

**BRILLIANCE**  
**CHINA AUTOMOTIVE**  
**HOLDINGS LIMITED**

(**華晨中國汽車控股有限公司**)\*

(Incorporated in Bermuda with limited liability)

Stock Code : 1114

**Brilliance Auto**  
華 晨 汽 車

Interim Report

**2019**



\*for identification purposes only



## RESULTS

The board of directors (the “Board”) of Brilliance China Automotive Holdings Limited (the “Company”) announces the unaudited consolidated interim financial results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30th June, 2019. The unaudited consolidated interim financial statements have been reviewed by the audit committee of the Board.

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

		(Unaudited)	
		For the six months ended	
		30th June,	
		2019	2018
	Note	RMB'000	RMB'000
<b>Revenue</b>	4	<b>1,904,274</b>	2,287,134
Cost of sales		<b>(1,802,951)</b>	(2,130,228)
<b>Gross profit</b>		<b>101,323</b>	156,906
Other income		<b>93,944</b>	51,485
Interest income		<b>30,131</b>	31,706
Selling expenses		<b>(211,977)</b>	(178,267)
General and administrative expenses		<b>(264,739)</b>	(272,391)
Finance costs	5	<b>(36,381)</b>	(66,968)
Share of results of:			
Joint ventures		<b>3,552,380</b>	3,677,439
Associates		<b>2,895</b>	41,252
<b>Profit before income tax expense</b>	6	<b>3,267,576</b>	3,441,162
Income tax expense	8	<b>(205,976)</b>	(16,891)
<b>Profit for the period</b>		<b>3,061,600</b>	3,424,271
<b>Attributable to:</b>			
Equity holders of the Company		<b>3,229,996</b>	3,566,130
Non-controlling interests		<b>(168,396)</b>	(141,859)
		<b>3,061,600</b>	3,424,271
<b>Earnings per share</b>	9		
– Basic		<b>RMB0.64020</b>	RMB0.70683
– Diluted		<b>RMB0.64020</b>	RMB0.70683

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited)	
	For the six months ended	
	30th June,	
	2019	2018
	RMB'000	RMB'000
<b>Profit for the period</b>	<b>3,061,600</b>	3,424,271
<b>Other comprehensive (expense) income</b>		
<i>Items that will be subsequently reclassified to consolidated statement of profit or loss, net of tax</i>		
Share of comprehensive expense of a joint venture	(166,173)	(622,535)
Fair value gain on notes receivable at fair value through other comprehensive income	2,728	–
	(163,445)	(622,535)
<i>Item that will not be subsequently reclassified to consolidated statement of profit or loss, net of tax</i>		
Change in fair value of equity investments	(4,003)	(10,052)
	(167,448)	(632,587)
<b>Total comprehensive income for the period</b>	<b>2,894,152</b>	2,791,684
<b>Attributable to:</b>		
Equity holders of the Company	3,061,992	2,933,543
Non-controlling interests	(167,840)	(141,859)
	<b>2,894,152</b>	2,791,684

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) As at 30th June, 2019 RMB'000	(Audited) As at 31st December, 2018 RMB'000
	<i>Note</i>		
<b>Non-current assets</b>			
Intangible assets	11	839,716	611,955
Property, plant and equipment	11	2,530,988	2,329,548
Construction-in-progress	11	208,693	218,588
Land lease prepayments	11	83,339	84,397
Interests in joint ventures	12	22,460,437	24,074,405
Interests in associates	13	1,591,409	1,672,977
Equity investments	14	8,290	12,293
Long-term loan receivables	15	2,569,805	3,727,908
Other non-current assets		105,013	86,077
<b>Total non-current assets</b>		<b>30,397,690</b>	<b>32,818,148</b>
<b>Current assets</b>			
Cash and cash equivalents	16	1,472,774	2,310,459
Statutory deposit reserves at central bank		26,249	32,552
Short-term bank deposits		–	576,311
Pledged short-term bank deposits	17	1,238,786	1,075,837
Inventories		1,164,647	1,011,644
Accounts receivable	18	1,038,486	1,024,873
Notes receivable	19	164,563	317,132
Other current assets	20	9,855,627	2,932,900
<b>Total current assets</b>		<b>14,961,132</b>	<b>9,281,708</b>
<b>Current liabilities</b>			
Accounts payable	21	1,712,447	1,860,050
Notes payable	22	2,037,184	1,630,648
Other current liabilities	23	2,187,981	1,984,143
Short-term bank borrowings	24	4,461,820	4,623,500
Income tax payable		13,475	13,623
Long-term bank borrowings due within one year	24	20,000	20,000
<b>Total current liabilities</b>		<b>10,432,907</b>	<b>10,131,964</b>
<b>Net current assets (liabilities)</b>		<b>4,528,225</b>	<b>(850,256)</b>
<b>Total assets less current liabilities</b>		<b>34,925,915</b>	<b>31,967,892</b>
<b>Non-current liabilities</b>			
Other non-current liabilities	23	176,941	103,070
Long-term bank borrowings	24	30,000	40,000
<b>Total non-current liabilities</b>		<b>206,941</b>	<b>143,070</b>
<b>Net assets</b>		<b>34,718,974</b>	<b>31,824,822</b>
<b>Capital and reserves</b>			
Share capital	25	397,176	397,176
Reserves	26	33,744,560	30,682,568
Total equity attributable to equity holders of the Company		34,141,736	31,079,744
Non-controlling interests		577,238	745,078
<b>Total equity</b>		<b>34,718,974</b>	<b>31,824,822</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SIX MONTHS ENDED 30TH JUNE, 2018 (Unaudited)

