliers.

In 2018, the following work was carried out under the suppliers' system. The existing suppliers received their annual appraisal based on 6 indicators, namely product quality (產品質量), quality system (質量體系), research and development capacity (研發能力), competitiveness (競爭力), delivery on mass production (量產交付表現) and after-sales services (售後服務). Each department would report on the situation of each supplier to the supplier assessment department (供應商評價部門) under the procurement department, according to the assessment criteria based on a score from 0 to 100. Afterwards, the supplier assessment department would confirm whether each supplier has reached the minimum score designated by each department. Suppliers who meet all minimum scores would be retained in the system. For those who scored below the minimum value of one of the criteria, the issue would be submitted to the supplier system commission (供應商體系委員會), which can decide whether to remove the supplier from the system or prepare action plans. The same logic applies to new suppliers (product quality and delivery performance cannot be assessed until the start of production).

The supplier selection process is as follows: all the candidates for new component suppliers shall be selected entirely from the supplier system. Subsequently, the procurement department would formulate quotation requests according to technical specifications and budgets. After thorough negotiation and confirmation on the technical quotations, suppliers are selected based on both their competitiveness and lowest risk exposure.

During the development stage, both procurement and product engineering departments would carefully monitor the suppliers on their progress of design and industrial procedures, with the aim of ensuring that the suppliers have sufficient manpower and resources to meet deadlines, production capacity and quality requirements.

During mass production, both quality and delivery performance are strictly monitored. Any deviation from the objective requires preparation of rectification plans.

B6. Product Responsibility

RBJAC focuses on the quality and safety of its products and services which are accredited by China Compulsory Certification System (3C certification) (中國強制認證制度(3C認證)) and ISO9001 Quality Management System (《質量管理體系》). It also carries out remedies through Three-warranty Policy of Automobiles (汽車三包政策) (i.e. refund, replace and repair).

Care is taken to ensure that contents of advertisements are true, contain no false or misleading statements and do not violate any applicable rules, regulations and laws. Advertisements provide true and accurate product information and strictly comply with the Advertisement Law (《廣告法》) of the PRC.

There was no recall of products due to defects in 2018 (2017: nil).

In 2018, RBJAC received a total of 3,842 (2017: 8,456) customer complaints. With the complaint handling process in place and appropriate follow-up actions, the percentage of complaints solved reached 98% (2017: 99%).

Ever since its establishment, RBJAC has always attached great importance to the protection of its intellectual property rights. The company implements an incentive mechanism on intellectual property work, supports intellectual property programmes, in particular, high-tech patent programmes, and drives the company's technicians' consistent motivation for innovation. The company has continuously adhered to the strategies of "brand-building, enhancing awareness, greater application, enhancing protection, intensifying innovation and enhancing efficiency" (樹立品牌、增強意識、加強申請、促進保護、加大創新、提高效率) to speed up development of the company's technological innovation system. As of the end of 2018, RBJAC's valid trade marks included 135 domestic ones and 11 overseas ones, with a total of 277 existing and valid patents (including 76 patents on utility models (實用新型) and 201 patents on design (外觀設計)). The number of trademarks in 2018 increased as compared to 2017, which was mainly attributable to the transfer of 277 patents from Huachen to RBJAC in June 2018 and the application of 30 new trademarks by RBJAC in 2018.

In respect of quality inspection and product recall procedures, "Logistics Control Procedure" (《物流控制程序》) regulates the quality inspection for product vehicles at the storage and retrieval stages. The "Guidance Manual for Dealership" (《經銷商指導手冊》) regulates the quality inspection when a dealer receives the vehicle product. As to product recall, the company adopts the "Recall and Service Management Control Procedure" (《召回與服務管理控制程序》) to regulate the recall and handling procedures of defective vehicles.

RBJAC values the privacy and security of consumers' information by adopting the following measures: (1) special personnel management (專人專管) and approval by multiple levels of authority (層層審批): by implementing "DMS Client Archive and Data Permission Management Regulations" (《DMS系統客戶檔案及數據權限管理規定》), to regulate the protection of consumer information and privacy; and (2) the customer service centre monitoring: consumers' information is monitored by the customer service centre.

B7. Anti-corruption

The Company and its employees strictly comply with the applicable laws relating to corruption, bribery and money laundering in the relevant jurisdictions in which the Group carries out its operations. To the best knowledge of the directors of the Company, the Group had no corruption, bribery, extortion, fraud or money laundering incidents, or any filed and concluded corruption legal case against the Company and its employees in 2018.

RBJAC practices and strictly implements "The State-owned Enterprise Implementing Three Importance and One Greatness Policy-making System" (《國有企業貫徹落實「三重一大」決策制度》) and the "Requirements of Incorruptible Employment for State-owned Enterprise Leadership" (《國有企業領導人員廉潔從業若干規定》), etc. Each department would promote and study the Criminal Law of the People's Republic of China (《中華人民共和國刑法》) and cases relating to bribery, extortion, fraud and money laundering.

By carrying out initiatives such as internal and external audit and establishing whistle-blowing hotline, RBJAC tries to control and prevent any unethical or corrupt behaviours. The company raised the awareness among all levels of staff in respect of anti-corruption and the ability to reject corruption activities by holding educational events. Employees may report any violation by an employee such as dereliction of duties, seeking personal gain through power, accepting bribes, misappropriation of company assets, etc. to compliance authorities via various channels such as formal document, letters, fax, e-mail, phone call, and interview. The company's authorities would then report to competent authorities, after which the reported violations will be investigated, verified and concluded.

B8. Community Investment

As far as the Group is concerned, fulfillment of corporate social responsibility means operating its business in a responsible way and taking into consideration the interests of both internal and external stakeholders and the impact on economy, society and the environment. With a high degree of political and social responsibility, an enterprise should create a harmonious atmosphere in the corporation and society, and build a corporate image with internal cohesiveness and external influences.

With an aim to encourage employees to improve their skills, RBJAC held "Competing for Becoming No.1 Worker, Competing for Becoming No.1 Team" (爭當金牌工人　爭創金牌班組) and "An Kang Cup" (安康杯) competitions; and also established "Advanced Model Innovative Workshop (勞模創新工作室).

Besides, RBJAC hosted activities such as staff skills contests, badminton matches, and staff basketball matches to improve team cooperation and give back to the society.

In 2018, RBJAC offered benefits in an aggregate amount of approximately RMB405,000 in the form of birthday meals and charitable funds.

In 2018, the company organised a book donation activity themed "Share Your Books, Share Your Love" (共享書香愛心傳遞) in the RBJAC community, which donated 54 books.

In addition, in cooperation with the group under the Targeted Support Scheme (定點幫扶), the company dedicated its support to CaoJiaWoPu Village in Hujia Township(胡家鎮曹家窩鋪村) by purchasing local food products during the National Day Holiday for staff benefits. Such activities amounted to RMB349,200 in total.

Independent Auditor's Report

Grant Thornton
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TO THE MEMBERS OF
BRILLIANCE CHINA AUTOMOTIVE HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Brilliance China Automotive Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 73 to 162 which comprise the consolidated statement of financial position as at 31st December, 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
Interest in a significant joint venture	
The Group's 50% interest in BMW Brilliance Automotive Limited ("**BBA**") *(note 15)*, is accounted for under the equity method. The Group's share of the profit after tax expense from BBA for the year ended 31st December, 2018 was approximately RMB6,245,610,000 and the Group's share of BBA's net assets was approximately RMB24,074,405,000 as at 31st December, 2018. The amounts noted below are those in the BBA financial statements (i.e. on a 100% basis). In the context of our audit of the consolidated financial statements, the key audit matters relating to the Group's share of the profit and net assets of BBA are summarised below: Recoverability of accounts receivable – BBA's accounts receivable are mainly related to automotive components business. As at 31st December, 2018, the accounts receivable balance of BBA was approximately RMB1,190,126,000.	BBA is a significant joint venture of the Group and is audited by auditor other than Grant Thornton (the "**Component Auditor**"). We have met with the Component Auditor and discussed their identified audit risks and audit approach and have reviewed their work papers and discussed with them the results of their work. Together with their reporting package provided to us in accordance with our instructions, we have determined that the audit work performed and evidence obtained were sufficient for our purpose. We have met with the Component Auditor and the Group management and have discussed with them and evaluated the impact on the consolidated financial statements of the key audit matters relating to BBA. The audit procedures performed on the recoverability of accounts receivable included the following: • testing the effectiveness of BBA's control over the monitoring of receivables over the collection periods; • considering whether BBA's provision methodology on expected credit loss was appropriate given the changing economic conditions faced by the dealers; • comparing post-period end cash collections to BBA's expectations at 31st December, 2018; and • assessing the aging of the accounts receivable and considering the financial and business performance of the dealers, and setting an expectation of the level of provision required and comparing the expectation to BBA's provision, if any. We found that, in the context of our audit of the consolidated financial statements, BBA's management judgements and estimates associated with the key audit matters noted in respect of the Group's share of the profit and net assets of BBA were supported by the available evidence.

Key audit matter	How the matter was addressed in our audit
Impairment of intangible assets and property, plant and equipment	
We identified the impairment of intangible assets and property, plant and equipment as a key audit matter due to the use of judgement about future results of the business in assessing the recoverability of intangible assets and property, plant and equipment. As at 31st December, 2018, intangible assets and property, plant and equipment of approximately RMB611,955,000 *(note 12)* and RMB2,548,136,000 *(note 13)* respectively mainly consist of capitalised development costs related to multiple cash generating units ("**CGUs**"). Management performed impairment assessment of the Group's intangible assets and property, plant and equipment by allocating the intangible assets and property, plant and equipment to CGUs. The recoverable amount of each CGU was determined based on value-in-use calculations using cash flow projections. Management has concluded that there are approximately RMB235,767,000 and RMB50,227,000 impairment losses on the intangible assets and property, plant and equipment respectively based on the results of the impairment assessments which involved significant management judgement, including gross profit margins, sales growth rates and discount rates applied to the value-in-use calculations.	Our audit procedures to assess management's impairment assessment of the intangible assets and property, plant and equipment included the following: • assessing the valuation methodology adopted by management; • comparing the current year actual cash flows with the prior year cash flow projections to consider if the projections included assumptions that were overly optimistic; • assessing the reasonableness of key assumptions, including gross profit margins, sale growth rates and discount rates, based on or knowledge of the business and industry; and • reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets. We found that the management's judgements and assumptions used in the impairment assessment to be reasonable based on the available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2018 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report (Cont'd)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981 and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

– identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

– evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

– conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong
26th March, 2019

Chan Tze Kit
Practising certificate number: P05707

Consolidated Statement of Profit or Loss

For the year ended 31st December, 2018

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

	Note	**2018 RMB'000**	2017 RMB'000
Revenue	5	**4,377,263**	5,304,723
Cost of sales		**(4,090,703)**	(5,118,497)
Gross profit		**286,560**	186,226
Other income		**141,328**	110,466
Interest income		**60,712**	55,443
Selling expenses		**(375,682)**	(571,853)
General and administrative expenses		**(918,058)**	(1,192,936)
Finance costs	6	**(113,927)**	(137,871)
Share of results of:			
Joint ventures		**6,244,848**	5,233,312
Associates		**33,265**	216,979
Profit before income tax expense	7	**5,359,046**	3,899,766
Income tax expense	8	**(64,552)**	(33,953)
Profit for the year		**5,294,494**	3,865,813
Attributable to:			
Equity holders of the Company		**5,820,909**	4,376,120
Non-controlling interests		**(526,415)**	(510,307)
		5,294,494	3,865,813
Earnings per share	9		
– Basic		**RMB1.15374**	RMB0.86776
– Diluted		**RMB1.15374**	RMB0.86738

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2018

	2018	2017
	RMB'000	RMB'000
Profit for the year	**5,294,494**	3,865,813
Other comprehensive (expense) income that will be subsequently reclassified to consolidated statement of profit or loss, net of tax		
Change in fair value of equity investments	**(12,206)**	(8,969)
Share of other comprehensive (expense) income of a joint venture	**(787,527)**	715,758
Fair value loss on notes receivable at fair value through other comprehensive income ("**FVOCI**")	**(3,859)**	–
	(803,592)	706,789
Total comprehensive income for the year	**4,490,902**	4,572,602
Attributable to:		
Equity holders of the Company	**5,018,080**	5,082,909
Non-controlling interests	**(527,178)**	(510,307)
	4,490,902	4,572,602

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2018

	Issued capital RMB'000	Hedging reserve RMB'000	Share premium RMB'000	Investment fair value reserve RMB'000	FVOCI reserve RMB'000	Cumulative translation adjustments reserve RMB'000	Difference arising from acquisition of non-controlling interests RMB'000	Share options reserve RMB'000	Capital reserve RMB'000	Retained earnings RMB'000	Total equity attributable to the equity holders of the Company RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1st January, 2017	396,809	(331,995)	2,473,444	17,835	–	39,179	(537,584)	942	120,000	21,545,227	23,723,857	(1,125,334)	22,598,523
Transactions with equity holders of the Company													
Dividends *(note 10)*	–	–	–	–	–	–	–	–	–	(472,981)	(472,981)	–	(472,981)
Acquisition of additional interests in a subsidiary in group restructure *(note 38(b))*	–	–	–	–	–	–	(1,997,617)	–	–	–	(1,997,617)	1,997,617	-
Disposal of interests in a subsidiary in group restructure *(note 38(b))*	–	–	–	–	–	–	184,720	–	–	–	184,720	(184,720)	-
Issue of shares by exercise of share options *(Note 31(a))*	367	–	2,638	–	–	–	–	(942)	–	–	2,063	–	2,063
	367	–	2,638	–	–	–	(1,812,897)	(942)	–	(472,981)	(2,283,815)	1,812,897	(470,918)
Profit for the year	–	–	–	–	–	–	–	–	–	4,376,120	4,376,120	(510,307)	3,865,813
Other comprehensive income													
Share of other comprehensive income of a joint venture	–	715,758	–	–	–	–	–	–	–	–	715,758	–	715,758
Change in fair value of financial assets	–	–	–	(8,969)	–	–	–	–	–	–	(8,969)	–	(8,969)
Total other comprehensive income (expense)	–	715,758	–	(8,969)	–	–	–	–	–	–	706,789	–	706,789
Total comprehensive income (expense)	–	715,758	–	(8,969)	–	–	–	–	–	4,376,120	5,082,909	(510,307)	4,572,602
As at 31st December, 2017	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

Consolidated Statement of Changes in Equity (Cont'd)

For the year ended 31st December, 2018

	Issued capital RMB'000	Hedging reserve RMB'000	Share premium RMB'000	Investment fair value reserve RMB'000	FVOCI 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, 2018, as previously stated	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 2.1 (ii))*	-	-	-	-	-	-	-	-	-	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													
Dividends *(note 10)*	-	-	-	-	-	-	-	-	-	(483,822)	(483,822)	-	(483,822)
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	1,095,000	1,095,000
	-	-	-	-	-	-	-	-	-	(483,822)	(483,822)	1,095,000	611,178
Profit for the year	-	-	-	-	-	-	-	-	-	5,820,909	5,820,909	(526,415)	5,294,494
Other comprehensive income													
Share of other comprehensive income of a joint venture	-	(787,527)	-	-	-	-	-	-	-	-	(787,527)	-	(787,527)
Change in fair value of financial assets	-	-	-	(12,206)	(3,096)	-	-	-	-	-	(15,302)	(763)	(16,065)
Total other comprehensive income (expense)	-	(787,527)	-	(12,206)	(3,096)	-	-	-	-	-	(802,829)	(763)	(803,592)
Total comprehensive income (expense)	-	(787,527)	-	(12,206)	(3,096)	-	-	-	-	5,820,909	5,018,080	(527,178)	4,490,902
As at 31st December, 2018	397,176	(403,764)	2,476,082	(3,340)	(3,096)	39,179	(2,350,481)	-	120,000	30,807,988	31,079,744	745,078	31,824,822

Consolidated Statement of Financial Position

As at 31st December, 2018

	Note	2018 RMB'000	2017 RMB'000
Non-current assets			
Intangible assets	12	**611,955**	696,200
Property, plant and equipment	13	**2,548,136**	2,567,129
Land lease prepayments	14	**84,397**	86,513
Interests in joint ventures	15	**24,074,405**	21,593,786
Interests in associates	16	**1,672,977**	1,747,517
Prepayments for investments	17	**–**	600,000
Equity investments	18	**12,293**	24,499
Long-term loans receivable	19	**3,727,908**	1,446,655
Other non-current assets		**86,077**	61,993
Total non-current assets		**32,818,148**	28,824,292
Current assets			
Cash and cash equivalents		**2,310,459**	1,732,076
Statutory deposit reserves at central bank		**32,552**	62,038
Short-term bank deposits		**576,311**	43,402
Pledged short-term bank deposits	20	**1,075,837**	1,713,754
Inventories	21	**1,011,644**	1,043,793
Accounts receivable	22	**1,024,873**	1,023,365
Notes receivable	23	**317,132**	363,795
Other current assets	24	**2,932,900**	3,049,616
Total current assets		**9,281,708**	9,031,839
Current liabilities			
Accounts payable	25	**1,860,050**	3,278,870
Notes payable	26	**1,630,648**	2,780,586
Other current liabilities	27	**1,984,143**	2,055,279
Short-term bank borrowings	28	**4,623,500**	2,809,900
Income tax payable		**13,623**	40,340
Long-term bank borrowings due within one year	28	**20,000**	–
Total current liabilities		**10,131,964**	10,964,975
Net current liabilities		**(850,256)**	(1,933,136)
Total assets less current liabilities		**31,967,892**	26,891,156
Non-current liabilities			
Long-term bank borrowings	28	**40,000**	80,000
Deferred government grants		**103,070**	110,949
Total non-current liabilities		**143,070**	190,949
NET ASSETS		**31,824,822**	26,700,207

