Brilliance Auto
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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)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2018

The board of directors (the "**Board**") of Brilliance China Automotive Holdings Limited (the "**Company**") announces the consolidated financial results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31st December, 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st December,
(Expressed in thousands of RMB except for earnings per share amounts)

	Note	2018 RMB'000	2017 RMB'000
Revenue	3	**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		**(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	4	**5,359,046**	3,899,766
Income tax expense	5	**(64,552)**	(33,953)
Profit for the year		**5,294,494**	3,865,813

* *For identification purposes only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

For the year ended 31st December,

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

	Note	**2018** **RMB'000**	2017 RMB'000
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	6		
– Basic		**RMB1.15374**	RMB0.86776
– Diluted		**RMB1.15374**	RMB0.86738

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December,

	2018 **RMB'000**	2017 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 FINANCIAL POSITION

As at 31st December,

	Note	2018 RMB'000	2017 RMB'000
Non-current assets			
Intangible assets		**611,955**	696,200
Property, plant and equipment		**2,548,136**	2,567,129
Land lease prepayments		**84,397**	86,513
Interests in joint ventures		**24,074,405**	21,593,786
Interests in associates		**1,672,977**	1,747,517
Prepayments for investments		**–**	600,000
Equity investments		**12,293**	24,499
Long-term loans receivable		**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		**1,075,837**	1,713,754
Inventories		**1,011,644**	1,043,793
Accounts receivable	7	**1,024,873**	1,023,365
Notes receivable		**317,132**	363,795
Other current assets		**2,932,900**	3,049,616
Total current assets		**9,281,708**	9,031,839
Current liabilities			
Accounts payable	8	**1,860,050**	3,278,870
Notes payable		**1,630,648**	2,780,586
Other current liabilities		**1,984,143**	2,055,279
Short-term bank borrowings		**4,623,500**	2,809,900
Income tax payable		**13,623**	40,340
Long-term bank borrowings due within one year		**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		**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 (Continued)
As at 31st December,

	2018 RMB'000	2017 RMB'000
Capital and reserves		
Share capital	**397,176**	397,176
Reserves	**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

NOTES:

1. CORPORATE INFORMATION

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 Company is an investment holding company. The principal activities of the Group are the manufacture and sale of BMW vehicles in the People's Republic of China (the "**PRC**") through its major joint venture BMW Brilliance Automotive Ltd. ("**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

(a) 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 (Continued)

(a) Statement of compliance (Continued)

(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 recognised 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 recognised 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 the 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). The differences among changes in classification as at 1st January, 2018 were not considered significant and therefore the respective balances as at 1st January, 2018 were not restated; and

- 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 recognises 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 recognising lifetime ECL as these items do not have a significant financing component. For other financial assets, the Group applies a general approach of recognising ECL.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) Statement of compliance (Continued)

(i) HKFRS 9 "Financial Instruments" (Continued)

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 as at 1st January, 2018 were not restated.

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

(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 recognised 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 recognised 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 recognises 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 (Continued)

(a) Statement of compliance (Continued)

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

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 recognises 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 the date of initial application.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) Statement of compliance (Continued)

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

Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If an entity recognises 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 recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the entity recognises the related revenue.

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

Accounting for warranties

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 the 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. PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) 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.

(c) 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.

(d) Future changes in HKFRSs

As at the date of this announcement, 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 Ventures[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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Future changes in HKFRSs (Continued)

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, the details of which are provided in the consolidated financial statements:

HKFRS 16	Leases
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRS 3	Definition of a business
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments

Other New and Amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

3. 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 recognised 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.

3. REVENUE AND SEGMENT INFORMATION (Continued)

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, interests in associates, equity investments and receivable for prepayments for investments . At 31st December, 2017, segment assets also did not include prepayments for investments and advance to Shenyang Automobile Industry Asset Management Company Limited ("**SAIAM**"). 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.

All segment assets are located in the PRC.