	Attributable to the equity holders of the Company										
	Issued capital RMB'000	Hedging reserve RMB'000	Share premium RMB'000	Investment revaluation reserve RMB'000	Fair value through other comprehensive income ("FVOCI") reserve RMB'000	Cumulative translation adjustments reserve RMB'000	Difference arising from acquisition of non-controlling interests RMB'000	Capital reserve RMB'000	Retained earnings RMB'000	Total equity attributable to the equity holders of the Company RMB'000	Total equity RMB'000
As at 1st January, 2018	397,176	383,763	2,476,082	8,866	-	39,179	(2,350,481)	120,000	25,470,901	26,545,466	26,722,742
Transactions with equity holders of the Company	-	-	-	-	-	-	-	-	-	-	490,000
Additional investment in a subsidiary	-	-	-	-	-	-	-	-	-	-	490,000
Profit for the period	-	-	-	-	-	-	-	-	3,566,130	3,666,130	(141,859)
Other comprehensive expense	-	-	-	-	-	-	-	-	-	(622,535)	(622,535)
Share of other comprehensive expense of a joint venture	-	(622,535)	-	-	-	-	-	-	-	(622,535)	-
Change in fair value of financial assets	-	-	-	(10,052)	-	-	-	-	-	(10,052)	(10,052)
Total comprehensive (expense) income	-	(622,535)	-	(10,052)	-	-	-	-	-	(632,587)	(632,587)
As at 30th June, 2018	397,176	(238,772)	2,476,082	(1,186)	-	39,179	(2,350,481)	120,000	29,037,031	29,479,029	30,004,426

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

SIX MONTHS ENDED 30TH JUNE, 2019 (Unaudited)

	Attributable to the equity holders of the Company											
	Issued capital RMB'000	Hedging reserve RMB'000	Share premium RMB'000	Investment revaluation reserve RMB'000	FVOCI reserve RMB'000	Cumulative translation adjustments reserve RMB'000	Difference arising from acquisition of non-controlling interests RMB'000	Capital reserve RMB'000	Retained earnings RMB'000	Total equity attributable to the holders of the Company RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1st January, 2019	397,176	(403,764)	2,476,082	(3,340)	(3,096)	39,179	(2,350,461)	120,000	30,807,988	31,079,744	745,078	31,824,822
Profit for the period	-	-	-	-	-	-	-	-	3,229,996	3,229,996	(168,396)	3,061,600
Other comprehensive (expense) income	-	-	-	-	-	-	-	-	-	-	-	-
Share of other comprehensive expense of a joint venture	-	(166,173)	-	-	-	-	-	-	-	(166,173)	-	(166,173)
Change in fair value of financial assets	-	-	-	(4,003)	2,172	-	-	-	-	(1,831)	556	(1,275)
	-	(166,173)	-	(4,003)	2,172	-	-	-	-	(168,004)	556	(167,448)
Total comprehensive (expense) income	-	(166,173)	-	(4,003)	2,172	-	-	-	3,229,996	3,061,992	(167,840)	2,894,152
As at 30th June, 2019	397,176	(569,937)	2,476,082	(7,343)	(924)	39,179	(2,350,461)	120,000	34,037,984	34,141,736	577,238	34,718,974

## CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>(Unaudited)</b>	
	<b>For the six months ended</b>	
	<b>30th June,</b>	
	<b>2019</b>	<b>2018</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Net cash used in operating activities</b>	<b>(1,670,489)</b>	<b>(2,045,411)</b>
<b>Net cash generated from investing activities</b>	<b>153,749</b>	<b>1,374,398</b>
<b>Net cash generated from financing activities</b>	<b>679,055</b>	<b>838,108</b>
<b>(Decrease) Increase in cash and cash equivalents</b>	<b>(837,685)</b>	<b>167,095</b>
<b>Cash and cash equivalents, as at 1st January</b>	<b>2,310,459</b>	<b>1,732,076</b>
<b>Cash and cash equivalents, as at 30th June</b>	<b>1,472,774</b>	<b>1,899,171</b>



## NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. ORGANISATION AND OPERATIONS

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

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

### 2. STATEMENT OF COMPLIANCE AND ACCOUNTING POLICIES

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

These consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the consolidated annual financial statements for the year ended 31st December, 2018, except for the adoption of the new and revised HKFRSs (which include individual HKFRSs, HKASs and interpretations) as disclosed in note 3 to these consolidated interim financial statements.