Consolidated Statement of Financial Position (Cont'd)

As at 31st December, 2018

	Note	2018 RMB'000	2017 RMB'000
Capital and reserves			
Share capital	31(a)	**397,176**	397,176
Reserves	32	**30,682,568**	26,125,775
Total equity attributable to equity holders of the Company		**31,079,744**	26,522,951
Non-controlling interests		**745,078**	177,256
TOTAL EQUITY		**31,824,822**	26,700,207

Wu Xiao An
(Also known as Ng Siu On)
Director

Qi Yumin
Director

Consolidated Statement of Cash Flows

For the year ended 31st December, 2018

	Note	2018 RMB'000	2017 RMB'000
Operating activities			
Cash used in operations	34	**(3,192,148)**	(2,833,727)
Interest and financing service income received		**453,084**	301,308
Corporate income tax paid		**(91,269)**	(14,362)
Net cash used in operating activities		**(2,830,333)**	(2,546,781)
Investing activities			
Acquisition of property, plant and equipment and land lease prepayments and additions of intangible assets		**(460,792)**	(623,927)
Decrease (Increase) in short-term and pledged bank deposits		**105,008**	(225,054)
Dividend received from an associate		**28**	168,000
Dividend received from a joint venture		**3,000,000**	2,000,000
Refund of prepayments for investments	17	**200,000**	–
Repayment received from advance to Shenyang Automobile Industry Asset Management Company Limited ("**SAIAM**")	24(a)	**300,000**	–
Proceeds from disposal of property, plant and equipment		**3,359**	3,456
Increase in other non-current assets		**(24,125)**	(44,409)
Net cash generated from investing activities		**3,123,478**	1,278,066
Financing activities			
Proceeds from issue of shares		**–**	2,063
Issue of notes payable	34(b)	**417,105**	2,299,567
Repayments of notes payable	34(b)	**(2,299,567)**	(1,386,464)
Government grants received	34(b)	**14,492**	18,402
Proceeds from bank borrowings	34(b)	**6,963,500**	3,090,900
Repayments of bank borrowings	34(b)	**(5,169,900)**	(1,526,000)
Dividends paid	34(b)	**(682,577)**	(277,155)
Capital contributions from non-controlling shareholders		**1,095,000**	–
Interest paid		**(52,815)**	(157,464)
Net cash generated from financing activities		**285,238**	2,063,849
Increase in cash and cash equivalents		**578,383**	795,134
Cash and cash equivalents, as at 1st January,		**1,732,076**	936,942
Cash and cash equivalents, as at 31st December,		**2,310,459**	1,732,076

1. CORPORATE INFORMATION

Brilliance China Automotive Holdings Limited (the "**Company**") was incorporated in Bermuda on 9th June, 1992 with limited liability. The Company's shares are traded on the main board of The Stock Exchange of Hong Kong Limited (the "**SEHK**"). The address of the registered office of the Company is disclosed in the section headed "Corporate Information" of this annual report and the principal places of business of the subsidiaries are in the People's Republic of China (the "**PRC**").

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the "**Group**") are the manufacture and sale of BMW vehicles in the PRC through its major joint venture, BMW Brilliance Automotive Ltd. ("**BBA**"), the manufacture and sale of non-BMW automobiles and automotive components through its subsidiary, Renault Brilliance Jinbei Automotive Company Limited ("**RBJAC**"), and the provision of auto financing service to customers and dealers through its subsidiary, Brilliance-BEA Auto Finance Co., Ltd. ("**BBAFC**").

2. PRINCIPAL ACCOUNTING POLICIES

2.1 Statement of compliance

These annual consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), collective terms of which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), and the accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the SEHK (the "**Listing Rules**").

These consolidated financial statements have been prepared on the basis consistent with the accounting policies adopted in the 2017 financial statements, except for the adoption for the first time the following new and amended HKFRSs (collectively "**New and Amended HKFRSs**") issued by the HKICPA, which are relevant to and effective for the consolidated financial statements for the annual financial year beginning on 1st January, 2018.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKFRS 1	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

Other than as discussed below, the adoption of the New and Amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.1 Statement of compliance (Cont'd)

(i) HKFRS 9 "Financial Instruments"

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "Expected Credit Loss ("**ECL**") model" for the impairment of financial assets.

When adopting HKFRS 9, the Group has applied the standard retrospectively to items that existed at 1st January, 2018 in accordance with the transition requirement and also applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of HKFRS 9 in relation to classification, measurement, and impairment are recognized in retained earnings.

The adoption of HKFRS 9 has impacted the following areas:

– investments in listed equity securities and unlisted equity investment previously classified as available-for-sale investments under HKAS 39 measured at fair value with gain or loss on fair value changes being recognized in other comprehensive income and at cost less impairment, respectively, are now measured at fair value. The Group elected to irrevocably designate them at fair value with changes presented in other comprehensive income. Although the accounting treatment of investments in unlisted equity investment carried at cost less impairment under HKAS 39 is no longer applicable under HKFRS 9, there was no material difference in fair value and the cost less accumulated impairment losses for the unlisted equity investment as at 1st January, 2018.

– although the notes receivable are from the settlements of customers, since the payments are guaranteed by issuing banks, the Group does not hold the notes receivable until maturity but endorses or discounts these notes receivable before maturity for the settlement of the Group's creditors. Accordingly, the adoption of HKFRS 9 changes the classification of notes receivable as loans and receivables at amortised cost in previous years to financial assets at FVOCI (recycling) as set out in note 2.9 below. The differences among changes in classification as 1st January, 2018 were not considered significant and therefore the respective balances as at 1st January, 2018 were not restated.

– HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognizes ECL earlier than under the "incurred loss" accounting model in HKAS 39.

  The Group applies the new ECL model to the following items:

  – financial assets measured at amortised cost (including pledged bank deposits, bank balances, loans receivable, accounts receivable, others receivable and amounts due from affiliated companies); and

  – financial guarantee contracts issued

  For accounts receivable, the Group applies a simplified model of recognizing lifetime ECL as these items do not have a significant financing component. For other financial assets, the Group applies a general approach of recognizing ECL.

  Upon the adoption of HKFRS 9, the differences of the ECL allowance and the provision for impairment losses on loans receivable, accounts receivable, others receivable and amounts due from affiliated companies as at 1st January, 2018 was not considered significant and therefore the respective balances at 1st January, 2018 were not restated.

  There have been no changes to the classification or measurement of financial liabilities as a result of the application of HKFRS 9.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.1 Statement of compliance (Cont'd)

(ii) HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 "Revenue from Contracts with Customers" and the related "Clarifications to HKFRS 15 Revenue from Contracts with Customers" (hereinafter referred to as "HKFRS 15") replace HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue-related Interpretations.

The Group has elected to use the cumulative effect transition method, with the cumulative effect of initial application recognized as an adjustment to the opening balance of retained earnings at 1st January, 2018. Therefore, comparative information has not been restated and continues to be reported under HKASs 11 and 18.

In accordance with the transition guidance under HKFRS 15, the Group has only applied HKFRS 15 to contracts that are incomplete as at 1st January, 2018.

Summary of nature and effect of the changes on previous accounting policies are set out below:

Timing of revenue recognition

Under HKFRS 15, revenue is recognized when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

a. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

b. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced; or

c. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these three situations, then under HKFRS 15 the Group recognizes revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.1 Statement of compliance (Cont'd)

(ii) HKFRS 15 "Revenue from Contracts with Customers" (Cont'd)

The adoption of HKFRS 15 has effects on the revenue recognition of BBA in relation to dealer's bonus and construction service contracts. The respective effects to the consolidated financial statements are as follows:

Consolidated Statement of Financial Position items:

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

Consolidated Statement of Profit or Loss items:

	As reported RMB'000	Effect of Adopting HKFRS 15 RMB'000	Without adoption of HKFRS 15 RMB'000
Share of results of joint ventures	6,244,848	(21,692)	6,223,156

The adoption of HKFRS 15 does not have a significant impact on when the Group recognizes revenue from sales of non-BMW automobiles and automotive components.

Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

The adoption of HKFRS 15 does not have a significant impact on adjusting the transaction price containing significant financing component on the consolidated financial statements as at date of initial application.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.1 Statement of compliance (Cont'd)

(ii) HKFRS 15 "Revenue from Contracts with Customers" (Cont'd)

Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognized only if the Group has an unconditional right to consideration. If an entity recognizes revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognized when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the entity recognizes the related revenue.

As the adoption of HKFRS 15 does not have a significant impact on when the Group recognizes revenue from sales of non-BMW automobiles and automotive components, there is no contract asset recognized under HKFRS 15. However, the Group recognizes contract liabilities for the deposits received from customers for the sales of non-BMW automobiles and automotive components, for which revenue is recognized when goods are delivered and customers has accepted the goods.

Accounting for warranties

As set out in note 2.22, the Group is required to determine whether the warranties under sale of non-BMW automobiles and automotive components are assurance-type warranties under HKFRS 15. No significant impact on the consolidated financial statements as at date of initial application as all of the warranties included in the contracts are considered as assurance-type warranties, which are consistent with their previous accounting treatment.

2.2 Basis of measurement

The measurement basis used in the preparation of the consolidated financial statements is historical cost, except for financial instruments classified as finance assets which are measured at FVOCI as explained in note 2.9 below.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.3 Preparation of consolidated financial statements

As at 31st December, 2018, the Group had net current liabilities of approximately RMB850 million. Notwithstanding the Group's current liabilities exceeding its current assets as at 31st December, 2018, in preparing these consolidated financial statements, the directors have given careful consideration to current and future liquidity of the Group and its ability to provide working capital for its operations.

As at 31st December, 2018, the Group had short-term bank borrowings of approximately RMB4,624 million which are renewable on a yearly basis. Management is confident that these borrowings can be renewed upon their expiry.

In addition, Huachen Automotive Group Holdings Company Limited ("**Huachen**"), which is a PRC state-owned enterprise and the major shareholder of the Company, has also agreed to provide adequate funds to the Group, if necessary, to meet its liabilities as they fall due. With the support from Huachen together with the expected cash dividends from BBA and the continuing support from bankers, the directors are of the view that the Group will have sufficient cash resources to satisfy its future working capital needs and other financing requirements. Accordingly, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

2.4 Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

In consolidated financial statements, the results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries are adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.4 Basis of consolidation (Cont'd)

(i) Subsidiaries (Cont'd)

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gains or losses have been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 "*Financial Instruments*" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognized in the Company's profit or loss.

(ii) Non-controlling interests

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the equity holders of the Company. Non-controlling interests in the results of the Group are presented in the consolidated statement of profit or loss and consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity holders of the Company.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.4 Basis of consolidation (Cont'd)

(iii) Associates and joint ventures

An associate is an entity, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and the Group or Company has significant influence, but not control or joint control over its management. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies.

A joint venture is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's or the joint venture's net assets and any impairment losses related to the investment. The consolidated statement of profit or loss includes the Group's share of the post-acquisition, post-tax results of the associates and joint ventures for the year, including any impairment loss on goodwill relating to the investment in associates and joint ventures recognized for the year. The Group's other comprehensive income for the year includes its share of the associate or joint venture's other comprehensive income for the year.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Unrealised profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associate or joint venture. Where unrealised losses on asset sales between the Group and its associates or joint ventures are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the associate or joint venture uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's or joint venture's accounting policies to those of the Group when the associate or joint venture's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. For this purpose, the Group's interest in the associate or joint venture is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or joint venture.

After the application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investments in its associates or joint ventures. At each reporting date, the Group determines whether there is any objective evidence that the investment in an associate or a joint venture is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (higher of value in use and fair value less costs of disposal) of the associate or joint venture and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including cash flows arising from the operations of the associate or joint venture and the proceeds on ultimate disposal of the investment.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.4 Basis of consolidation (Cont'd)

(iii) Associates and joint ventures (Cont'd)

The Group discontinues the use of equity method from the date when it ceases to have significant influence over an associate or joint control over a joint venture. If the retained interest in that former associate or joint venture is a financial asset, the retained interest is measured at fair value, which is regarded as its fair value on initial recognition as a financial asset in accordance with HKFRS 9. The difference between (i) the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture; and (ii) the carrying amount of the investment at the date the equity method was discontinued, is recognized in the profit or loss. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would have been required if the associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by the investee would be reclassified to profit or loss on the disposal of the related assets or liabilities, the entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

(iv) Translation of foreign currencies

Items included in the financial statements of each of the Group's entities, including the Company, subsidiaries, associates and joint ventures, are all measured using Renminbi ("**RMB**") which is the currency of the primary economic environment in which the entities operate (the "**functional currency**").

Transactions in currencies other than the functional currency are translated into the functional currency at exchange rates prevailing at the transaction dates. Monetary assets and liabilities expressed in other currencies at the reporting date are re-translated into the functional currency at rates of exchange prevailing at the reporting date. Exchange differences arising in these cases are dealt with in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rates at the transaction date).

Cumulative translation adjustments under shareholders' equity represent exchange differences arising from the Company's change in functional currency in previous years.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.5 Intangibles

(i) Research and development costs

Research costs are charged to profit or loss as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are capitalised as an intangible asset where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so; costs are identifiable and can be reliably measured and there is an intention and ability to sell or use the asset for generating future economic benefits. Such development costs include the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable, and are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on a straight-line basis over 5 to 10 years. Development costs that do not meet the above criteria are charged to profit or loss as incurred. Development costs previously recognized as an expense are not recognized as an asset in subsequent periods.

The costs of development of internally generated software, products or knowhow that meet the above recognition criteria are recognized as intangible assets. They are subject to the same subsequent measurement method as acquired intangible assets.

(ii) Acquired intangible assets

Acquired intangible assets with finite useful lives are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on a straight-line basis over the estimated useful lives of 5 to 10 years.

2.6 Property, plant and equipment

Property, plant and equipment, including land and buildings (if any) but other than construction-in-progress, are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

The gain or loss arising from the retirement or disposal of property, plant and equipment is determined as the difference between the estimated net sales proceeds and the carrying amount of the assets and is recognized as income or expense in the profit or loss.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, other than construction-in-progress, over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values of 10%, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Buildings	20–30 years
Machinery and equipment	10–20 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	5 years
Tools and moulds	20,000–420,000 times of usage

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.7 Construction-in-progress

Construction-in-progress represents factories, office buildings and intangible assets for which construction work has not been completed and machinery pending installation and which, upon completion, management intends to hold for production or own use. Construction-in-progress is carried at cost which includes development and construction expenditure incurred and interest and other direct costs attributable to the development less accumulated impairment losses. On completion, the construction-in-progress is transferred to corresponding classes of property, plant and equipment or intangible assets at cost less accumulated impairment losses. Construction-in-progress is not depreciated or amortised until such time as the assets are completed and ready for their intended use.

2.8 Leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all of the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "land lease prepayments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.9 Financial instruments

Policy applicable from 1st January, 2018

(i) Recognition and derecognition

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instruments.

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire, or when the financial assets and substantially all of their risks and rewards are transferred. Financial liabilities are derecognized when they are extinguished, discharged, cancelled or expires.

(ii) Classification and initial measurement of financial assets

Except for those accounts receivable that do not contain a significant financing component and are measured at the transaction price in accordance with HKFRS 15, all financial assets are initially measured at fair values, and in case of financial assets not at fair value through profit or loss ("**FVTPL**"), plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the consolidated statement of profit or loss and other comprehensive income.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

– amortised cost;

– FVTPL; or

– FVOCI.

The classification is determined by both:

– the entity's business model for managing the financial assets; and

– the contractual cash flow characteristics of the financial assets.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, finance income or other financial items, except for ECL of accounts receivable which is presented within general and administrative expenses.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.9 Financial instruments (Cont'd)

Policy applicable from 1st January, 2018 (Cont'd)

(iii) Subsequent measurement of financial assets

Debt investments

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, statutory deposit reserves at central bank, bank deposits, loans receivable, accounts receivable, others receivable and amounts due from affiliated companies fall into this category of financial instruments.