3. REVENUE AND SEGMENT INFORMATION (Continued)

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

3. REVENUE AND SEGMENT INFORMATION (Continued)

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

3. REVENUE AND SEGMENT INFORMATION (Continued)

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

3. REVENUE AND SEGMENT INFORMATION (Continued)

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

4. PROFIT BEFORE INCOME TAX EXPENSE

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

	2018 **RMB'000**	2017 RMB'000
Charging:		
ECL allowance/provision for impairment losses on loans and receivables:		
– Accounts receivable (b)	**18,262**	893
– Loans receivable (b)	**24,808**	28,495
– Others receivable (b)	**–**	19,379
– Others receivable grouped under other non-current assets (b)	**41**	–
– Accounts receivable from affiliated companies (b)	**16,458**	–
– Amounts due from affiliated companies (b)	**8,748**	–
Impairment losses on:		
– Property, plant and equipment (b)	**50,227**	9,823
– Intangible assets (b)	**235,767**	700,000
Staff costs (including directors' emoluments)	**710,666**	735,994
Amortisation of intangible assets (a)	**117,225**	127,051
Amortisation of land lease prepayments	**2,116**	2,058
Loss on disposal of property, plant and equipment	**1,329**	2,653
Depreciation of property, plant and equipment	**158,083**	148,826
Cost of inventories (c)	**3,870,037**	5,101,568
Exchange loss, net	**–**	63,412
Provision for inventories	**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	**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	**–**	64
– Accounts receivable from affiliated companies	**–**	6,752
– Others receivable	**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.

5. INCOME TAX EXPENSE

The income tax charged to the consolidated statement of profit or loss represents:

	2018 **RMB'000**	2017 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

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)
Unrecognised temporary differences	**6,370**	(7,939)
Unrecognised tax losses net of utilisation of previously unrecognised tax losses	**257,063**	209,717
Over provision in prior years	**(194)**	(2,973)
Tax expense for the year	**64,552**	33,953

6. 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	2017
	'000	'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.

7. ACCOUNTS RECEIVABLE

	2018	2017
	RMB'000	RMB'000
Accounts receivable	**348,782**	318,969
Accounts receivable from affiliated companies	**676,091**	704,396
	1,024,873	1,023,365

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

	2018	2017
	RMB'000	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

7. ACCOUNTS RECEIVABLE (Continued)

As at 31st December, 2018, accounts receivable from third parties of approximately RMB38 million (2017: approximately RMB104 million) are substantially denominated in U.S. Dollar or Euro and the rest are denominated in Renminbi. 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 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.

8. ACCOUNTS PAYABLE

	2018	2017
	RMB'000	RMB'000
Accounts payable	**1,367,949**	2,249,436
Accounts payable to affiliated companies	**492,101**	1,029,434
	1,860,050	3,278,870

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

	2018	2017
	RMB'000	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.

9. 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).

10. CONTINGENCIES

Pursuant to an agreement dated 20th November, 2017 entered into between a member of the Group and Shenyang JinBei Automotive Co., Ltd., 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.

OVERVIEW AND PROSPECTS

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 BBA, our BMW Brilliance joint venture, 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 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.

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, sedans, minibuses and multi-purpose vehicles ("**MPV**"), the company has continued to grow its businesses with Jaguar Land Rover 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.

BUSINESS DISCUSSION & ANALYSIS

The consolidated revenues of the Group (which represent primarily those derived from major operating subsidiaries RBJAC, Shenyang XingYuanDong Automobile Component Co., Ltd., 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 Xinchen China Power Holdings Limited 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.

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.

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 issue of 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 announcement.

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

Details of the contingent liabilities are set out in note 10 to this announcement.

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**").

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.

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.

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.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors, each director of the Company has confirmed that he has complied with the standards set out in the Model Code during the year ended 31st December, 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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" set out in Appendix 14 to the Listing Rules. 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.

On 26th March, 2019, taking into account the amendments in the Listing Rules which came into effect on 1st January, 2019, the Board revised the terms of reference of the audit committee. Further, in light of the requirement of code provision E.1.5 of Appendix 14 to the Listing Rules which came into effect on 1st January, 2019, the Board adopted a dividend policy on 26th March, 2019, and will disclose the said policy in the 2018 annual report.

Major updates since the 2017 annual report are summarised in the 2018 annual report to be sent to shareholders of the Company in April 2019.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the consolidated financial statements of the Group for the year ended 31st December, 2018.

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

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the year ended 31st December, 2018 have been agreed by Grant Thornton Hong Kong Limited, the Company's auditor (the "**Auditor**"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Auditor on the preliminary announcement.

PUBLICATION OF ANNUAL REPORT

The 2018 annual report of the Company containing the information required by the Listing Rules will be published on the websites of the SEHK (www.hkexnews.hk) and the Company (www.brillianceauto.com) in due course.

BOARD OF DIRECTORS

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

By Order of the Board
Brilliance China Automotive Holdings Limited
Wu Xiao An
(also known as Ng Siu On)
Chairman

Hong Kong, 26th March, 2019