These consolidated interim financial statements are unaudited and do not include all the information and disclosures required in the consolidated annual financial statements, and should be read in conjunction with the Group's consolidated annual financial statements for the year ended 31st December, 2018.

### 3. ADOPTION OF NEW AND AMENDED HKFRSs

In the current period, the Group has applied for the first time the following new and amended HKFRSs (the "**New and Amended HKFRSs**") issued by the HKICPA, which are relevant to the Group and are effective for the Group's consolidated financial statements for the annual financial period beginning on 1st January, 2019.

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatment

The adoption of these New and Amended HKFRSs, except for HKFRS 16, the details of which are explained below, had no material impact on how the results and financial positions for the current and prior periods have been prepared and presented.

The Group has not early adopted the New and Amended HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these New and Amended HKFRSs will have no material impact on the results and the financial position of the Group.

#### HKFRS 16 "Leases"

Upon the adoption of HKFRS 16, lessees 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 recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee recognises interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the prior policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the Group elected 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 will continue to be recognised on a systematic basis over the lease term.

HKFRS 16 primarily affects the Group's accounting as a lessee of leases of land and buildings which was previously classified as operating leases. The application of the new accounting model is 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.

### 3. ADOPTION OF NEW AND AMENDED HKFRSs (Cont'd)

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

The Group elected to use the modified retrospective approach for the adoption of HKFRS 16 on 1st January, 2019 and recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1st January, 2019. Comparative information is not restated. In addition, the Group elected the practical expedient for not applying the new accounting model to short-term leases and to grandfather the previous definition assessment of which existing arrangements are, or contain, leases. The Group therefore applies the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. Furthermore, the Group uses the practical expedient to account for leases for short-term leases and leases of low-value assets from the date of initial application as short-term lease.

Upon the initial application of HKFRS 16, the Group measures the right-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 both lease liabilities and the corresponding right-of-use assets will be adjusted to approximately RMB97,286,000, after taking into account the effects of discounting, as at 1st January, 2019.

The following is a reconciliation of total operating lease commitments at 31st December, 2018 to the lease liabilities recognised at 1st January, 2019:

	RMB'000
Total operating lease commitments disclosed at 31st December, 2018	149,776
Recognition exemptions - Leases with remaining lease term of 12 months or less	(4,999)
	<hr/>
Operating leases liabilities before discounting	144,777
Discounting using incremental borrowing rate as at 1st January, 2019	(47,552)
	<hr/>
Operating leases liabilities	97,225
Extension option reasonably certain to be exercised	61
	<hr/>
Total lease liabilities recognised under HKFRS 16 at 1st January, 2019	97,286
	<hr/>
Classified as:	
– Current lease liabilities	20,805
– Non-current lease liabilities	76,481
	<hr/>
	97,286
	<hr/>

The consolidated interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's most recent annual financial statements for the year ended 31st December, 2018, except for the effects of applying HKFRS 16.

#### The Group as a lessee

##### *Applicable from 1st January, 2019*

For any new contracts entered into on or after 1st January, 2019, the Group considers whether a contract is, or contains, a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

### 3. ADOPTION OF NEW AND AMENDED HKFRSs (Cont'd)

#### The Group as a lessee (Cont'd)

##### *Applicable from 1st January, 2019 (Cont'd)*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

#### Measurement and recognition of leases as a lessee

At the commencement date of the lease, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made before the lease commencement date (net of any lease incentives received).

Except for those right-of-use assets meeting the definition of investment properties and those relating to a class of property, plant and equipment to which revaluation model was applied, the Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset (except for those meeting the definition of investment properties) for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit or loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less.

On the consolidated statement of financial position, right-of-use assets that do not meet the definition of investment property have been included in property, plant and equipment, the same line as it presents the underlying assets of the same nature that it owns. Right-of-use assets that meet the definition of investment property are presented within investment property. The prepaid lease payments for leasehold land are presented as land lease prepayments under non-current assets.

#### 4. REVENUE AND SEGMENT INFORMATION

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

	(Unaudited)	
	For the six months ended	
	30th June,	
	2019	2018
	RMB'000	RMB'000
Sale of non-BMW automobiles and automotive components, net of consumption tax, discounts and return	1,687,009	2,112,854
Interest and service charge income from provision of auto financing service, net of other indirect taxes	<u>217,265</u>	<u>174,280</u>
	<u>1,904,274</u>	<u>2,287,134</u>

The Group has identified the following reportable segments:

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

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

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

Segment assets include all assets other than interests in joint ventures, interests in associates, equity investments, and receivable for prepayments for investments. 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.