Financial assets at FVOCI – recycling

If the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale, the respective financial assets are classified as financial assets at FVOCI. Changes in fair value are recognized in other comprehensive income, except for the recognition in profit or loss of ECL, interest income (calculated using the effective interest methods) and foreign exchange gains and losses. When the investment is derecognized, the amount accumulated in other comprehensive income is recycled from equity to profit or loss. The Group's notes receivable falls into this category of financial instruments.

Financial assets at FVTPL

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell' are categorised at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements under HKFRS 9 apply.

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment, the Group elects to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognized in other comprehensive income and accumulated in "investment fair value reserve" in equity. Such elections are made on an instrument-by-instrument basis, but only be made if the investment meets the definition of equity from the issuer's perspective.

The equity instruments at FVOCI are not subject to impairment assessment. The cumulative gain or loss in investment revaluation reserve will not be reclassified to profit or loss upon disposal of the equity investments and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included as other income in profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.9 Financial instruments (Cont'd)

Policy applicable before 1st January, 2018

Investments which did not fall into investments in securities held for was classified as available-for-sale financial assets. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognized in other comprehensive income and accumulated separately in equity in the investment fair value reserve.

For available-for-sale investments in equity securities that do not have a quoted market prices in an active market and whose fair values cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition.

Classification and measurement of financial liabilities

The Group's financial liabilities include bank loans, accounts and notes payables, other payables, security deposit for wholesale auto financing, accrued expenses, dividend payable and amounts due to affiliated companies.

Financial liabilities are initially recognized at their fair values, accounts and notes payables and other payables, bank loans and other borrowings and subsequently measured at amortised cost using the effective interest method.

All interest-related charges and, if applicable, changes in an instrument's fair values that are reported in profit or loss are included within finance costs or other income.

Borrowings

Borrowings are recognized initially at fair values, net of transaction costs incurred. Borrowings are subsequently stated at amortised costs; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Trade payables

Trade payables are recognized initially at their fair values and subsequently measured at amortised costs, using the effective interest method.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.10 Impairment of financial assets

Policy applicable from 1st January, 2018

HKFRS 9's impairment requirements use forward-looking information to recognize ECL – the "ECL model". Instruments within the scope include loans and other debt-type financial assets measured at amortised cost and FVOCI, accounts receivable, recognized and measured under HKFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at FVTPL.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

– financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("**Stage 1**");

– financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("**Stage 2**"); and

– financial assets that have objective evidence of impairment at the reporting date ("**Stage 3**").

"12-month ECL" are recognized for the Stage 1 category while "lifetime ECL" are recognized for the Stage 2 and Stage 3 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

(i) Accounts receivable

For accounts receivable, the Group applies a simplified approach in calculating ECL and recognizes a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

To measure the ECL, accounts receivable has been grouped based on the characteristics of credit.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.10 Impairment of financial assets (Cont'd)

Policy applicable from 1st January, 2018 (Cont'd)

(ii) Other financial assets measured at amortised cost and debt investments at FVOCI

The Group measures the loss allowance for others receivable and amounts due from affiliated companies which is equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increase in the likelihood or risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition when the Group compares the risk of a default occurring on the financial assets at the reporting date with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor;

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.10 Impairment of financial assets (Cont'd)

Policy applicable from 1st January, 2018 (Cont'd)

(iii) Financial guarantee contracts

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

Policy applicable before 1st January, 2018

At each reporting date, financial assets other than at FVTPL are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following events:

– significant financial difficulty of the issuer or counterparty;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial re-organisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;

– the disappearance of an active market for that financial asset because of financial difficulties; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, the impairment loss is measured and recognized as follows:

(i) Financial assets carried at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The amount of the loss is recognized in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying amount of the financial asset at the date of impairment is reversed, and does not exceed what the amortised cost would have been had the impairment not been recognized.

When a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income and accumulated in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognized in profit or loss as an impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognized in profit or loss.

Reversals in respect of investment in equity instruments classified as available-for-sale and stated at fair value are not recognized in the profit or loss. The subsequent increase in fair value is recognized in other comprehensive income. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognized. Reversal of impairment losses in such circumstances are recognized in profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.10 Impairment of financial assets (Cont'd)

Policy applicable before 1st January, 2018 (Cont'd)

(ii) Financial assets carried at cost

For financial assets carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the financial assets and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of the impairment loss is recognized in profit or loss of the period in which the impairment occurs and not reversed in subsequent periods.

2.11 Contract liabilities

A contract liability is recognized when the customer pays consideration before the Group recognizes the related revenue. A contract liability would also be recognized if the Group has an unconditional right to receive consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized.

2.12 Financial guarantees contracts

A financial guarantee contract is a contract that requires the issuer of the contract to make specified payments to reimburse the holder of the contract for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognized as deferred income within other current liabilities. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognized in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognized in profit or loss on initial recognition of any deferred income. The amount of the guarantee initially recognized as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognized if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount, i.e., the amount initially recognized less accumulated amortisation, where appropriate.

Subsequently, financial guarantees are measured at the higher of the amount determined in accordance with ECL under HKFRS 9 as set out in note 2.10 (applicable from 1st January, 2018/HKAS 37 (before application of HKFRS 9 on 1st January, 2018) and the amount initially recognized less, where appropriate, the cumulative amount of income recognized over the guarantee period.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.13 Impairment of non-financial assets

At each reporting date, the Group reviews internal and external sources of information to determine whether its intangible assets (other than goodwill), interests in subsidiaries, associates and joint ventures, property, plant and equipment, and land lease prepayments have suffered impairment losses, or whether an impairment loss previously recognized no longer exists or may be reduced. If any such indication is found, the recoverable amount of the asset is estimated based on the higher of its fair value less cost of disposal, and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit). The Group determines whether an asset is impaired at least on annual basis or where an indication of impairment arises. This requires an estimation of the value in use of the asset. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the asset and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the assets.

For intangible assets and property, plant and equipment, details of the basis and assumption used in estimating the respective recoverable amounts are set out in notes 12 and 13 respectively. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

2.14 Inventories

Inventories comprise raw materials, work-in-progress and finished goods and are stated at the lower of cost and net realisable value. Costs comprise all costs of purchase, direct labour, and an appropriate proportion of all production overheads and other costs incurred in bringing the inventories to their present location and condition. Costs are calculated on the moving weighted-average basis, except for costs of work-in-progress and finished goods of automobiles which are calculated on a specific identification basis. Net realisable value is determined on the basis of anticipated sales proceeds in the ordinary course of business less the estimated costs of completion and the estimated selling expenses.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Deposits with banks or other financial institutions with a maturity of more than three months and within one year at acquisition are classified as short-term deposits.

Pledged short-term deposits are the same as short-term deposits except that these deposits are pledged to bankers for banking facilities granted.

Statutory deposit reserves at central bank is not available for use by the Group for mandatory deposits at central banks.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.16 Provisions and contingent liabilities

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognized at fair value, provided the fair value can be reliably measured. After the initial recognition at fair value, such contingent liabilities are recognized at the higher of the amount initially recognized, less accumulated amortisation where appropriate, and the amount that would be recognized in a comparable provision as described above. Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed as per above.

2.17 Share capital

Ordinary shares are classified as equity. Share capital is recognized at the amount of consideration of shares issued, after deducting any transaction costs associated with the issuing of shares (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2.18 Government grants

Grants from government are recognized at their fair values. Conditional government grants are recognized in the consolidated statement of financial position initially as deferred government grants when there are reasonable assurance that the grants will be received and that the Group will comply with the conditions attached. Grants that compensate the Group for expenses incurred are recognized as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the costs of construction-in-progress, development of new or improved products, property, plant and equipment and land lease prepayments are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

Any unconditional grant is recognized in profit or loss as revenue when the grant becomes receivable.

The deferred government grant recognized in the consolidated statement of financial position mainly represents the government grant received for the compensation of land lease prepayments without conditional clause.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.19 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating leases charges as the lessee

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Payments made under operating leases net of any incentives received from the lessor are charged to profit or loss on a straight-line basis over the lease periods. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Assets leased out under operating leases as the lessor

Assets leased out under operating leases are included in property, plant and equipment in the consolidated statement of financial position. Rental income (net of any incentives given to lessees) is recognized on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the rental income.

2.20 Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(ii) Bonus plans

Bonus plans are recognized when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) Pension obligations

The Group's contributions to defined contribution retirement plans administered by the government of the PRC are recognized as an expense in profit or loss. The assets of the schemes are held separately from those of the Group in independently administered funds. Further information is set out in note 30.

Contributions made to the Mandatory Provident Fund Scheme for the Group's employees in Hong Kong are charged to profit or loss when incurred. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.21 Income tax

Income tax in profit or loss comprises current and deferred taxes. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. All changes to current tax assets or liabilities are recognized as a component of tax expenses in profit or loss.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Tax rates enacted or substantively enacted by the reporting date are used to determine deferred taxation.

Changes in deferred tax assets or liabilities are recognized in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor accounting profit.

Deferred taxation is provided on temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.22 Revenue recognition

Revenue arises mainly from the sales of non-BMW automobiles and automotive components and interest income and service charge income from the provision of auto financing service.

To determine whether to recognize revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer

2. Identifying the performance obligations

3. Determining the transaction price

4. Allocating the transaction price to the performance obligations

5. Recognizing revenue when/as performance obligation(s) are satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognized either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Further details of the Group's revenue and other income recognition policies are as follows:

Sale of non-BMW automobiles and automotive components

Revenue from the sale of non-BMW automobiles and automotive components is recognized when or as the Group transfers control of the assets to the customer. Invoices for goods or service transferred are due upon receipt by the customer.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.22 Revenue recognition (Cont'd)

Sale of non-BMW automobiles and automotive components (Cont'd)

Sales-related warranties associated with non-BMW automobiles and automotive components cannot be purchased separately and are served as an assurance that the products sold comply with agreed-upon specifications (i.e. assurance-type warranties). Accordingly, the Group accounts for warranties in accordance with HKAS 37 "*Provisions, Contingent Liabilities and Contingent Assets*".

Interest income

Interest income is recognized on a time proportion basis using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of ECL allowance) of the asset.

Finance service fee

Finance service fee for administrative service provided to customers in relation to the financing arrangement is recognized when the respective service is conducted.

Dividend income

Dividend income is recognized when the right to receive payment is established.

2.23 Borrowing costs

Borrowing costs, net of any investment income earned on the temporary investment of the specific borrowing, that are directly attributable to the acquisition, construction or production of an asset that requires a substantial period of time to prepare for its intended use or sale are capitalised as part of the cost of that asset.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs ceases when substantially all activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

All other borrowing costs are charged to profit or loss in the period in which they are incurred.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.24 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the directors and the chief operating decision makers for their decisions about resource allocation to the Group's business segments, which are determined by the Group's different brands of vehicles or different nature of business, and their respective performances.

The Group has identified the following reportable segments:

(1) the manufacture and sale of non-BMW automobiles and automotive components;

(2) the manufacture and sale of BMW vehicles; and

(3) the provision of auto financing service.

The measurement policies the Group adopts for reporting segment results under HKFRS 8 are the same as those used in its consolidated financial statements prepared under HKFRSs, except that the following items are not included in arriving at the segment results of the operating segments:

– 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 BBA and included in the consolidated financial statements prepared under HKFRSs.

Segment assets include all assets other than interests in joint ventures *(note 15)*, interests in associates *(note 16)*, equity investments *(note 18)* and receivable for prepayments for investments *(note 24(a))*. At 31st December, 2017, segment assets also did not include prepayments for investments *(note 17)* and advance to SAIAM *(note 24(a))*. 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 BBA included in the consolidated financial statements prepared under HKFRSs.

2. **PRINCIPAL ACCOUNTING POLICIES** (Cont'd)

2.25 Related parties

For the purpose of these consolidated financial statements, a party is considered to be related to the Group if:

The party is

(a) a person or a close member of that person's family and if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

The party is

(b) an entity and if any of the following conditions applies:

(i) the entity and the Group are members of the same group.

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture or a member of a group of which the other entity is a member).

(iii) the entity and the Group are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.26 Future changes in HKFRSs

As at the date of authorisation of these consolidated financial statements, the HKICPA has issued certain New and Amended HKFRSs which are relevant to the Group and not yet effective.

HKFRS 16	Leases[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associates or Joint Venture[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKAS 1 and HKAS 8	Definition of a Material[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatment[1]

1 Effective for annual periods beginning on or after 1st January, 2019

2 Effective for annual periods beginning on or after 1st January, 2020

3. Effective date not yet determined

4. Effective for business combinations and assets acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1st January, 2020

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. Information on New and Amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

(i) HKFRS 16 "Leases"

HKFRS 16 "Leases" replaced HKAS 17 and three related Interpretations.

As disclosed in note 2.19, currently the Group classifies leases into operating leases. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease, the lessee will recognize and measure a lease liability at the present value of the minimum future lease payments and will recognize a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee would recognize interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognizing rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognized on a systematic basis over the lease term.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.26 Future changes in HKFRSs (Cont'd)

(i) HKFRS 16 "Leases" (Cont'd)

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases of land and buildings which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss over the period of the lease.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 on 1st January, 2019 and will recognize the cumulative effect of initial application as an adjustment to the opening balance of equity at 1st January, 2019. Comparative information will not be restated. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets and not to perform a full review of existing leases and apply HKFRS 16 only to new contracts. Furthermore, the Group plans to use the practical expedient to account for leases for which the lease term ends within 12 months from the date of initial application as short-term lease. As disclosed in note 35(b), as at 31st December, 2018, the Group's future minimum lease payments under non-cancellable operating leases amount to approximately RMB149,776,000 for leasehold, the majority of which is payable either between 1 to 5 years after the reporting date or in more than 5 years.

Upon the initial application of HKFRS 16, the Group plans to measure the rights-of-use assets at an amount equal to the lease liability (subject to certain adjustments)/as if HKFRS 16 had always been applied by using the incremental borrowing rate at initial application date and the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted to approximately RMB115,265,000 and RMB116,100,000 respectively, after taking account the effects of discounting, as at 1st January, 2019.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statement from 2019 onwards.

HKFRS 16 is effective for annual periods beginning on or after 1st January, 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.26 Future changes in HKFRSs (Cont'd)

(ii) Amendments to HKFRS 10 and HKAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments remove an acknowledged inconsistency between the requirements in HKFRS 10 and those in HKAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture and require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The amendments are originally effective prospectively to transactions occurring in annual period beginning on or after 1st January, 2016. However, such effective date has been postponed indefinitely with earlier adoption permitted. The directors expect that the amendments have no material impact on the consolidated financial statements.

(iii) Amendments to HKAS 28 "Long-term Interests in Associates and Joint Ventures"

The amendments clarify that an entity applies HKFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture. Besides, in applying HKFRS 9 to those long-term interests, an entity does not take into account adjustments to their carrying amount required by HKAS 28 "Investments in Associates and Joint Ventures" (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with HKAS 28).

Amendments to HKAS 28 is effective for annual periods beginning on or after 1st January, 2019 and should be applied retrospectively, with early application permitted. The directors expect that the amendments have no material impact on the consolidated financial statements.

(iv) Amendments to HKFRS 3 "Definition of a business"

The amendments narrowed and clarified the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

– clarify that a business is considered as an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Guidance and illustrative examples are provided to help entities assess whether a substantive process has been acquired;

– narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;

– add an optional concentration test that permits simplified assessment of whether an acquired set of activities and assets is not a business; and

– remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs.

Amendments to HKFRS 3 is effective for annual reporting period beginning on or after 1st January, 2020 and apply prospectively. Earlier application is permitted. The directors expect that the amendments to have no material impact on these consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

2.26 Future changes in HKFRSs (Cont'd)

(v) Annual Improvements to HKFRSs 2015-2017 Cycle

The Annual Improvements to HKFRSs 2015-2017 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the joint operation at fair value. The previously held interest to be remeasured includes any unrecognized assets, liabilities and goodwill relating to the joint operation. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of first annual reporting periods beginning on or after 1st January, 2019, with early application permitted.

The amendments to HKFRS 11 clarify that when an entity participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its previously held interest in the joint operation. The amendments are effective for transactions in which joint control is obtained on or after the beginning of first annual reporting periods beginning on or after 1st January, 2019, with early application permitted.

The amendments to HKAS 12 clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributive profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events. The amendments are effective for annual periods beginning on or after 1st January, 2019, with early application permitted.

The amendments to HKAS 23 clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings. The amendments are effective for annual periods beginning on or after 1st January, 2019 with early application permitted.

The directors expect that the amendments have no material impact on the consolidated financial statements.

(vi) HK(IFRIC) – Int 23 "Uncertainty over Income Tax Treatments"

HK(IFRIC) – Int 23 clarifies how to apply the recognition and measurement requirements in HKAS 12 when there is uncertainty over income tax treatments. In such a circumstances, an entity shall recognize and measure its current or deferred tax asset or liability applying the requirement in HKAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying HK(IFRIC) – Int 23.