4. REVENUE AND SEGMENT INFORMATION (Cont'd)

Revenue and results by reportable segments and reconciliation of segment results to profit before income tax expense for the period – for the six months ended 30th June, 2019

(Unaudited)					
Manufacture and sale of non-BMW automobiles and automotive components	Manufacture and sale of BMW vehicles	Provision of auto financing service	Reconciliation to the Group's consolidated statement of profit or loss and intersegment elimination	Total	
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Segment sales to external customers	1,687,009	79,259,348	224,217	(79,266,300)	1,904,274
Segment results	(296,957)	9,487,612	28,090	(9,476,887)	(258,142)
Unallocated costs net of unallocated revenue					(23,307)
Interest income					30,131
Finance costs					(36,381)
Share of results of:					
Joint ventures	–	3,552,380	–	–	3,552,380
Associates	2,895	–	–	–	2,895
Profit before income tax expense					3,267,576

Revenue and results by reportable segments and reconciliation of segment results to profit before income tax expense for the period – for the six months ended 30th June, 2018

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

4. REVENUE AND SEGMENT INFORMATION (Cont'd)

The assets and liabilities by reportable segments as at 30th June, 2019

(Unaudited)					
	Manufacture and sale of Non-BMW automobiles and automotive components <i>RMB'000</i>	Manufacture and sale of BMW vehicles <i>RMB'000</i>	Provision of auto financing service <i>RMB'000</i>	Reconciliation to the Group's consolidated statements of financial position and intersegment elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	15,472,161	103,398,769	6,000,781	(103,755,254)	21,116,457
Interests in joint ventures	–	22,460,437	–	–	22,460,437
Interests in associates	1,591,409	–	–	–	1,591,409
Equity investments					8,290
Unallocated assets					182,229
<b>Total assets</b>					<b>45,358,822</b>
Segment liabilities	6,623,514	58,477,895	4,373,340	(58,843,943)	10,630,806
Unallocated liabilities					9,042
<b>Total liabilities</b>					<b>10,639,848</b>

The assets and liabilities by reportable segments as at 31st December, 2018

(Audited)					
	Manufacture and sale of Non-BMW automobiles and automotive components <i>RMB'000</i>	Manufacture and sale of BMW vehicles <i>RMB'000</i>	Provision of auto financing service <i>RMB'000</i>	Reconciliation to the Group's consolidated statements of financial position and intersegment elimination <i>RMB'000</i>	Total <i>RMB'000</i>
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
<b>Total assets</b>					<b>42,099,856</b>
Segment liabilities	6,296,042	57,880,804	4,319,122	(58,233,215)	10,262,753
Unallocated liabilities					12,281
<b>Total liabilities</b>					<b>10,275,034</b>

## 5. FINANCE COSTS

	(Unaudited)	
	For the six months ended	
	30th June,	
	2019	2018
	RMB'000	RMB'000
Interest expense on:		
– bank loans	20,039	26,973
– discounted bank guaranteed notes	15,396	40,045
Finance charges on lease liabilities	2,157	–
	<b>37,592</b>	<b>67,018</b>
Less: interest expense capitalised in intangible assets and construction-in-progress at the rate of 5.7% per annum (2018:4.8% per annum)	(1,211)	(50)
	<b>36,381</b>	<b>66,968</b>

## 6. PROFIT BEFORE INCOME TAX EXPENSE

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

	(Unaudited)	
	For the six months ended	
	30th June,	
	2019	2018
	RMB'000	RMB'000
<b>Charging:</b>		
Expected credit loss ("ECL") allowance for:		
– Loan receivables (b)	24,348	15,341
– Other receivables (b)	–	786
Cost of inventories	1,728,686	2,150,260
Amortisation of intangible assets (a)	58,480	71,144
Amortisation of land lease prepayments	1,058	1,058
Depreciation of property, plant and equipment (including depreciation of right-of-use assets of RMB11,564,000 (2018: nil))	133,229	78,441
Staff costs (including directors' emoluments) (note 7)	405,667	387,114
Provision for inventories	1,315	1,755
Research and development costs (b)	52,631	27,839
Warranty provision	9,642	11,868
Operating lease charges in respect of land and buildings (b)	–	18,987
Short-term leases with lease term of 12 months or less as at initial application of HKFRS 16 (b)	2,154	–
Variable lease payments (b)	3,575	–
Loss on disposal of property, plant and equipment	1,036	460
Exchange loss, net	1,428	1,257
	<b>2,632</b>	<b>423</b>
<b>Crediting:</b>		
Gross rental income from leasehold land and buildings	2,632	423
Reversal of ECL allowance for:		
– Accounts receivable	1,715	358
– Accounts receivable from affiliated companies	3,197	–
– Amounts due from affiliated companies	61,183	–
– Other receivables	14,949	–
– Other receivables grouped under other non-current assets	29	–
Write back of provision for inventories sold	38,606	21,787

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

(b) included in general and administrative expenses.

7. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	(Unaudited)	
	For the six months ended	
	30th June,	
	2019	2018
	RMB'000	RMB'000
Wages, salaries and performance related bonus	307,491	293,529
Pension costs – defined contribution plans	39,954	38,174
Staff welfare costs	58,222	55,411
	<hr/>	<hr/>
	405,667	387,114
	<hr/>	<hr/>

8. INCOME TAX EXPENSE

Income tax expenses represents PRC corporate income tax on the estimated taxable profits and PRC withholding tax on dividend of the subsidiaries in the PRC during the period.

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

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company for the six months ended 30th June, 2019 of approximately RMB3,229,996,000 (Six months ended 30th June, 2018: approximately RMB3,566,130,000) by the weighted average number of ordinary shares of 5,045,269,000 shares (Six months ended 30th June, 2018: 5,045,269,000 shares).

Diluted earnings per share is the same as basic earnings per share as there was no dilutive effect during the six months ended 30th June, 2019 (Six months ended 30th June, 2018: same).

10. DIVIDENDS

On 25th July, 2019, the Board declared at the board meeting a special dividend of HK\$0.74 per ordinary share (2018: nil) totaling approximately HK\$3,733,499,000, or approximately RMB3,280,290,000 (2018: nil).

On 23rd August, 2019, the Board declared at the board meeting a dividend of HK\$0.11 per ordinary share (2018: HK\$0.11 per ordinary share) totaling approximately HK\$554,980,000, or approximately RMB487,611,000 (2018: approximately HK\$554,980,000, or approximately RMB483,822,000).



11. CAPITAL EXPENDITURES

	(Unaudited)			
	Intangible assets <i>RMB'000</i>	Property, plant and equipment <i>RMB'000</i>	Construction -in-progress <i>RMB'000</i>	Land lease prepayments <i>RMB'000</i>
Net book value as at 1st January, 2019				
– As previously stated	611,955	2,329,548	218,588	84,397
– Recognition upon adoption of HKFRS 16	–	97,286	–	–
– As restated	611,955	2,426,834	218,588	84,397
Additions	281,318	30,986	206,637	–
Transfer	5,004	211,528	(216,532)	–
Disposals/Write-off	(81)	(5,131)	–	–
Amortisation/Depreciation	(58,480)	(133,229)	–	(1,058)
<b>Net book value as at 30th June, 2019</b>	<b>839,716</b>	<b>2,530,988</b>	<b>208,693</b>	<b>83,339</b>

The Group reviewed the estimates of the useful lives of the property, plant and equipment during the period. Previously tools and moulds were depreciated over the technically allowed times of usage from 20,000 to 420,000 times. To better allocate the costs of tools and moulds, starting from 1st January, 2019, tools and moulds are depreciated over the estimated product life cycle of the automobiles that are produced with the respective tools and moulds. The Group estimated that the remaining life cycles of the automobiles the Group manufactures are from 5 to 11 years. Generally used tools and moulds are now depreciated over the revised estimated useful life of 10 years.

The change in these estimates increased the depreciation for the 6 months ended 30th June, 2019 by approximately RMB51.2 million. Had the same estimates been adopted for the 6 months ended 30th June, 2018, the depreciation would increase by approximately RMB40.9 million for the same period.

Upon adoption of HKFRS 16, on 1st January, 2019, the Group recognised right-of-use assets of approximately RMB97,286,000 in respect of the leased properties (*Note 3*). As at 30th June, 2019, the carrying amounts of right-of-use assets were approximately RMB91,782,000 in respect of the leased properties.

During the six months ended 30th June, 2019, the Group entered into a number of lease agreements for office premises and factories. The leases contain minimum lease payment terms during the contract period. On lease commencement, the Group recognised right-of-use assets of approximately RMB6,060,000.

12. INTERESTS IN JOINT VENTURES

	(Unaudited)	(Audited)
	As at 30th June, 2019 <i>RMB'000</i>	As at 31st December, 2018 <i>RMB'000</i>
Share of net assets by equity method		
– Unlisted joint ventures	<b>22,460,437</b>	24,074,405

## 12. INTERESTS IN JOINT VENTURES (Cont'd)

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

	(Unaudited) As at 30th June, 2019 <i>RMB'000</i>	(Audited) As at 31st December, 2018 <i>RMB'000</i>
Non-current assets	55,535,319	54,382,164
Current assets	47,863,450	51,647,449
Current liabilities	(47,681,508)	(47,934,692)
Non-current liabilities	(10,796,387)	(9,946,112)
	<hr/>	<hr/>
Net assets	44,920,874	48,148,809
	<hr/>	<hr/>
Proportion of the Group's ownership interest in BBA	50%	50%
	<hr/>	<hr/>
Carrying amount of the Group's interest in BBA	22,460,437	24,074,405
	<hr/>	<hr/>