Under HK(IFRIC) – Int 23, an entity shall determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatment based on which approach better predicts the resolution of the uncertainty. When making the assessment, an entity shall assume that a tax authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is probable that tax authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable, the entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount method or the expected value method, depending on which method the entity expects to better predict the resolution of the uncertainty. Moreover, an entity shall reassess a judgement or estimate made if facts and circumstances on which the judgement or estimate was based change or as a result of new information that affects the judgement or estimate.

HK(IFRIC) – Int 23 is effective for annual periods beginning on or after 1st January, 2019. The directors expect that the amendments will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the accounting policies set out in note 2, management is required to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Depreciation and amortisation

The net book values of the Group's property, plant and equipment (other than construction-in-progress), land lease prepayments and intangible assets as at 31st December, 2018 were approximately RMB2,329,548,000 (2017: approximately RMB2,386,434,000), RMB84,397,000 (2017: approximately RMB86,513,000) and RMB611,955,000 (2017: approximately RMB696,200,000), respectively. The Group depreciates its property, plant and equipment, other than construction-in-progress, on a straight-line basis after taking into account their estimated residual value, over 5 to 30 years for property, plant and equipment other than special tools and moulds, and over 20,000 times to 420,000 times of usage for special tools and moulds. The land lease prepayments are amortised over the lease term on a straight-line basis. The intangible assets are amortised on a straight-line basis over their estimated useful lives of 5 to 10 years.

The depreciation and amortisation rates are determined based on the estimated useful lives and reflect the directors' estimates of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment and intangible assets with reference to the current condition and the level of technological advancement of these assets compared with the market. When there is a change in technological advancement in the market which reduces the expected useful lives of these assets, the depreciation and amortisation rates are adjusted which would have a negative impact on the Group's results.

(b) Impairment test of interests in associates

The Group determines whether interests in associates is required to be impaired based on an estimation of the value of the cash-generating units. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2018, carrying values of interests in associates was approximately RMB1,672,977,000 (2017: approximately RMB1,747,517,000) in which goodwill of investment in listed and unlisted associates were approximately RMB72,799,000 and RMB26,654,000, respectively (2017: approximately RMB72,799,000 and RMB26,654,000, respectively). Based on the assessment, no further impairment loss is considered necessary by the directors. If the actual future cash flows of these associates are less than expected, the maximum potential impact to the consolidated financial statements would be the carrying amounts of interests in associates.

(c) Provision for inventories

The Group's management reviews inventory aging analysis at each reporting date and makes allowance for obsolete and slow-moving items of inventories that are no longer suitable for use in production. The management estimates the net realisable value for such finished goods and work-in-progress based principally on the selling prices of the respective finished goods and current market conditions. The management carries out an inventory review on a product-by-product basis at each reporting date and makes allowance for obsolete items.

Situation in the PRC automobile market could change from time to time and this can put pressure on the selling prices and the turnover of the Group's inventories. As at 31st December, 2018, the Group had inventories of approximately RMB1,011,644,000 (2017: approximately RMB1,043,793,000) (net of provision of impairment of approximately RMB94,296,000 (2017: approximately RMB72,450,000)). Should there be an unexpected change in market condition, the provision may not be adequate and further impairment may be required.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Cont'd)

(d) ECL on receivables upon application of HKFRS 9

Since the initial adoption of HKFRS 9, the Group makes allowances on items subject to ECL (including accounts receivable due from both third parties and affiliated companies, loans receivable, others receivable and amounts due from affiliated companies) based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. As at 31st December, 2018, the Group had accounts receivable (both from third parties and affiliated companies) totalling approximately RMB1,024,873,000 (net of ECL allowance of approximately RMB63,627,000), loans receivable of approximately RMB4,968,980,000 (net of ECL allowance of approximately RMB55,082,000), others receivable grouped under other current assets of approximately RMB580,823,000 (net of ECL allowance of approximately RMB113,207,000) and amounts due from affiliated companies of approximately RMB951,869,000 (net of ECL allowance of approximately RMB84,921,000).

Before the adoption of HKFRS 9, the Group assesses at the end of each reporting period whether there is any objective evidence that financial assets mentioned above are impaired. In determining whether there is objective evidence of impairment, the Group takes into consideration the ageing status and the likelihood of collection by reference to the background and repayment history of the debtors and the occurrence of any default or disputes. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on factors such as repayment plans committed by debtors and subsequent collections. An impairment loss is made for accounts receivable of which the present values of future cash flows are less than their carrying amount. As at 31st December, 2017, the Group had accounts receivable (both from third parties and affiliated companies) totalling approximately RMB1,023,365,000 (net of provision for impairment losses of approximately RMB28,937,000), loans receivable of approximately RMB3,363,420,000 (net of provision for impairment losses of approximately RMB36,561,000), others receivable group under current assets of approximately RMB471,721,000 (net of provision for impairment losses of approximately RMB106,154,000), and amounts due from affiliated companies of approximately RMB475,716,000 (net of provision for impairment losses of approximately RMB90,173,000).

When the actual future cash flows are different from expected, such difference will impact the carrying amount of financial assets mentioned above.

(e) Warranty provisions

The Group makes provisions for product warranties *(note 27)* granted by the Group in respect of certain products. These provisions are recognized based on sales volume and past experience of the level of repair and returns, discounted to their present values as appropriate.

(f) Impairment test of assets

The Group determines whether an asset is impaired at least on annual basis or where an indication of impairment exists. This requires an estimation of the value in use of the asset. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Details of the basis and assumptions used in estimating the recoverable amounts of the Group's intangible assets and property, plant and equipment are set out in note 12 and note 13 respectively.

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group's major financial instruments include cash and cash equivalents, bank deposits, loans receivable, amounts due from affiliated companies, equity investments, accounts and notes receivables, others receivable, accounts and notes payables, others payable and interest-bearing borrowings, security deposits for wholesale auto financing, accrued expenses, dividend payable and amounts due to affiliated companies. Details of the policies on mitigating the risks from these financial instruments are set out below. The Group's management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

(a) Credit risk

The Group's credit risk primarily consists of accounts receivable, notes receivable, loans receivable, amounts due from affiliated companies, others receivable, cash and cash equivalents, and bank deposits from a variety of customers and debtors including state and local agencies, municipalities and private industries and their affiliated companies, bank balances and deposits, and guarantees for loans drawn by its affiliated companies.

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 to 90 days are set for PRC customers, and customers considered to be of 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.

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

The Group has no significant concentration of credit risk as at 31st December, 2018 except that about 17% (2017: 17%) of accounts receivable were due from Huachen and 15% (2017: 18%) were due from Shanghai Shenhua Holdings Co., Ltd. ("**Shanghai Shenhua**"). As at 31st December, 2018, the total receivable (net of ECL allowance/provision for impairment loss) due from Huachen and Shanghai Shenhua amounted to approximately RMB364 million (2017: RMB308 million) and RMB151 million (2017: approximately RMB201 million) respectively. The Group also had total payable of approximately RMB476 million (2017: approximately RMB590 million) as at 31st December, 2018 due to Huachen. Accordingly, the Group had no net credit risk exposure from Huachen as at 31st December, 2018 (2017: Same). For Shanghai Shenhua, the directors consider that the net amount due had arisen from normal course of business with Shanghai Shenhua and therefore the credit risk is at acceptable level but the Group will continue to monitor the exposure.

The Group performs impairment assessment under ECL model upon application of HKFRS 9 on loans receivable and others receivable based on 12 months' ECL. The credit risk on loans receivable are limited because all loans receivable are secured by the motor vehicles of the borrowers for retail auto financing and security deposits are required for wholesales auto financing and the counterparties have no historical default record and the directors expect that the general economic conditions will not significantly changed for the 12 months' after the reporting date. Based on the Group's internal credit rating, no material impairment loss allowance is recognized for loans receivable.

For all other instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Cont'd)

(a) Credit risk (Cont'd)

The following table analyse the financial instruments to which the impairment requirements of HKFRS 9 are applied and the related allowance for the ECL, which composed by accounts receivable, loans receivable, amounts due from affiliated companies and others receivable and assessed based on the provision matrix, 12-month or life-time ECL as at 31st December, 2018:

	Gross carrying amount RMB'000	ECL Allowance RMB'000
Accounts receivable	**385,535**	**36,753**
Accounts receivable from affiliated companies	**702,965**	**26,874**
Loans receivable	**5,024,062**	**55,082**
Amounts due from affiliated companies	**1,036,790**	**84,921**
Others receivable	**694,030**	**113,207**
Others receivable grouped under other non-current assets	**1,826**	**41**
At 31st December, 2018	**7,845,208**	**316,878**

The credit risk on liquid funds with banks is limited because these banks are authorised banks in the PRC with high credit ratings.

The Group's maximum exposure of credit risk for the component of the consolidated statement of financial position as at 31st December, 2018 and 2017 is the carrying amount as disclosed in note 4(e).

(b) Liquidity risk

In managing liquidity risk, the Group monitors and maintains a level of cash and cash equivalents considered adequate by the management to finance the Group's operations, expected expansion and product developments. The Group relies on bank borrowings as a significant source of liquidity. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

In view of the excess of current liabilities over current assets of the Group, the management has taken necessary measures to maintain the Group's liquidity as set out in note 2.3.

As at 31st December, 2017 and 31st December, 2018, the remaining contractual maturities of the Group's financial liabilities, based on undiscounted cash flows, are summarised below:

As at 31st December, 2018

	Within 1 year or repayable on demand RMB'000	Over 1 year but within 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Financial liabilities				
Accounts payable	**1,860,050**	**–**	**1,860,050**	**1,860,050**
Notes payable	**1,630,648**	**–**	**1,630,648**	**1,630,648**
Others payable	**920,932**	**–**	**920,932**	**920,932**
Security deposits for wholesale auto financing	**132,150**	**–**	**132,150**	**132,150**
Accrued expenses	**167,369**	**–**	**167,369**	**167,369**
Bank borrowings	**4,741,119**	**41,854**	**4,782,973**	**4,683,500**
Amounts due to affiliated companies	**439,641**	**–**	**439,641**	**439,641**
	9,891,909	**41,854**	**9,933,763**	**9,834,290**

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Cont'd)

(b) Liquidity risk (Cont'd)

At 31st December, 2017

	Within 1 year or repayable on demand RMB'000	Over 1 year but within 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Financial liabilities				
Accounts payable	3,278,870	–	3,278,870	3,278,870
Notes payable	2,780,586	–	2,780,586	2,780,586
Others payable	844,526	–	844,526	844,526
Security deposits for wholesale auto-financing	154,992	–	154,992	154,992
Accrued expenses	116,280	–	116,280	116,280
Dividends payable	198,755	–	198,755	198,755
Bank borrowings	2,875,906	84,180	2,960,086	2,889,900
Amounts due to affiliated companies	447,398	–	447,398	447,398
	10,697,313	84,180	10,781,493	10,711,307

	2018 RMB'000	2017 RMB'000
Financial guarantee contracts		
– Shenyang JinBei Automotive Co., Ltd. ("**JBC**") *(note 36)*	**206,000**	356,000

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. In the opinion of the directors, the fair values of the financial guarantee contracts are insignificant at initial recognition. Based on expectations at the end of the reporting period, the directors considered that it was not probable that the borrower of the loan would default on the repayment of the loan and therefore no provision for the Group's obligation under the guarantee has been made.

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Cont'd)

(c) Currency risk

The Group's business mainly operates in the PRC with most of its transactions denominated and settled in RMB, except for certain receivables and payables, and cash and cash equivalents which are denominated in U.S. Dollars and Hong Kong Dollars and are therefore exposed to foreign currency translation risk. The Group had not used any financial instrument to hedge against foreign exchange risk.

At 31st December, 2018, if the RMB had strengthened/weakened by 3% against the U.S. Dollars and Hong Kong Dollars with all other variables held constant, the post-tax profit for the year would have been approximately RMB6 million lower/higher (2017: RMB5 million lower/higher), mainly as a result of foreign exchange losses/gains on translation of the U.S. Dollars and Hong Kong Dollars denominated accounts receivable, cash and cash equivalents and short-term bank deposits.

(d) Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's interest-bearing bank loans, discounted bank guaranteed notes and bank deposits.

Funds not required by the Group in the short-term are kept as temporary demand or time deposits in commercial banks and the Group does not hold any market risk-sensitive instruments for speculative purposes.

Assuming the cash and cash equivalents, short-term deposits, pledged short-term bank deposits, short-term bank borrowings, long-term bank borrowings, notes payable and statutory deposit reserves at central bank for financing outstanding as at 31st December, 2018 were outstanding for the whole year, a 50 basis point increase or decrease would decrease or increase the profit after tax and equity of the Group by approximately RMB0.82 million (2017: decrease or increase the profit after tax and equity of the Group by approximately RMB6.14 million). The 50 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis was performed on the same basis for 2017.

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Cont'd)

(e) Summary of financial instruments by category

The carrying amounts of the Group's financial assets and financial liabilities at 31st December, 2017 and 31st December, 2018 are categorised as follows:

	2018	2017
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost:		
Cash and cash equivalents	**2,310,459**	–
Statutory deposit reserves at central bank	**32,552**	–
Short-term bank deposits	**576,311**	–
Pledged short-term bank deposits	**1,075,837**	–
Accounts receivable	**1,024,873**	–
Loans receivable	**4,968,980**	–
Others receivable	**580,823**	–
Amounts due from affiliated companies	**951,869**	–
Financial assets at FVOCI (non-recycling):		
Listed equity investment	**8,155**	–
Unlisted equity investment	**4,138**	–
Financial assets at FVOCI (recycling):		
Notes receivable	**317,132**	–
Loans and receivable:		
Cash and cash equivalents	**–**	1,732,076
Statutory deposit reserves at central bank	**–**	62,038
Short-term bank deposits	**–**	43,402
Pledged short-term bank deposits	**–**	1,713,754
Accounts receivable	**–**	1,023,365
Notes receivable	**–**	363,795
Loans receivable	**–**	3,363,420
Others receivable	**–**	471,721
Amounts due from affiliated companies	**–**	475,716
Available-for-sale financial assets:		
Prepayment for investment	**–**	600,000
Listed equity investment	**–**	20,361
Unlisted equity investment	**–**	4,138
	11,851,129	9,873,786

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Cont'd)

(e) Summary of financial instruments by category (Cont'd)

	2018 RMB'000	2017 RMB'000
Financial liabilities		
Financial liabilities measured at amortised cost:		
Accounts payable	**1,860,050**	3,278,870
Notes payable	**1,630,648**	2,780,586
Others payable	**920,932**	844,526
Security deposits for wholesale auto financing	**132,150**	154,992
Accrued expenses	**167,369**	116,280
Dividends payable	**–**	198,755
Bank borrowings	**4,683,500**	2,889,900
Amounts due to affiliated companies	**439,641**	447,398
	9,834,290	10,711,307

(f) Fair value measurements recognized in the consolidated statement of financial position

Financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurements, as follows:

- 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.

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Cont'd)

(f) Fair value measurements recognized in the consolidated statement of financial position (Cont'd)

The Group's financial assets and liabilities measured at fair value in the consolidated statement of financial position are on a recurring basis grouped into the fair value hierarchy as follows:

	2018			2017		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Financial assets						
Financial assets at FVOCI						
(non-recycling)						
– Listed equity investment	**8,155**	**–**	**–**	20,361	–	–
– Unlisted equity investment	**–**	**–**	**4,138**	–	–	–
(recycling)						
– Notes receivable	**–**	**317,132**	**–**	–	–	–
	8,155	**317,132**	**4,138**	20,361	–	–

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 reporting years.

The carrying amounts of the Group's financial assets measured at fair values were not material to the consolidated statement of financial position as at 31st December, 2017 and 2018.

5. REVENUE AND SEGMENT INFORMATION

Revenue earned during the year represents:

	2018 RMB'000	2017 RMB'000
Sale of non-BMW automobiles and automotive components, net of consumption tax, discounts and return	**4,000,492**	5,164,050
Interest and service charge income from provision of auto financing service, net of other indirect taxes	**376,771**	140,673
	4,377,263	5,304,723

Sale of non-BMW automobiles and automotive components are recognized at a point of time.

During the year, the Group had one major customer (2017: three major customers) with aggregate revenue amounting to more than 10% of the Group's revenue, and the revenue from this customer amounted to approximately RMB515,277,000 (2017: approximately RMB1,093,068,000, RMB925,602,000 and RMB787,281,000).

Although the non-BMW automobiles and automotive components of the Group are primarily sold in the PRC, the Group is exploring opportunities in the overseas markets and the sales by location of customers are as follows:

	2018 RMB'000	2017 RMB'000
PRC	**3,968,365**	4,991,447
Other Asian countries	**6,194**	23,164
Latin America	**24,801**	78,388
Middle East	**977**	57,769
Africa	**155**	13,150
Others	**–**	132
	4,000,492	5,164,050

All interest and service charge income from provision of auto financing service is derived in the PRC.

The directors identify the Group's operating segments as detailed in note 2.24. All segment assets are located in the PRC.

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Operating segments – 2018

	Manufacture and sale of non-BMW automobiles and automotive components RMB'000	Manufacture and sale of BMW vehicles RMB'000	Provision of auto financing service RMB'000	Reconciliation to the Group's consolidated statement of profit or loss and intersegment elimination RMB'000	Total RMB'000
Segment sales	**4,000,492**	**138,704,000**	**385,758**	**(138,712,987)**	**4,377,263**
Segment results	**(873,783)**	**16,772,823**	**3,719**	**(16,738,144)**	**(835,385)**
Unallocated costs net of unallocated income					**(30,467)**
Interest income					**60,712**
Finance costs					**(113,927)**
Share of results of:					
Joint ventures	**–**	**6,244,848**	**–**	**–**	**6,244,848**
Associates	**33,265**	**–**	**–**	**–**	**33,265**
Profit before income tax expense					**5,359,046**

Operating segments – 2017

	Manufacture and sale of non-BMW automobiles and automotive components RMB'000	Manufacture and sale of BMW vehicles RMB'000	Provision of auto financing service RMB'000	Reconciliation to the Group's consolidated statement of profit or loss and intersegment elimination RMB'000	Total RMB'000
Segment sales	5,164,050	111,599,149	151,365	(111,609,841)	5,304,723
Segment results	(1,370,433)	14,037,301	4,853	(14,042,982)	(1,371,261)
Unallocated costs net of unallocated income					(96,836)
Interest income					55,443
Finance costs					(137,871)
Share of results of:					
Joint ventures	(4,357)	5,237,669	–	–	5,233,312
Associates	216,979	–	–	–	216,979
Profit before income tax expense					3,899,766

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Operating Segments – 2018

	Manufacture and sale of non-BMW automobiles and automotive components RMB'000	Manufacture and sale of BMW vehicles RMB'000	Provision of auto financing service RMB'000	Reconciliation to the Group's consolidated statement of financial position and intersegment elimination RMB'000	Total RMB'000
Segment assets	10,557,393	106,029,613	5,925,012	(106,382,024)	16,129,994
Interests in joint ventures	–	24,074,405	–	–	24,074,405
Interests in associates	1,672,977	–	–	–	1,672,977
Equity investments					12,293
Unallocated assets					210,187
Total assets					42,099,856
Segment liabilities	6,296,042	57,880,804	4,319,122	(58,233,215)	10,262,753
Unallocated liabilities					12,281
Total liabilities					10,275,034
Other disclosures:					
Capital expenditures	455,527	5,181,176	7,225	(5,181,176)	462,752
Depreciation of property, plant and equipment	156,872	4,392,971	1,211	(4,392,971)	158,083
Amortisation of land lease prepayments	2,116	40,835	–	(40,835)	2,116
Amortisation of intangible assets	113,345	93,821	3,880	(93,821)	117,225
Provision for inventories	46,682	1,048,538	–	(1,048,538)	46,682
Write-back of provision for inventories sold	24,382	540,096	–	(540,096)	24,382
Net provision of ECL allowance	35,031	–	26,339	–	61,370
Impairment losses on assets	285,994	–	–	–	285,994
Income tax expense	62,334	4,281,603	2,218	(4,281,603)	64,552

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Operating segments – 2017

	Manufacture and sale of non-BMW automobiles and automotive components RMB'000	Manufacture and sale of BMW vehicles RMB'000	Provision of auto financing service RMB'000	Reconciliation to the Group's consolidated statement of financial position and intersegment elimination RMB'000	Total 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 investments					600,000
Advance to SAIAM					300,000
Unallocated assets					53,129
Total assets					37,856,131
Segment liabilities	8,961,014	44,823,561	2,871,245	(45,714,268)	10,941,552
Unallocated liabilities					214,372
Total liabilities					11,155,924
Other disclosures:					
Capital expenditures	661,866	5,239,820	8,632	(5,239,820)	670,498
Depreciation of property, plant and equipment	145,767	4,478,890	3,059	(4,478,890)	148,826
Amortisation of land lease prepayments	2,058	39,415	–	(39,415)	2,058
Amortisation of intangible assets	123,705	94,975	3,346	(94,975)	127,051
Provision for inventories	58,941	277,559	–	(277,559)	58,941
Write-back of provision for inventories sold	42,012	163,275	–	(163,275)	42,012
Impairment losses on assets	722,687	198,877	28,495	(198,877)	751,182
Income tax expense	32,625	3,561,411	1,328	(3,561,411)	33,953

6. FINANCE COSTS

	2018 RMB'000	2017 RMB'000
Interest expense on:		
– bank loans	**57,822**	55,883
– discounted bank guaranteed notes/net loss arising on FVOCI	**56,764**	89,342
	114,586	145,225
Less: interest expense capitalised in intangible assets and construction-in-progress at a rate of 5.7% (2017: 4.5%)	**(659)**	(7,354)
	113,927	137,871

7. PROFIT BEFORE INCOME TAX EXPENSE

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

	Note	2018 RMB'000	2017 RMB'000
Charging:			
ECL allowance/provision for impairment losses on loans and receivables:			
– Accounts receivable (b)	22(a)	**18,262**	893
– Loans receivable (b)	19	**24,808**	28,495
– Others receivable (b)	24(a)	**–**	19,379
– Others receivable grouped under other non-current assets (b)		**41**	–
– Accounts receivable from affiliated companies (b)	33(c)	**16,458**	–
– Amounts due from affiliated companies (b)	33(e)	**8,748**	–
Impairment losses on:			
– Property, plant and equipment (b)	13	**50,227**	9,823
– Intangible assets (b)	12	**235,767**	700,000
Staff costs (including directors' emoluments)	11(a)	**710,666**	735,994
Amortisation of intangible assets (a)	12	**117,225**	127,051
Amortisation of land lease prepayments	14	**2,116**	2,058
Loss on disposal of property, plant and equipment		**1,329**	2,653
Depreciation of property, plant and equipment	13	**158,083**	148,826
Cost of inventories (c)		**3,870,037**	5,101,568
Exchange loss, net		**–**	63,412
Provision for inventories	21	**46,682**	58,941
Auditors' remuneration		**3,974**	3,285
Research and development costs (b)		**151,109**	13,781
Warranty provision (b)		**25,065**	40,380
Operating lease charges in respect of land and buildings		**31,714**	33,087
Crediting:			
Exchange gain, net		**29,707**	–
Write-back of provision for inventories sold	21	**24,382**	42,012
Gross rental income from land and buildings		**4,151**	–
Reversal of ECL allowance/Write-back of impairment losses on:			
– Accounts receivable	22(a)	**–**	64
– Accounts receivable from affiliated companies	33(c)	**–**	6,752
– Others receivable	24(a)	**6,947**	592

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

(b) Included in general and administrative expenses.

(c) As at 31st December, 2018, there were no government subsidies included in cost of inventories (2017: approximately RMB17,780,000). The Group was entitled to receive such subsidies from a provincial government in the PRC for improving production process in the Group's manufacturing activities and there was no unfulfilled condition.

8. INCOME TAX EXPENSE

The income tax charged to the consolidated statement of profit or loss represents:

	2018	2017
	RMB'000	RMB'000
Current tax		
PRC corporate income tax		
– Current year	**6,746**	9,415
– Over provision in prior years	**(194)**	(2,973)
PRC withholding tax on dividend	**58,000**	27,511
Total income tax expense	**64,552**	33,953

(a) Bermuda tax

The Company was incorporated under the laws of Bermuda and has received an undertaking from the Ministry of Finance in Bermuda pursuant to the provisions of the Exempted Undertakings Tax Protection Act, 1966, which exempts the Company and its shareholders, other than shareholders ordinarily residing in Bermuda, from any Bermuda taxes computed on profit, income or any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, at least until year 2035.

(b) Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2017: Nil).

(c) PRC corporate income tax

The Group's subsidiaries incorporated in the PRC are subject to Corporate Income Tax. Under the PRC Corporate Income Tax Law and the respective regulations, the Corporate Income Tax for the subsidiaries, except Mianyang Brilliance Ruian Automotive Components Co., Ltd. ("**Mianyang Ruian**"), is calculated at 25% on their estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof.

Mianyang Ruian received official designation by the local tax authority as a foreign-invested enterprise engaged in manufacturing activities and was also designated as an entity under "the encouraged industries under Catalogue for the Guidance of Foreign Investment Industries" and with its location in the Western region of the PRC, the applicable income tax rate for Mianyang Ruian is 15%.

With effect from 1st January, 2008, all profits of the PRC subsidiaries arising since that date that are distributed and remitted as dividend to the overseas parents are subject to 5% or 10% withholding tax on the amount remitted. The dividends received by the Company during the year related solely to the dividends distributed by BBA and therefore dividend withholding tax is paid in the same year. For the profits generated by the manufacture of non-BMW automobile and spare parts by the Group's subsidiaries, it is the intention of the management that the Group would reinvest these profits in the respective subsidiaries and therefore withholding tax would not be applicable for those profits. Accordingly, no deferred tax is recognized in respect of this withholding tax on profits of the Group's PRC subsidiaries. Unremitted earnings (determined under PRC GAAP) subject to this withholding tax totaled approximately RMB2,323,624,000 at 31st December, 2018 (2017: approximately RMB3,882,634,000).

8. INCOME TAX EXPENSE (Cont'd)

(c) PRC corporate income tax (Cont'd)

Reconciliation between tax expense and accounting profit using the weighted average taxation rate of the companies within the Group is as follows:

	2018 RMB'000	2017 RMB'000
Profit before income tax expense	**5,359,046**	3,899,766
Calculated at a weighted average statutory taxation rate in the PRC of 24.62% (2017: 29.88%)	**1,319,662**	1,165,387
Effect of tax holiday	**(721)**	(761)
Non-taxable income net of expenses not deductible for taxation purpose	**(1,517,628)**	(1,329,478)
Unrecognized temporary differences	**6,370**	(7,939)
Unrecognized tax losses net of utilisation of previously unrecognized tax losses	**257,063**	209,717
Over provision in prior years	**(194)**	(2,973)
Tax expense for the year	**64,552**	33,953

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company of approximately RMB5,821 million (2017: approximately RMB4,376 million) by the weighted average number of ordinary shares as follows:

	Number of shares 2018 '000	 2017 '000
Issued shares at 1st January,	**5,045,269**	5,043,035
Effect of share options exercised	**–**	2,175
Weighted average number of ordinary shares for calculating basic earnings per share	**5,045,269**	5,045,210

Diluted earnings per share is the same as basic earnings per share for the year ended 31st December, 2018 as there was no potential dilutive ordinary shares in issue during the year. For the year ended 31st December, 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 5,045,210,000 shares (the weighted average number of ordinary shares for calculating basic earnings per share of 5,043,035,000 shares plus the weighted average number of 2,175,000 shares deemed to be issued under the Company's share option scheme).

There were no dilutive potential ordinary shares outstanding as at 31st December, 2018.

10. DIVIDENDS

On 24th August, 2018, a dividend of HK$0.11 per ordinary share (2017: HK$0.11 per ordinary share) totalling HK$554,980,000, approximately RMB483,822,000 (2017: HK$554,980,000, approximately RMB472,981,000) was declared by the directors and paid during the year.

The directors did not recommend any dividend payment at the board meeting held on 26th March, 2019 in respect of the Group's 2018 annual results (2017: Nil).

11. STAFF COSTS AND DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Staff costs

	2018 RMB'000	2017 RMB'000
Wages, salaries and performance related bonus	522,025	533,004
Pension costs – defined contribution plans	69,003	71,094
Staff welfare costs	119,638	131,896
	710,666	735,994

(b) Directors' and chief executive's emoluments

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

		Other emoluments			
	Fee RMB'000	Bonus RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
2018					
Executive directors					
Mr. Wu Xiao An	–	4,241	3,867	15	8,123
Mr. Qi Yumin *(Note)*	–	–	–	–	–
Mr. Qian Zuming *(Note)*	–	222	1,736	–	1,958
Mr. Zhang Wei	–	–	–	–	–
	–	4,463	5,603	15	10,081
Independent non-executive directors					
Mr. Xu Bingjin	127	85	–	–	212
Mr. Song Jian	127	85	–	–	212
Mr. Jiang Bo	127	85	–	–	212
	381	255	–	–	636
	381	4,718	5,603	15	10,717

11. STAFF COSTS AND DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Cont'd)

(b) Directors' and chief executive's emoluments (Cont'd)

The aggregate amounts of emoluments paid and payable to the directors of the Company during 2017 are as follows:

		Other emoluments			
	Fee RMB'000	Bonus RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
2017					
Executive directors					
Mr. Wu Xiao An	–	4,331	3,950	16	8,297
Mr. Qi Yumin *(Note)*	–	–	–	–	–
Mr. Qian Zuming *(Note)*	–	220	1,754	–	1,974
Mr. Zhang Wei	–	–	–	–	–
	–	4,551	5,704	16	10,271
Independent non-executive directors					
Mr. Xu Bingjin	130	87	–	–	217
Mr. Song Jian	130	87	–	–	217
Mr. Jiang Bo	130	87	–	–	217
	390	261	–	–	651
	390	4,812	5,704	16	10,922

Note: Mr. Qi Yumin and Mr. Qian Zuming are the chief executives of the Company.

In both 2017 and 2018,

– no share option was granted to any of the directors;

– no emoluments were paid to the directors as inducement to join or upon joining the Group or as compensation for loss of office; and

– no directors waived their emoluments.

11. STAFF COSTS AND DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Cont'd)

(b) Directors' and chief executive's emoluments (Cont'd)

The ultimate objective of the Group's emolument policy is to ensure that the pay levels of its employees are in line with industry practices and prevailing market conditions so as to enable the Group to attract and retain persons of high quality and experience which is essential to the success of the Group.

In determining the level of fees and other emoluments paid to directors of the Company, market rates and factors such as each director's workload and required commitment are taken into account:

– Remuneration of executive directors comprises basic remuneration determined with reference to their qualifications, industry experience and responsibilities within the Group, and a performance-based remuneration. In determining the performance-based remuneration of executive directors, reward is given to the Company's corporate goals and objectives set by the board from time to time and the performance and contribution of the individual to the Group's overall performance.

– Non-executive director is compensated with reference to his qualifications, expertise and experience and the amount of time allocated to the affairs of the Group.

– Independent non-executive directors are compensated with reference to the level of compensation awarded to independent non-executive directors by other companies listed on the SEHK; the responsibilities assumed by such independent non-executive directors; complexity of the automobile industry and the business of the Group; goodwill and reputational value brought to the Group by the relevant independent non-executive director.

During the process of consideration, no individual director is involved in decisions relating to his own remuneration.

(c) Remuneration of senior management

Pursuant to Appendix 14 to the Listing Rules, the remuneration of senior management, excluding directors, is within the following bands:

	2018 **Number**	2017 Number
Under HK$500,000	**–**	–
HK$500,001 to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**–**	–
HK$3,000,001 to HK$3,500,000	**1**	1
HK$3,500,001 to HK$4,000,000	**1**	–
HK$4,000,001 to HK$4,500,000	**–**	–
HK$4,500,001 to HK$5,000,000	**–**	–
HK$5,000,001 to HK$5,500,000	**1**	–

11. STAFF COSTS AND DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Cont'd)

(d) Five highest paid individuals

The five highest paid individuals in the Group during the year included two directors (2017: two directors), details of whose emoluments have been disclosed in note (b) above. The emoluments paid to the remaining three individuals (2017: three individuals) for the year are as follows:

	2018 **RMB'000**	2017 RMB'000
Salaries and other benefits	**8,309**	3,209
Performance related bonus	**1,897**	2,003
Contributions to retirement benefits schemes	**15**	31
	10,221	5,243

The number of the highest paid individuals, other than the directors, whose emoluments fell within the following bands is as follows:

	2018 **Number**	2017 Number
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**–**	–
HK$3,000,001 to HK$3,500,000	**1**	1
HK$3,500,001 to HK$4,000,000	**1**	–
HK$4,000,001 to HK$4,500,000	**–**	–
HK$4,500,001 to HK$5,000,000	**–**	–
HK$5,000,001 to HK$5,500,000	**1**	–

The emoluments represent the amounts paid to or receivable by the individuals in the respective financial year, which include the benefits derived from the share options granted, if any.

During the year, no emoluments were paid to the five highest paid individuals as inducement to join or upon joining the Group or as compensation for loss of office (2017: Same).