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

	(Unaudited) For the six months ended 30th June, 2019 <i>RMB'000</i>		2018 <i>RMB'000</i>
Revenue	79,259,348	63,119,593	
	<hr/>	<hr/>	
Profit for the period	7,104,410	7,355,968	
	<hr/>	<hr/>	
Dividends received from the joint venture	5,000,000	500,000	
	<hr/>	<hr/>	

## 13. INTERESTS IN ASSOCIATES

	(Unaudited) As at 30th June, 2019 <i>RMB'000</i>	(Audited) As at 31st December, 2018 <i>RMB'000</i>
Share of net assets by equity method and goodwill		
– Associates listed in Hong Kong	989,154	979,245
– Unlisted associates	602,255	693,732
	<hr/>	<hr/>
	1,591,409	1,672,977
	<hr/>	<hr/>
Fair value of investment in associates listed in Hong Kong	119,491	152,772
	<hr/>	<hr/>

### 13. INTERESTS IN ASSOCIATES (Cont'd)

There is no associate that is individually material to the Group. The Group's share of aggregate financial information of the associates for the six months ended 30th June, 2019 is summarised as follows:

	<b>(Unaudited)</b>	
	<b>For the six months ended</b>	
	<b>30th June,</b>	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit and other comprehensive income attributable to the Group	<b>2,895</b>	41,252
Dividends received from associates	<b>84,000</b>	105,000

### 14. EQUITY INVESTMENTS

	<b>(Unaudited)</b>	(Audited)
	<b>As at</b>	As at 31st
	<b>30th June,</b>	December,
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets of FVOCI (non-recycling)		
– Unlisted equity investment	4,138	4,138
– Listed equity investment in Hong Kong	4,152	8,155
	<b>8,290</b>	12,293

### 15. LOANS RECEIVABLE

	<b>(Unaudited)</b>	(Audited)
	<b>As at</b>	As at 31st
	<b>30th June,</b>	December,
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Loans receivable from customers	5,578,601	5,024,062
Less: ECL allowance	<b>(68,478)</b>	(55,082)
	<b>5,510,123</b>	4,968,980
Less: current portion ( <i>note 20</i> )	<b>(2,940,318)</b>	(1,241,072)
	<b>2,569,805</b>	3,727,908
Long-term loans receivable		
Gross loans receivable recoverable:		
– No later than one year	2,977,955	1,254,908
– Later than one year and no later than five years	<b>2,600,646</b>	3,769,154
	<b>5,578,601</b>	5,024,062

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

15. **LOANS RECEIVABLE (Cont'd)**

Included in loans receivable is an outstanding balance of approximately RMB1,768,000 (At 31st December, 2018: RMB1,788,000) from an affiliated company of Shanghai Shenhua Holdings Co., Ltd. ("Shanghai Shenhua") for auto financing.

16. **CASH AND CASH EQUIVALENTS**

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

17. **PLEGDED SHORT-TERM BANK DEPOSITS**

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

	<b>(Unaudited)</b>	(Audited)
	<b>As at</b>	As at 31st
	<b>30th June,</b>	December,
	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
Pledged short-term deposits		
Issue of bank guaranteed notes to trade creditors (Note)	<b>1,028,256</b>	847,080
Bank loans granted to Shenyang JinBei Automotive Co., Ltd. ("JBC")	<b>210,530</b>	210,530
For share of security deposits received by the Group on behalf of joint lender under a joint auto financing arrangement	-	18,227
	<hr/>	<hr/>
	<b>1,238,786</b>	1,075,837
	<hr/>	<hr/>

*Note:* In addition to short-term bank deposits, as at 30th June, 2019, the Group had also pledged bank guaranteed notes receivable from third parties and related parties of approximately RMB43.5 million (At 31st December, 2018: approximately RMB91.9 million) to secure the issue of bank guaranteed notes.

18. ACCOUNTS RECEIVABLE

	(Unaudited) As at 30th June, 2019 RMB'000	(Audited) As at 31st December, 2018 RMB'000
Accounts receivable	311,122	348,782
Accounts receivable from affiliated companies (note 27(c))	727,364	676,091
	<hr/>	<hr/>
	1,038,486	1,024,873

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

	(Unaudited) As at 30th June, 2019 RMB'000	(Audited) As at 31st December, 2018 RMB'000
Less than six months	262,449	294,557
Six months to one year	6,876	8,193
Above one year but less than two years	12,641	16,924
Above two years but less than five years	33,408	23,540
Five years or above	30,208	42,321
	<hr/>	<hr/>
	345,582	385,535
Less: ECL allowance	(34,460)	(36,753)
	<hr/>	<hr/>
	311,122	348,782

As at 30th June, 2019, accounts receivable from third parties of approximately RMB51 million (At 31st December, 2018: approximately RMB38 million) were substantially denominated in U.S. Dollar or Euro and the rest were denominated in Renminbi.

The Group's credit policy is 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.

19. NOTES RECEIVABLE

	(Unaudited) As at 30th June, 2019 RMB'000	(Audited) As at 31st December, 2018 RMB'000
Notes receivable	110,065	168,956
Notes receivable from affiliated companies (note 27(d))	54,498	148,176
	<b>164,563</b>	<b>317,132</b>

All notes receivable are denominated in Renminbi and are primarily notes received from customers for settlement of accounts receivable balances. As at 30th June, 2019, all notes receivable were guaranteed by established banks in the PRC with maturities of less than six months from 30th June, 2019 (As at 31st December, 2018: Same).

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, notes receivable are classified as financial assets at FVOCI (recycling) in accordance with HKFRS 9 and are stated at fair value. The fair value is based on the net present value at 30th June 2019 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.

20. OTHER CURRENT ASSETS

		(Unaudited) As at 30th June, 2019 RMB'000	(Audited) As at 31st December, 2018 RMB'000
Other receivables	20(a)	646,366	580,823
Prepayments and other current assets		97,610	95,600
Other taxes recoverable		82,776	63,536
Amounts due from affiliated companies	27(e)	1,046,557	951,869
Dividends receivable from affiliated companies	27(f)	5,042,000	–
Short-term loan receivables	15	2,940,318	1,241,072
		<b>9,855,627</b>	<b>2,932,900</b>

20. OTHER CURRENT ASSETS (Cont'd)

(a) Other receivables

	(Unaudited)	(Audited)
	As at	As at 31st
	30th June,	December,
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Receivable for prepayments for investments	400,000	400,000
Others	325,474	294,030
	<hr/>	<hr/>
	725,474	694,030
Less: ECL allowance	(79,108)	(113,207)
	<hr/>	<hr/>
	646,366	580,823
	<hr/>	<hr/>

Receivable for prepayments for investments is expected to be recovered in the second half of 2019.

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

21. ACCOUNTS PAYABLE

	(Unaudited)	(Audited)
	As at	As at 31st
	30th June,	December,
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Accounts payable	1,311,661	1,367,949
Accounts payable to affiliated companies (note 27(g))	400,786	492,101
	<hr/>	<hr/>
	1,712,447	1,860,050
	<hr/>	<hr/>

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

	(Unaudited)	(Audited)
	As at	As at 31st
	30th June,	December,
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Less than six months	924,671	926,794
Six months to one year	118,509	77,967
Above one year but less than two years	115,826	217,010
Two years or above	152,655	146,178
	<hr/>	<hr/>
	1,311,661	1,367,949
	<hr/>	<hr/>

22. NOTES PAYABLE

	(Unaudited) As at 30th June, 2019 RMB'000	(Audited) As at 31st December, 2018 RMB'000
Notes payable	1,996,132	1,491,732
Notes payable to affiliated companies (note 27(h))	41,052	138,916
	<u>2,037,184</u>	<u>1,630,648</u>

23. OTHER LIABILITIES

	(Unaudited) As at 30th June, 2019 RMB'000	(Audited) As at 31st December, 2018 RMB'000
Contract liabilities	65,227	79,940
Others payable	1,070,142	920,932
Security deposits for wholesale auto-financing	76,846	132,150
Accrued expenses	100,894	167,369
Other taxes payable	219,430	19,280
Provision for warranty	23(a) 25,604	26,144
Lease liabilities	23(b) 87,966	–
Deferred government grants	23(c) 105,510	107,950
Deferred income	200,165	193,807
Amounts due to affiliated companies (note 27(j))	413,138	439,641
	<u>2,364,922</u>	<u>2,087,213</u>
Less: non-current portion	(176,941)	(103,070)
Current portion	<u>2,187,981</u>	<u>1,984,143</u>

(a) Provision for warranty

	(Unaudited) As at 30th June, 2019 RMB'000	(Audited) As at 31st December, 2018 RMB'000
Warranty to be provided		
– within one year	17,031	26,144
– over one year	8,573	–
	<u>25,604</u>	<u>26,144</u>



23. OTHER LIABILITIES (Cont'd)

(b) Lease liabilities

	(Unaudited)	(Audited)
	As at	As at 31st
	30th June,	December,
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Lease liabilities to be matured		
– no later than one year	20,228	–
– later than one year and not later than five years	30,302	–
– later than five years	37,436	–
	<hr/>	<hr/>
	87,966	–
	<hr/>	<hr/>

(c) Deferred government grants

	(Unaudited)	(Audited)
	As at	As at 31st
	30th June,	December,
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants to be recognised as income		
– within one year	4,880	4,880
– over one year but within five years	19,520	19,520
– over five years	81,110	83,550
	<hr/>	<hr/>
	105,510	107,950
	<hr/>	<hr/>