12. INTANGIBLE ASSETS

	Development costs RMB'000	Specialised software RMB'000	Total RMB'000
Cost			
As at 1st January, 2017	1,682,939	49,842	1,732,781
Additions	170,453	11,657	182,110
Transfer from construction-in-progress	2,214	315	2,529
Disposals/Write-off	(22,152)	(1,437)	(23,589)
As at 31st December, 2017	1,833,454	60,377	1,893,831
As at 1st January, 2018	**1,833,454**	**60,377**	**1,893,831**
Additions	**236,811**	**15,655**	**252,466**
Transfer from construction-in-progress	**16,120**	**161**	**16,281**
Disposals/Write-off	**–**	**(376)**	**(376)**
As at 31st December, 2018	**2,086,385**	**75,817**	**2,162,202**
Accumulated amortisation and impairment losses			
As at 1st January, 2017	374,342	19,827	394,169
Amortisation	122,762	4,289	127,051
Impairment for the year	700,000	–	700,000
Eliminated on disposals/write-off	(22,152)	(1,437)	(23,589)
As at 31st December, 2017	1,174,952	22,679	1,197,631
As at 1st January, 2018	**1,174,952**	**22,679**	**1,197,631**
Amortisation	**110,820**	**6,405**	**117,225**
Impairment for the year	**235,643**	**124**	**235,767**
Eliminated on disposals/write-off	**(2,423)**	**2,047**	**(376)**
As at 31st December, 2018	**1,518,992**	**31,255**	**1,550,247**
Net book value			
As at 31st December, 2018	**567,393**	**44,562**	**611,955**
As at 31st December, 2017	658,502	37,698	696,200

Based on the sales performance of Huasong vehicles, the management reassessed the recoverable amount and useful life of the Huasong project as at 31st December, 2018. The Huasong project is regarded as having remaining useful life of a year. The recoverable amount is determined on a value in use basis. Value in use calculation uses cash flow projections based on financial budgets covering the remaining useful life. The management determines the key assumptions which include budgeted revenue and cost based on past performance of Huasong project, the general price inflation in China, and the management's expectation on market development. The discount rate of 10% (2017: 11%) is pre-tax and derived by reference to the capital asset pricing model plus a risk premium reflecting specific risks related to the industry.

As at 31st December, 2018, the carrying amounts of the Huasong project and its recoverable amounts which represented its value-in-use was approximately RMB256 million (2017: approximately RMB600 million). The impairment losses charged for the year in respect of its intangible assets and property, plant and equipment were approximately RMB225 million (2017: approximately RMB700 million) and RMB49 million (2017: Nil), respectively.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Tools and moulds, machinery and equipment RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction-in-progress RMB'000	Total RMB'000
Cost						
As at 1st January, 2017	675,962	2,353,509	290,261	82,976	427,051	3,829,759
Additions	18,789	305,870	29,186	4,609	126,173	484,627
Transfer to intangible assets	–	–	–	–	(2,529)	(2,529)
Inter-transfer	117,348	204,213	42,283	1,204	(365,048)	–
Disposals/Write-off	(15,758)	(10,155)	(11,244)	(12,163)	(2,031)	(51,351)
As at 31st December, 2017	796,341	2,853,437	350,486	76,626	183,616	4,260,506
As at 1st January, 2018	**796,341**	**2,853,437**	**350,486**	**76,626**	**183,616**	**4,260,506**
Additions	**1,773**	**53,996**	**4,323**	**4,768**	**145,426**	**210,286**
Transfer to intangible assets	**–**	**–**	**–**	**–**	**(16,281)**	**(16,281)**
Inter-transfer	**11,106**	**53,394**	**13,768**	**106**	**(78,374)**	**–**
Disposals/Write-off	**–**	**(90,535)**	**(14,306)**	**(3,783)**	**–**	**(108,624)**
As at 31st December, 2018	**809,220**	**2,870,292**	**354,271**	**77,717**	**234,387**	**4,345,887**
Accumulated depreciation and impairment losses						
As at 1st January, 2017	308,532	1,008,616	199,328	60,547	2,947	1,579,970
Charge for the year	24,635	90,077	29,919	4,195	–	148,826
Impairment losses	6,660	175	983	–	2,005	9,823
Eliminated on disposals/write-off	(14,891)	(9,358)	(8,906)	(10,056)	(2,031)	(45,242)
As at 31st December, 2017	324,936	1,089,510	221,324	54,686	2,921	1,693,377
As at 1st January, 2018	**324,936**	**1,089,510**	**221,324**	**54,686**	**2,921**	**1,693,377**
Charge for the year	**27,829**	**91,172**	**33,742**	**5,340**	**–**	**158,083**
Impairment losses *(note 12)*	**2,030**	**31,972**	**3,347**	**–**	**12,878**	**50,227**
Eliminated on disposals/write-off	**–**	**(87,014)**	**(13,631)**	**(3,291)**	**–**	**(103,936)**
As at 31st December, 2018	**354,795**	**1,125,640**	**244,782**	**56,735**	**15,799**	**1,797,751**
Net book value						
As at 31st December, 2018	**454,425**	**1,744,652**	**109,489**	**20,982**	**218,588**	**2,548,136**
As at 31st December, 2017	471,405	1,763,927	129,162	21,940	180,695	2,567,129

As at 31st December, 2018, the short-term and long-term borrowings in aggregate are secured by the Group's buildings, tools and moulds, machinery and equipment and construction-in-progress with an aggregate net book value of approximately RMB272.2 million (2017: approximately RMB242.4 million).

14. LAND LEASE PREPAYMENTS

The carrying value of land lease prepayments represents cost less accumulated amortisation paid for land use rights in the PRC under medium term leases of not more than 50 years. The value to be amortised within the next twelve months after 31st December, 2018 amounts to approximately RMB2,116,000 (2017: approximately RMB2,115,000).

	2018 **RMB'000**	2017 RMB'000
Cost		
As at 1st January,	**122,486**	118,725
Additions	**–**	3,761
At 31st December,	**122,486**	122,486
Accumulated amortisation		
As at 1st January,	**35,973**	33,915
Charge for the year	**2,116**	2,058
As at 31st December,	**38,089**	35,973
Net book value		
As at 31st December,	**84,397**	86,513

At 31st December, 2018, the short-term and long-term borrowings are secured by the Group's land lease prepayments with a net book value of approximately RMB32.8 million (2017: approximately RMB31.3 million).

15. INTERESTS IN JOINT VENTURES

	2018 **RMB'000**	2017 RMB'000
Share of net assets by equity method		
– Unlisted joint ventures	**24,074,405**	21,593,786

Details of the Group's joint ventures as at 31st December, 2018 and 2017 were as follows:

Name of company	**Place of incorporation/ establishment**	**Registered capital/issued and paid up capital**	**Legal structure**	**Percentage of effective equity interest/voting right held indirectly**	**Principal activities**
Shenyang Xinguang Brilliance Automobile Engine Co., Ltd. ("**Xinguang Brilliance**")	Shenyang, the PRC	US$7,220,000	Equity joint venture	50%	Manufacture and sale of automotive engines for minibuses and light duty trucks
BBA	Shenyang, the PRC	US$174,000,000	Equity joint venture	50%	Manufacture and sale of BMW vehicles

15. INTERESTS IN JOINT VENTURES (Cont'd)

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

	2018 RMB'000	2017 RMB'000
Non-current assets	**54,382,164**	47,366,377
Current assets	**51,647,449**	40,644,757
Current liabilities	**(47,934,692)**	(37,319,172)
Non-current liabilities	**(9,946,112)**	(7,504,389)
Net assets	**48,148,809**	43,187,573
Included in the above assets and liabilities:		
Cash and cash equivalents	**23,098,471**	20,417,430
Current financial liabilities (excluding accounts and other payables and provisions)	**(8,015,343)**	(6,316,125)
Non-current financial liabilities (excluding accounts and other payables and provisions)	**(9,946,112)**	(7,504,389)
Proportion of the Group's ownership interest in BBA	**50%**	50%
Carrying amount of the Group's interest in BBA	**24,074,405**	21,593,786

BBA's income, expenses and dividends are as follows:

	2018 RMB'000	2017 RMB'000
Revenue	**138,704,000**	111,599,149
Interest income	**484,424**	363,538
Income tax	**(4,281,603)**	(3,561,441)
Profit after income tax	**12,491,220**	10,475,890
Other comprehensive income	**1,575,054**	1,431,516
Total comprehensive income	**14,066,274**	11,907,406
Dividends received from the joint venture	**3,000,000**	2,000,000

In April 2018, the PRC Government announced that the foreign ownership restrictions in the Chinese auto sector, according to which foreign investors are restricted from owning more than 50% interest in auto manufacturing companies, would be relaxed and the Chinese market for passenger vehicles would be opened up in 2022 to allow adequate foreign ownership. Against these developments and background, BMW Holding B.V. ("**BMW**") and the Company reached agreement to transfer 25% stake in BBA from Shenyang JinBei Automotive Industry Holding Co., Ltd ("**SJAI**") to BMW such that following the Completion, which is expected to take place by no later than 2022, BBA will be beneficially owned as to 25% and 75% by SJAI and BMW, respectively.

The Group has not incurred any contingent liabilities or other commitments relating to its investments in the joint ventures (2017: Nil).

15. INTERESTS IN JOINT VENTURES (Cont'd)

The net liabilities of Xinguang Brilliance and the Group's share are as follows:

	2018 RMB'000	2017 RMB'000
Net liabilities	**(21,586)**	(5,678)
Proportion of the Group's ownership interest in Xinguang Brilliance	**50%**	50%
Carrying amount of the Group's interest in Xinguang Brilliance	**–**	–
Net loss and total comprehensive expense	**(15,907)**	(15,226)
Unrecognized share of loss for the year	**(7,954)**	(3,256)
Unrecognized share of loss accumulative	**(11,210)**	(3,256)

16. INTERESTS IN ASSOCIATES

	2018 RMB'000	2017 RMB'000
Share of net assets by equity method and goodwill		
– Associates listed in Hong Kong	**979,245**	975,806
– Unlisted associates	**693,732**	771,711
	1,672,977	1,747,517
Fair value of investment in associates listed in Hong Kong	**152,772**	366,480

16. INTERESTS IN ASSOCIATES (Cont'd)

Details of the Group's associates as at 31st December, 2018 and 2017 were as follows:

Name of company	Place of principal operations and establishment	Registered capital/issued and paid up capital	Legal structure	Percentage of effective equity interest/ voting right held directly	Percentage of effective equity interest/voting right held indirectly	Principal activities
Xinchen China Power Holdings Limited ("**Power Xinchen**")	Cayman Islands	HK$12,822,118	Company with limited liability	–	31.20%	Investment holding
Southern State Investment Limited	British Virgin Islands	US$1	Company with limited liability	–	31.20%	Investment holding
Mianyang Xinchen Engine Co., Ltd. ("**Mianyang Xinchen**")	Mianyang, the PRC	US$100,000,000	Wholly foreign owned enterprise	–	31.20%	Development, manufacture and sale of automotive engines
Shenyang Aerospace Mitsubishi Motors Engine Manufacturing Co., Ltd. ("**Shenyang Aerospace**")	Shenyang, the PRC	RMB738,250,000	Equity joint venture	–	21.00%	Manufacture and sale of automotive engines
Shenyang JinBei Vehicle Dies Manufacturing Co., Ltd.	Shenyang, the PRC	RMB29,900,000	Equity joint venture	–	48%	Manufacture and sale of automotive components
Shenyang ChenFa Automobile Component Co., Ltd.	Shenyang, the PRC	US$19,000,000	Equity joint venture	25%	–	Development, manufacture and sale of engines and engine components
Shenyang Brilliance Power Train Machinery Co., Ltd.	Shenyang, the PRC	US$29,900,000	Equity joint venture	49%	–	Manufacture and sale of power trains

There is no associate that is individually material to the Group. The Group's share of aggregate financial information of the associates for the year ended 31st December, 2018 is summarised as follows:

	2018 **RMB'000**	2017 RMB'000
Net profit and other comprehensive income attributable to the Group	**33,265**	216,979
Dividends received from associates	**105,000**	168,000

17. PREPAYMENTS FOR INVESTMENTS

The Group entered into two agreements in 2003 to acquire effectively in aggregate, for a consideration of RMB600 million, the indirect equity interest of 33.35% in JBC, a company listed on the Shanghai Stock Exchange. The consideration was paid and recorded as prepayments for investments.

Although the acquisitions have been approved by the State-Owned Assets Supervision and Administration Commission of Liaoning Provincial Government and the State-Owned Assets Supervision and Administration Commission of the State Council, a waiver has not been granted for the acquisitions by the China Securities Regulatory Commission.

For this reason, the Group reached an agreement with the sellers for the refund of the prepayments and the advance of RMB300 million to SAIAM (SAIAM held 24.38% of JBC).

During the year, the full amount of the advance to SAIAM *(note 24(a))* and RMB200 million of the prepayments for the investment were repaid.

It is agreed that the remaining RMB400 million of the prepayments will be refunded in 2019 and therefore the amount is classified as a receivable of the prepayments for the investments under current assets *(note 24(a))*.

18. EQUITY INVESTMENTS

	2018 **RMB'000**	2017 RMB'000
Financial assets at FVOCI (non-recycling)		
– Unlisted equity investment	**4,138**	–
– Listed equity investment in Hong Kong	**8,155**	–
Available-for-sale financial assets		
– Unlisted equity investment	**–**	4,138
– Listed equity investment in Hong Kong	**–**	20,361
At 31st December,	**12,293**	24,499

The Group designated its investment in these listed and unlisted equity investments as FVOCI (non-recycling) as these investments are held for strategic purpose.

The listed equity securities are 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 year 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 discount rate.

Available-for-sale financial assets were reclassified to financial assets at FVOCI (non-recycling) upon the initial application of HKFRS 9 as at 1st January, 2018.

19. LOANS RECEIVABLE

	2018 RMB'000	2017 RMB'000
Loans receivable from customers	**5,024,062**	3,399,981
Less: ECL allowance/provision for impairment losses	**(55,082)**	(36,561)
	4,968,980	3,363,420
Less: current portion *(note 24)*	**(1,241,072)**	(1,916,765)
	3,727,908	1,446,655
Gross loans receivable recoverable:		
– No later than 1 year	**1,254,908**	1,937,837
– Later than 1 year and no later than 5 years	**3,769,154**	1,462,144
	5,024,062	3,399,981

All loans receivable were derived from the business of provision of auto financing by BBAFC during the year. The balances are denominated in Renminbi and secured by the motor vehicles of the borrowers for retail auto financing and security deposits are required for wholesale auto financing *(note 27)*.

Included in loans receivable is an outstanding balance of approximately RMB1,788,000 (2017: Nil) from an affiliated company of Shanghai Shenhua for auto financing.

During the year, BBAFC started joint auto financing service with an affiliated company of a non-controlling interest of BBAFC ("**Joint Lender**"). The credit risk under this joint auto financing to the Group is only up to the amount financed by the Group and motor vehicles secured by retail borrowers are also shared proportionately between the Group and the Joint Lender in case of default by the retail borrowers. As at 31st December, 2018, loans receivable of approximately RMB47,430,000 (2017: Nil) is the outstanding balances to the Group under this joint auto financing arrangement.

Instead of motor vehicles as security, security deposits are required from wholesale borrowers under this joint auto financing arrangement. For administrative purpose, the Group holds all the security deposits from wholesale borrowers. In case of default, the Joint Lender is entitled to the proportional share of the security deposits based on the amounts financed. At 31st December, 2018, included in security deposits for wholesale auto financing of approximately RMB132,150,000 (2017: approximately RMB154,992,000), approximately of RMB18,227,000 (2017: Nil) is from security deposits entitled by the Joint Lender in case the wholesale borrowers default. For the interest of the Joint Lender, the Group does not intend to use these security deposits.

The movement in ECL allowance (2017: provision for impairment losses) in loans receivable during the year is as follows:

	2018 RMB'000	2017 RMB'000
At 1st January,	**36,561**	9,527
Uncollectible amounts written off	**(6,287)**	(1,461)
ECL allowance/provision for impairment loss	**24,808**	28,495
At 31st December,	**55,082**	36,561

20. PLEDGED SHORT-TERM BANK DEPOSITS

Pledged short-term bank deposits as at 31st December, 2018 were pledged for the following purposes:

	2018	2017
	RMB'000	RMB'000
Issue of bank guaranteed notes to trade creditors *(Note)*	**847,080**	1,503,224
Bank loans granted to JBC	**210,530**	210,530
Joint auto financing arrangement *(note 19)*	**18,227**	–
	1,075,837	1,713,754

Note:

In addition to short-term bank deposits, as at 31st December, 2018, the Group had also pledged bank guaranteed notes receivable from third parties and related parties of approximately RMB91.9 million (2017: approximately RMB64.2 million) to secure the issue of bank guaranteed notes. As at 31st December, 2017, the Group also pledged notes receivable from affiliated companies in the amount approximately RMB250 million to secure the issue of bank borrowings.

21. INVENTORIES

	2018	2017
	RMB'000	RMB'000
Raw materials	**501,885**	372,375
Work-in-progress	**195,582**	272,413
Finished goods	**408,473**	471,455
	1,105,940	1,116,243
Less: provision for inventories	**(94,296)**	(72,450)
	1,011,644	1,043,793

As at 31st December, 2018, the carrying amount of inventories that were stated at net realisable value amounted to approximately RMB356 million (2017: approximately RMB441 million).

The reconciliation of provision for inventories in the year is as follows:

	2018	2017
	RMB'000	RMB'000
At 1st January,	**72,450**	57,038
Provision for the year	**46,682**	58,941
Reversal for the year	**(24,382)**	(42,012)
Obsolete inventories written off	**(454)**	(1,517)
At 31st December,	**94,296**	72,450

The reversal of provision for inventories represents the reversal for provision previously recognized for inventories that were sold during the year (2017: Same).

22. ACCOUNTS RECEIVABLE

	Note	2018 RMB'000	2017 RMB'000
Accounts receivable	22(a)	**348,782**	318,969
Accounts receivable from affiliated companies	33(c)	**676,091**	704,396
		1,024,873	1,023,365

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

	2018 RMB'000	2017 RMB'000
Less than six months	**294,557**	197,352
Six months to one year	**8,193**	11,714
Above one year but less than two years	**16,924**	1,001
Above two years but less than five years	**23,540**	107,322
Five years or above	**42,321**	20,101
	385,535	337,490
Less: ECL allowance/provision for impairment losses	**(36,753)**	(18,521)
	348,782	318,969

At 31st December, 2018, accounts receivable from third parties of approximately RMB38 million (2017: approximately RMB104 million) are substantially denominated in U.S. Dollars or Euro and the rest are denominated in Renminbi. The Group's credit policy is set out in note 4(a).

The table below provides information about the exposure to credit risk and the ECL model for accounts receivable which are assessed based on the provision matrix as at 31st December, 2018.

	Gross carrying amount RMB'000	Weighted average loss rate %	ECL allowance RMB'000
Less than six months	**294,557**	**1.0**	**2,946**
Six months to one year	**8,193**	**3.0**	**246**
Above one year but less than two years	**16,924**	**6.0**	**1,015**
Above two years but less than 5 years	**23,540**	**16.6**	**3,906**
Five years or above	**42,321**	**67.7**	**28,640**
	385,535		**36,753**

22. ACCOUNTS RECEIVABLE (Cont'd)

(a) (Cont'd)

The movement in ECL allowance (2017: provision for impairment losses) in accounts receivable during the year is as follows:

	2018 **RMB'000**	2017 RMB'000
At 1st January,	**18,521**	17,692
ECL allowance/provision for impairment losses	**18,262**	893
Uncollectible debts written off	**(30)**	–
Write-back of previously recognized impairment losses	**–**	(64)
At 31st December,	**36,753**	18,521

23. NOTES RECEIVABLE

	Note	**2018** **RMB'000**	2017 RMB'000
Notes receivable	23(a)	**168,956**	108,122
Notes receivable from affiliated companies	33(d)	**148,176**	255,673
		317,132	363,795

(a) All notes receivable are denominated in Renminbi and are primarily notes received from customers for settlement of accounts receivable balances. As at 31st December, 2018, all notes receivable were guaranteed by established banks in the PRC with maturities of less than six months from 31st December, 2018 (2017: Same).

(b) The Group does not hold the notes receivable until maturity but endorses or discounts these notes receivable before maturity for the settlement of the Group's creditors. Accordingly, upon the adoption HKFRS 9 the notes receivable are classified as financial assets at FVOCI (recycling) and are stated at fair value at 31st December, 2018 while they were classified as loans and receivable at amortised cost in previous years. The fair value is based on the net present value at 31st December, 2018 from expected timing of endorsements and discounting at the interest rates for the respective notes receivable. The fair value is within level 2 of the fair value hierarchy.

24. OTHER CURRENT ASSETS

	Note	**2018** **RMB'000**	2017 RMB'000
Others receivable	24(a)	**580,823**	471,721
Prepayments and other current assets		**95,600**	91,303
Other taxes recoverable		**63,536**	94,111
Amounts due from affiliated companies	33(e)	**951,869**	475,716
Short-term loans receivable	19	**1,241,072**	1,916,765
		2,932,900	3,049,616

(a)

	2018 **RMB'000**	2017 RMB'000
Advance to SAIAM	**–**	300,000
Receivable for prepayments for investments *(note 17)*	**400,000**	–
Others	**294,030**	277,875
	694,030	577,875
Less: ECL allowance/provision for impairment losses	**(113,207)**	(106,154)
At 31st December,	**580,823**	471,721

All others receivable are denominated in Renminbi.

The advance to SAIAM was fully settled in cash during the year. The other items in others receivable mainly represent prepayments and deposits paid and advanced to other parties.

The directors consider that the fair values of others receivable which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods.

24. OTHER CURRENT ASSETS (Cont'd)

(a) (Cont'd)

The movement in ECL allowance (2017: provision for impairment losses) in others receivable during the year is as follows:

	2018 **RMB'000**	2017 RMB'000
At 1st January,	**106,154**	88,652
Reclassified from ECL allowance/provision for impairment losses on amounts due from affiliated companies *(note 33(e))*	**14,000**	1,975
Impairment loss recognized	**–**	19,379
ECL allowance reversed	**(6,947)**	–
Uncollectible amounts written-off	**–**	(3,260)
Write-back of previously recognized impairment losses	**–**	(592)
At 31st December,	**113,207**	106,154

25. ACCOUNTS PAYABLE

	Note	**2018** **RMB'000**	2017 RMB'000
Accounts payable	25(a)	**1,367,949**	2,249,436
Accounts payable to affiliated companies	33(f)	**492,101**	1,029,434
		1,860,050	3,278,870

(a) An aging analysis of accounts payable based on the invoice date is set out below:

	2018 **RMB'000**	2017 RMB'000
Less than six months	**926,794**	1,743,531
Six months to one year	**77,967**	312,627
Above one year but less than two years	**217,010**	56,077
Two years or above	**146,178**	137,201
	1,367,949	2,249,436

Accounts payable with balances denominated in currencies other than Renminbi are considered not significant. All these amounts are payable within one year.

26. NOTES PAYABLE

	Note	2018 RMB'000	2017 RMB'000
Notes payable		**1,491,732**	2,763,936
Notes payable to affiliated companies	33(g)	**138,916**	16,650
		1,630,648	2,780,586

27. OTHER CURRENT LIABILITIES

	Note	2018 RMB'000	2017 RMB'000
Contract liabilities		**79,940**	–
Customer advances		**–**	76,537
Others payable		**920,932**	844,526
Security deposits for wholesale auto-financing		**132,150**	154,992
Accrued expenses		**167,369**	116,280
Other taxes payable		**19,280**	38,766
Dividends payable		**–**	198,755
Provision for warranty		**26,144**	25,627
Deferred government grants		**4,880**	4,880
Deferred income		**193,807**	147,518
Amounts due to affiliated companies	33(h)	**439,641**	447,398
		1,984,143	2,055,279

During 31st December, 2018, revenue of approximately RMB76,537,000 recognized that was included in contract liabilities at the beginning of the reporting period.

Contract liabilities represent deposits received before the production activity commences, which give rise to contract liabilities at the start of a contract until the revenue recognized on the project exceeds the amount of the deposits. The Group has applied HKFRS 9 and HKFRS 15 using the cumulative effect transition method and adjusted the opening balances as at 1st January, 2018

Security deposits for wholesale auto-financing represent the amounts received from wholesale borrowers as set out in note 19.

28. BANK BORROWINGS

	2018 RMB'000	2017 RMB'000
Short-term bank borrowings:		
Secured bank borrowings	**98,000**	575,000
Unsecured bank borrowings	**4,525,500**	2,234,900
Long-term bank borrowings due within one year	**20,000**	–
	4,643,500	2,809,900
Long-term bank borrowings:		
Secured bank borrowings	**40,000**	80,000
	4,683,500	2,889,900

28. BANK BORROWINGS (Cont'd)

All short-term bank borrowings at 31st December, 2018 are interest-bearing at rates ranging from 4.35% to 7.50% per annum (2017: 3.92% to 6.45% per annum) and repayable from 14th January, 2019 to 5th November, 2019 (2017: 8th January, 2018 to 29th December, 2018).

As at 31st December, 2018, these bank borrowings are secured by the Group's land lease prepayments with a net book value of approximately RMB2.2 million (2017: Nil), buildings, tools and moulds, machinery and equipment and construction-in-progress with an aggregate net book values of approximately RMB220.4 million (2017: RMB197.1 million). At 31st December, 2017, bank borrowings were also secured by guaranteed bank notes of RMB250 million.

All long-term bank borrowings as at 31st December, 2018 were interest-bearing at 5.23% per annum (2017: 5.23% per annum), due within 3 years and secured by the Group's land lease prepayments with a net book value of approximately RMB30.6 million (2017: approximately RMB31.3 million) and buildings, plant and equipment with an aggregate net book value of approximately RMB51.8 million (2017: approximately RMB45.3 million).

Included in short-term unsecured bank borrowings is a bank borrowing of RMB500 million (2017: RMB500 million) from an affiliated company of a non-controlling interest of BBAFC. The interest incurred on the respective bank borrowing amounted to approximately RMB28,977,000 (2017: approximately RMB12,943,000).

29. DEFERRED TAX ASSET

As at 31st December, 2018, the Group had unrecognized deferred tax asset in respect of tax losses of approximately RMB3,982 million (2017: approximately RMB3,141 million) which will expire at various dates up to and including 2023 (2017: 2022).

In addition, as at 31st December, 2018, the Group also had not recognized deferred tax asset in respect of temporary differences of approximately RMB779 million (2017: approximately RMB754 million), which had mainly arisen from provision for impairment losses, deferred income and depreciation allowances, for the reason that it is uncertain as to their recoverability.

30. RETIREMENT PLAN AND EMPLOYEES' BENEFITS

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at rates ranging from 13% to 20% (2017: 13% to 20%) of salaries, bonuses and certain allowances of the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

The Group's Hong Kong employees are covered by the mandatory provident fund which is managed by an independent trustee. The Group and its Hong Kong employees each makes monthly mandatory contributions to the scheme at 5% (2017: 5%) of the employee's salary with the maximum amount of HK$1,500 by each of the Group and the employee per month. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the fund.

The Group's contributions for staff in Hong Kong and the PRC for the year ended 31st December, 2018 were approximately RMB69.0 million (2017: approximately RMB71.1 million).

31. SHARE CAPITAL AND SHARE OPTIONS

(a) Share capital

	2018 Number of shares '000	**2018** Amount US$'000	2017 Number of shares '000	2017 Amount US$'000
Authorised:				
Ordinary shares at par value of US$0.01 each				
As at 1st January, and 31st December,	**8,000,000**	**80,000**	8,000,000	80,000

	2018 Number of shares '000	**2018** Amount RMB'000	2017 Number of shares '000	2017 Amount RMB'000
Issued and fully paid:				
Ordinary shares at par value of US$0.01 each				
As at 1st January,	**5,045,269**	**397,176**	5,039,869	396,809
Issue of new shares by exercising share options	**–**	**–**	5,400	367
As at 31st December,	**5,045,269**	**397,176**	5,045,269	397,176

During the year ended 31st December, 2017, a total of 5,400,000 ordinary shares with par value of US$0.01 each were issued as a result of exercise of share options at an aggregate consideration of approximately HK$2,365,000 or RMB2,063,000 of which approximately RMB2,638,000 was credited to share premium account and approximately RMB942,000 was debited to the share option reserve.

During the year and at 31st December, 2018, the Company did not have any outstanding share option.

(b) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurate with the level of risk and by securing access to financing at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages securely afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions, including adjustments to the amount of dividends paid to shareholders, issue of new shares and return of capital to shareholders, etc.

Management monitors the Group's capital structure on the basis of the debt-to-equity ratio. For this purpose, the Group defines debt as the sum of all short-term debts and long-term debts, including bank borrowings of approximately RMB4,683.5 million (2017: approximately RMB2,889.9 million) and notes payable for financing purpose of approximately RMB417.1 million (2017: approximately RMB2,299.6 million). As at 31st December, 2018, the Group's debt-to-equity ratio was 16.0% (2017: 19.4%).

31. SHARE CAPITAL AND SHARE OPTIONS (Cont'd)

(c) Share options

The share option scheme adopted on 11th November, 2008 was expired on 13th November, 2018. During the year, the Company had no outstanding share option under the share option scheme.

32. RESERVES

(a) Retained earnings

The Group's retained earnings included an amount of approximately RMB1,624,595,000 (2017: approximately RMB1,622,529,000) reserved by the subsidiaries in the PRC in accordance with the relevant PRC regulations. The PRC laws and regulations require companies registered in the PRC to allocate 10% of their profits after tax (determined under PRC GAAP) to their respective statutory reserves. No allocation to the statutory reserves is required after the balance of such reserve reaches 50% of the registered capital of the respective companies. The statutory surplus reserves shall only be used to make up losses of the company, to expand the company's production operations, or to increase the capital of the company.

(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) 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 recognized 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 recognized in other comprehensive income and accumulated separately in equity in the hedging reserve.

33. CONNECTED AND RELATED PARTY TRANSACTIONS

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

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

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

In addition to the related party information shown elsewhere in the consolidated 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 year, the Group had significant transactions and balances with the following related parties, some of which are also deemed to be connected persons pursuant to the Listing Rules.

Name and relationship

Name	Relationship
Huachen	Major shareholder of the Company
Shanghai Shenhua	Common directorship of certain directors of the Company
Brilliance Holdings Limited ("**BHL**")	Common directorship of a director of the Company
Renault SAS	49% non-controlling interest of RBJAC

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.

33. 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. Particulars of the connected transactions and continuing connected transactions are detailed in the Report of the Directors.

	2018 **RMB'000**	2017 RMB'000
Sales of goods:		
– Huachen and its affiliated companies	**575,853**	1,374,445
Purchases of goods and services:		
– Affiliated companies of JBC *(Note 1)*	**–**	361,529
– Renault SAS	**103,687**	–
– Huachen and its affiliated company	**673,118**	828,452
Comprehensive services provided to:		
– Huachen and its affiliated company	**58,912**	34,408
Operating lease rental from: *(Note 2)*		
– Huachen	**3,212**	–
Operating lease rental to: *(Note 2)*		
– Huachen	**11,873**	3,167
Employee cost – transfer of certain employees between RBJAC and Huachen under a personnel transfer agreement	**12,800**	–

Note 1: After JBC disposed of its entire interest in RBJAC in November 2017, JBC and its affiliated companies are no longer considered related parties of the Group.

Note 2: Other than approximately RMB11,873,000 operating lease charged by Huachen, the operating lease rental to/from Huachen constitutes continuing connected transactions but were exempt from the requirements of reporting, annual review, announcement and independent shareholders' approval under Chapter 14A of the Listing Rules.

33. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

(b) In addition to the above and disclosed elsewhere in these consolidated financial statements, the Group also had the following material related party transactions:

	2018 **RMB'000**	2017 RMB'000
Sales of goods:		
– Shanghai Shenhua and its affiliated companies	**215,059**	2,018,961
– Joint ventures	**8,688**	13,791
– Affiliated companies of a shareholder of a joint venture	**697**	837
– Associates	**74,751**	118,358
Purchases of goods:		
– Joint ventures	**89,172**	158,839
– Associates	**264,852**	375,537
– Shanghai Shenhua and its affiliated companies	**7,377**	7,293
Other transactions:		
Interest from Xinhua Investment Holdings Limited ("**Xinhua Investment**")	**8,686**	8,924
Interest from an associate	**8,344**	–
Interest to a non-controlling interest of BBAFC	**28,977**	12,943
Service fees from a non-controlling interest of BBAFC	**6,810**	–
Operating lease rental on land and buildings charged by Shanghai Shenhua	**592**	592

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.

33. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

(c) As at 31st December, 2018, the Group's accounts receivable from affiliated companies consisted of the following:

	2018 **RMB'000**	2017 RMB'000
Accounts receivable from related parties:		
– Shanghai Shenhua and its affiliated companies	**338,846**	355,929
– Huachen and its affiliated companies	**326,023**	315,583
– Associates	**33,454**	36,771
– Joint ventures	**4,302**	6,525
– An affiliated company of a shareholder of a joint venture	**340**	4
	702,965	714,812
Less: ECL allowance/provision for impairment losses	**(26,874)**	(10,416)
	676,091	704,396

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 directors consider that the fair values of accounts receivable from affiliated companies which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception. The fair values are within level 2 of the fair value hierarchy.

The aging analysis of gross accounts receivable due from affiliated companies based on invoice date is as follows:

	2018 **RMB'000**	2017 RMB'000
Less than six months	**217,323**	252,400
Six months to one year	**68,883**	71,258
Above one year but less than two years	**64,330**	370,462
Above two years but less than five years	**333,258**	439
Five years or above	**19,171**	20,253
	702,965	714,812

33. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

(c) (Cont'd)

The table below provides information about the exposure to credit risk and ECL model for accounts receivable from affiliated companies which are assessed based on the provision matrix as at 31st December, 2018.

	Gross carrying amount RMB'000	Weighted average loss rate %	ECL allowance RMB'000
Less than six months	**217,323**	**0.1**	**217**
Six months to one year	**68,883**	**0.5**	**344**
Above one year but less than two years	**64,330**	**1.4**	**901**
Two years but less than five years	**333,258**	**4.0**	**13,337**
Five years or above	**19,171**	**63.0**	**12,075**
	702,965		**26,874**

The movement in ECL allowance (2017: provision for impairment losses) in accounts receivable during the year is as follows:

	2018 RMB'000	2017 RMB'000
At 1st January,	**10,416**	21,388
Write-back of previously recognized impairment losses	**–**	(6,752)
ECL allowance recognized	**16,458**	–
Uncollectible debts written off	**–**	(4,220)
At 31st December,	**26,874**	10,416

(d) As at 31st December, 2018, the Group's notes receivable from affiliated companies arising from trading activities consisted of the following:

	2018 RMB'000	2017 RMB'000
Notes receivable from related parties:		
– Shanghai Shenhua and its affiliated companies	**10,851**	31,054
– Associates	**113,199**	103,003
– Huachen and its affiliated company	**24,126**	121,616
	148,176	255,673

All notes receivable from affiliated companies are guaranteed by established banks in the PRC and have maturities of six months or less from 31st December, 2018 (2017: Same).

For the same reason as stated in note 23, the notes receivable from affiliated companies are classified as financial assets at FVOCI (recycling) and stated at fair value. The fair value is within level 2 of the fair value hierarchy.

33. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

(e) As at 31st December, 2018, the amounts due from affiliated companies consisted of:

	2018 **RMB'000**	2017 RMB'000
Amounts due from related parties:		
– Joint ventures	**99,485**	82,085
– Associates	**387,723**	87,433
– Shanghai Shenhua and its affiliated companies	**123**	14,050
– Huachen and its affiliated companies	**173,227**	40,761
– Xinhua Investment	**369,464**	341,560
– Non-controlling interest of a subsidiary	**6,768**	–
	1,036,790	565,889
Less: ECL allowance/provision for impairment losses	**(84,921)**	(90,173)
	951,869	475,716

Amounts due from affiliated companies are unsecured, interest-free bearing and repayable on demand except for approximately RMB369,464,000 (2017: approximately RMB341,560,000) due from Xinhua Investment, a shareholder of Power Xinchen and approximately RMB300,000,000 (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 RMB300,000,000 (2017: Nil) due from an associate is unsecured, interest-bearing at 4.35% per annum on the principal and repayable on 31st December, 2019.

The movement in ECL allowance (2017: provision for impairment losses) in others receivable during the year is as follows:

	2018 **RMB'000**	2017 RMB'000
At 1st January,	**90,173**	92,148
ECL allowance recognsied	**8,748**	–
Reclassified to ECL allowance/impairment losses on others receivable *(note 24(a))*	**(14,000)**	(1,975)
At 31st December,	**84,921**	90,173

33. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

(f) As at 31st December, 2018, the Group's accounts payable to affiliated companies arising from trading activities consisted of the following:

	2018 RMB'000	2017 RMB'000
Due to related parties:		
– Associates	**240,592**	556,064
– Joint ventures	**69,495**	97,215
– Huachen and its affiliated companies	**163,357**	327,342
– An affiliated company of BHL	**364**	33,823
– Shanghai Shenhua and its affiliated companies	**18,290**	14,987
– An affiliated company of a shareholder of a joint venture	**3**	3
	492,101	1,029,434

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:

	2018 RMB'000	2017 RMB'000
Less than six months	**307,452**	653,668
Six months to one year	**79,895**	279,516
Above one year but less than two years	**86,306**	29,707
Two years or above	**18,448**	66,543
	492,101	1,029,434

(g) As at 31st December, 2018, the Group's notes payable to affiliated companies arising from trading activities consisted of the following:

	2018 RMB'000	2017 RMB'000
Notes payable to related parties:		
– A joint venture	**–**	10,000
– Associates	**81,151**	6,650
– Huachen and its affiliated company	**57,765**	–
	138,916	16,650

33. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

(h) As at 31st December, 2018, the amounts due to affiliated companies by the Group consisted of:

	2018 RMB'000	2017 RMB'000
Amounts due to related parties:		
– Associates	**5,311**	10,269
– A joint venture	**5,000**	5,000
– Huachen and its affiliated companies	**351,917**	399,774
– Affiliated companies of BHL	**28,326**	28,066
– Affiliated companies of Shanghai Shenhua	**4,313**	4,289
– Non-controlling interests of subsidiaries	**44,774**	–
	439,641	447,398

Amounts due to affiliated companies by the Group are unsecured, non-interest bearing and repayable on demand.

(i) Pursuant to a trademark license agreement, JBC granted RBJAC the right to use the JinBei trademark on its products and marketing materials indefinitely at nil consideration.

(j) Pursuant to a trademark license agreement, Renault granted RBJAC the right to use the Renault trademark on its product and marketing materials at nil consideration before 1st January, 2025.

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

	2018 RMB'000	2017 RMB'000
Short-term employee benefits and post-employment benefits	**22,588**	14,899

Other than the related party transactions disclosed above, no other transaction, arrangement or contract of significance to which the Company was a party and in which a director of the Company or a connected entity of the director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

The Group operates in an economic environment predominated by government-related entities. During the year, 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 from state-owned financial institutions. The directors are of the opinion that such transactions were conducted in the ordinary course of business and in accordance with normal commercial terms.

34. CASH USED IN OPERATIONS AND RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

(a) Cash used in operations:

	2018 RMB'000	2017 RMB'000
Profit before income tax expense	5,359,046	3,899,766
Share of results of:		
– Joint ventures	(6,244,848)	(5,233,312)
– Associates	(33,265)	(216,979)
Interest and financing service income	(437,483)	(196,116)
Finance costs	113,927	137,871
Write-back of provision for inventories sold	(24,382)	(42,012)
Depreciation of property, plant and equipment	158,083	148,826
Amortisation of intangible assets	117,225	127,051
Amortisation of land lease prepayments	2,116	2,058
Impairment loss on property, plant and equipment	50,227	9,823
Impairment loss on intangible assets	235,767	700,000
Loss on disposal of property, plant and equipment	1,329	2,653
Deferred income from government grants	(22,371)	(29,281)
Write-back of provision for impairment losses	–	(7,408)
Provision for inventories	46,682	58,941
Provision (Reversal) of ECL allowance/impairment losses on:		
– Accounts receivable	18,262	893
– Accounts receivable from affiliated companies	16,458	–
– Amounts due from affiliated companies	8,748	–
– Loans receivable	24,808	28,495
– Others receivable	(6,947)	19,379
– Others receivable grouped under other non-current assets	41	–
Operating loss before working capital change	(616,577)	(589,352)
Decrease (Increase) in statutory deposit reserves at central bank	29,486	(58,042)
Decrease in inventories	11,891	48,016
(Increase) Decrease in accounts receivable	(36,228)	570,746
Increase in loans receivable	(1,630,368)	(2,483,632)
Decrease (Increase) in notes receivable	147,776	(67,487)
Increase in other current assets	(460,849)	(102,781)
Decrease in accounts payable	(1,418,820)	(45,253)
Increase (Decrease) in notes payable	732,524	(462,569)
Increase in other current liabilities	49,017	356,627
Cash used in operations	(3,192,148)	(2,833,727)

34. CASH USED IN OPERATIONS AND RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (Cont'd)

(b) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities for the year.

	Notes payable for financing purpose RMB'000	**Dividend payable RMB'000**	**Deferred government grant RMB'000**	**Bank borrowings RMB'000**	**Total RMB'000**
At 1st January, 2018	**2,299,567**	**198,755**	**115,829**	**2,889,900**	**5,504,051**
Changes from financing cash flows:					
Cash received from financing from bank	**417,105**	**–**	**–**	**6,963,500**	**7,380,605**
Repayments to banks	**(2,299,567)**	**–**	**–**	**(5,169,900)**	**(7,469,467)**
Payments	**–**	**(682,577)**	**–**	**–**	**(679,677)**
Government grant received	**–**	**–**	**14,492**	**–**	**14,492**
Changes from non-cash movements:					
Dividend declared	**–**	**483,822**	**–**	**–**	**483,822**
Deferred income recognized	**–**	**–**	**(22,371)**	**–**	**(22,371)**
At 31st December, 2018	**417,105**	**–**	**107,950**	**4,683,500**	**5,211,455**

	Notes payable for financing purpose RMB'000	Dividend payable RMB'000	Deferred government grant RMB'000	Bank borrowings RMB'000	Total RMB'000
At 1st January, 2017	1,386,464	2,929	126,708	1,325,000	2,841,101
Changes from financing cash flows:					
Cash received from financing from bank	2,299,567	–	–	3,090,900	5,390,467
Repayments to banks	(1,386,464)	–	–	(1,526,000)	(2,912,464)
Payment	–	(277,155)	–	–	(277,155)
Government grant received	–	–	18,402	–	18,402
Changes from non-cash movements:					
Dividend declared	–	472,981	–	–	472,981
Deferred income recognized	–	–	(29,281)	–	(29,281)
At 31st December, 2017	2,299,567	198,755	115,829	2,889,900	5,504,051

35. COMMITMENTS

(a) Capital commitments

	2018 RMB'000	2017 RMB'000
Contracted but not provided for:		
– Construction projects	**15,512**	20,264
– Acquisition of plant and machinery	**151,784**	279,351
– Others	**107,673**	10,798
	274,969	310,413
Authorised but not contracted for:		
– Construction projects and acquisition of plant and machinery	**–**	101,892

(b) Operating lease commitments

As lessee:

As at 31st December, 2018, the Group had future aggregate minimum lease payment under non-cancellable operating leases in respect of leased properties as follows:

	2018 RMB'000	2017 RMB'000
Within one year	**32,926**	22,805
In the second to fifth years inclusive	**57,953**	35,439
Over five years	**58,897**	135
	149,776	58,379

As lessor:

As at 31st December, 2018, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of land use rights as follows:

	2018 RMB'000	2017 RMB'000
Within one year	**5,166**	–
In the second to fifth years inclusive	**5,263**	–
	10,429	–

36. CONTINGENT LIABILITIES

Pursuant to an agreement dated 20th November, 2017 entered into between a member of the Group and JBC, 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 31st December, 2018, under this agreement, outstanding bank loans and other banking facilities totaling RMB206 million (2017: RMB356 million) were utilised, of which RMB206 million (As at 31st December, 2017: RMB206 million) was supported by the Group's bank deposits pledged to the banks. As at 31st December 2017, the remaining RMB150 million was supported by the Group's corporate guarantee provided to the banks.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2018 RMB'000	2017 RMB'000
Non-current assets		
Property, plant and equipment	511	593
Interests in subsidiaries	3,566,277	3,340,818
Interests in associates	141,183	141,183
Equity investments	8,155	20,361
Total non-current assets	3,716,126	3,502,955
Current assets		
Cash and cash equivalents	28,719	49,066
Short-term bank deposit	176,311	–
Other current assets	451,578	430,530
Total current assets	656,608	479,596
Current liabilities		
Dividends payable	–	198,755
Other current liabilities	12,281	15,617
Total current liabilities	12,281	214,372
Net current assets	644,327	265,224
NET ASSETS	4,360,453	3,768,179
Capital and reserves		
Share capital	397,176	397,176
Reserves *(Note)*	3,963,277	3,371,003
TOTAL EQUITY	4,360,453	3,768,179

Wu Xiao An **(Also known as Ng Siu On)** *Director*	**Qi Yumin** *Director*

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Cont'd)

Note: The movement of the Company's reserves are as follows:

	Share premium RMB'000	Investment fair value reserve RMB'000	Cumulative translation adjustments reserve RMB'000	Share option reserve RMB'000	Retained earnings RMB'000	Total RMB'000
As at 1st January, 2017	2,473,444	17,835	39,179	942	2,220,893	4,752,293
Issue of shares by exercise of share options	2,638	–	–	(942)	–	1,696
Dividends	–	–	–	–	(472,981)	(472,981)
Loss and total comprehensive expense for the year	–	(8,969)	–	–	(901,036)	(910,005)
As at 31st December, 2017 and 1st January, 2018	**2,476,082**	**8,866**	**39,179**	**–**	**846,876**	**3,371,003**
Dividends	**–**	**–**	**–**	**–**	**(483,822)**	**(483,822)**
Profit and total comprehensive expense for the year	**–**	**(12,206)**	**–**	**–**	**1,088,302**	**1,076,096**
As at 31st December, 2018	**2,476,082**	**(3,340)**	**39,179**	**–**	**1,451,356**	**3,963,277**

The directors consider that the Company had approximately RMB1,490.5 million (2017: approximately RMB886.1 million) available for distribution to shareholders.

38. INTERESTS IN SUBSIDIARIES

Details of the Company's subsidiaries as at 31st December, 2018 and 2017 were as follows:

Name of company	Place of establishment/ incorporation	Registered capital/issued and fully paid capital	Legal structure	Percentage of effective equity interest/voting right attributable to the Company at 31st December, 2017 and 2018		Principal activities
				Directly	*Indirectly*	
RBJAC *(Note b)*	Shenyang, the PRC	US$1,416,943,000	Equity joint venture	–	51%	Manufacture, assembly and sale of automobiles and automotive components
Xing Yuan Dong	Shenyang, the PRC	US$150,000,000	Wholly foreign owned enterprise	100%	–	Manufacture and trading of automotive components
Ningbo Yuming Machinery Industrial Co., Ltd.	Ningbo, the PRC	US$22,500,000	Wholly foreign owned enterprise	–	100%	Manufacture and sale of automotive components
Ningbo Brilliance Ruixing Auto Components Co., Ltd.	Ningbo, the PRC	US$5,000,000	Wholly foreign owned enterprise	100%	–	Manufacture and trading of automotive components
Mianyang Ruian	Mianyang, the PRC	US$22,910,000	Wholly foreign owned enterprise	100%	–	Manufacture and trading of automotive components
Shenyang Brilliance Dongxing Automotive Component Co., Ltd.	Shenyang, the PRC	RMB222,000,000	Wholly foreign owned enterprise	–	100%	Manufacture and trading of automotive components and remodeling minibuses and sedans
Shenyang Jindong Development Co., Ltd.	Shenyang, the PRC	RMB10,000,000	Equity joint venture	–	100%	Trading of automotive components
Shenyang Jianhua Motor Engine Co., Ltd.	Shenyang, the PRC	RMB155,032,500	Equity joint venture	–	100%	Investment holding
China Brilliance Automotive Components Group Limited	Bermuda	US$12,000	Company with limited liabilities	100%	–	Investment holding
Brilliance Investment Holdings Limited	British Virgin Islands	US$1	Company with limited liabilities	100%	–	Investment holding
Beston Asia Investment Limited	British Virgin Islands	US$1	Company with limited liabilities	100%	–	Investment holding

38. INTERESTS IN SUBSIDIARIES (Cont'd)

Name of company	Place of establishment/ incorporation	Registered capital/issued and fully paid capital	Legal structure	Percentage of effective equity interest/voting right attributable to the Company at 31st December, 2017 and 2018		Principal activities
				Directly	*Indirectly*	
Pure Shine Limited	British Virgin Islands	US$1	Company with limited liabilities	100%	–	Investment holding
Key Choices Group Limited	British Virgin Islands	US$50,000	Company with limited liabilities	100%	–	Investment holding
Brilliance China Finance Limited	British Virgin Islands	US$50,000	Company with limited liabilities	100%	–	Investment holding
SJAI	Shenyang, the PRC	RMB1,500,000,000	Company with limited liabilities	–	100%	Investment holding
Shanghai Hidea Auto Design Co., Ltd.	Shanghai, the PRC	US$2,000,000	Equity joint venture	25%	75%	Design of automobiles
BBAFC	Shanghai, the PRC	RMB1,600,000,000	Equity joint venture	55%	–	Provision of auto financing service

Note a: Except for the subsidiaries incorporated in Bermuda and the British Virgin Islands, all other subsidiaries principally operate in the PRC.

Note b: During 2017, SJAI acquired 39.1% equity interest in Shenyang Automotive (now known as RBJAC) for cash consideration of RMB1 from JBC and its carrying amount of non-controlling interest acquired of was approximately RMB1,997,617,000. The difference between the carry amount of non-controlling interest and consideration was recognized as reserve in equity. Immediately after the acquisition and capital increase, the Group held 100% effective interest of RBJAC.

In December 2017, the Group disposed of its 49% interest in RBJAC to Renault SAS at cash consideration of RMB1 and its carrying amount of non-controlling interest disposed of was approximately RMB184,720,000. The difference between the carry amount of non-controlling interest and consideration was recognized as reserve in equity.

39. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements set out on pages 73 to 162 were approved and authorised for issue by the board of directors on 26th March, 2019.