24. BANK BORROWINGS

	(Unaudited)	(Audited)
	As at	As at 31st
	30th June,	December,
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
<i>Short-term bank borrowings:</i>		
Secured bank borrowings	96,000	98,000
Unsecured bank borrowings	4,365,820	4,525,500
Secured long-term bank borrowings due within one year	20,000	20,000
	<hr/>	<hr/>
	4,481,820	4,643,500
	<hr/>	<hr/>
<i>Long-term bank borrowings:</i>		
Secured bank borrowings	30,000	40,000
	<hr/>	<hr/>
	4,511,820	4,683,500
	<hr/>	<hr/>

## 24. BANK BORROWINGS (Cont'd)

All short-term bank borrowings as at 30th June, 2019 were interest-bearing at rates ranging from 3.30% to 8.00% per annum (*As at 31st December, 2018: 4.35% to 7.50% per annum*) and repayable from 2nd July, 2019 to 18th June, 2020 (*As at 31st December, 2018: repayable from 14th January, 2019 to 5th November, 2019*).

As at 30th June, 2019, these bank borrowings are secured by the Group's land lease prepayments with a net book value of approximately RMB2.2 million (*As at 31st December, 2018: approximately RMB2.2 million*), buildings, tools and moulds, and machinery and equipment with an aggregate net book values of approximately RMB207.7 million. As at 31st December, 2018, bank borrowings were secured by building, tools and moulds, machinery and equipment and construction-in-progress with an aggregate net book values of approximately RMB220.4 million.

All long-term bank borrowings as at 30th June, 2019 were interest-bearing at 5.23% per annum (*As at 31st December, 2018: 5.23%*), due on 1st December 2021 and secured by the Group's land lease prepayments with a net book value of approximately RMB30.3 million (*As at 31st December, 2018: approximately RMB30.6 million*) and buildings, plant and equipment with an aggregate net book value of approximately RMB36.0 million (*As at 31st December, 2018: approximately RMB51.8 million*).

Included in short-term unsecured bank borrowings is a bank borrowing of RMB300 million (*As at 31st December, 2018: RMB500 million*) from a non-controlling interest of BBAFC. The interest incurred on the respective bank borrowing for the 6 months ended 30th June, 2019 amounted to approximately RMB10.2 million (*6 months ended 30th June 2018: approximately RMB13.2 million*).

## 25. SHARE CAPITAL

(Unaudited)		(Audited)	
As at 30th June, 2019		As at 31st December, 2018	
Number of shares	Amount	Number of shares	Amount
'000	US\$'000	'000	US\$'000
Authorised:			
Ordinary shares at par value of US\$0.01 each	8,000,000	80,000	8,000,000
	80,000	80,000	80,000

(Unaudited)		(Audited)	
As at 30th June, 2019		As at 31st December, 2018	
Number of shares	Amount	Number of shares	Amount
'000	RMB'000	'000	RMB'000
Issued and fully paid:			
Ordinary shares at par value of US\$0.01 each			
At beginning of period/year and reporting date	5,045,269	397,176	5,045,269
	397,176	397,176	397,176

The Company had no outstanding share option at both 30th June, 2019 and 31st December, 2018.

## 26. RESERVES

### (a) Hedging reserve

It represents the Group's share of the hedging reserve in the equity of a joint venture. Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gains or losses on remeasurement of the derivative financial instrument to fair value are recognised in other comprehensive income and accumulated separately in equity in the hedging reserve.

### (b) Capital reserve

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

### (c) Retained earnings

The Group's retained earnings at 30th June, 2019 included an amount of approximately RMB1,624,606,000 (*At 31st December, 2018: RMB1,624,595,000*) reserved by the subsidiaries in the PRC in accordance with relevant PRC regulations. The PRC laws and regulations require companies registered in the PRC to allocate 10% of their profits after tax (determined under PRC GAAP) to their respective statutory reserves. No allocation to the statutory reserves is required after the balance of such reserve reaches 50% of the registered capital of the respective companies. The statutory surplus reserves shall only be used to make up losses of the company, to expand the company's production operations, or to increase the capital of the company.

## 27. CONNECTED AND RELATED PARTY TRANSACTIONS

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

In accordance with HKAS 24 (Revised) "Related Party Disclosures" ("HKAS 24"), other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC Government ("**government-related entities**") are regarded as related parties of the Group.

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

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

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

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

- (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:

	<b>(Unaudited)</b>	
	<b>For the six months ended</b>	
	<b>30th June,</b>	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of goods to:		
– Huachen and its affiliated companies	<b>221,114</b>	202,395
Purchases of goods and services from:		
– Renault SAS	<b>88,914</b>	–
– Huachen and its affiliated companies	<b>247,732</b>	269,679
Comprehensive services provided to:		
– Huachen and its affiliated companies	<b>21,881</b>	15,280
Lease payments from ( <i>note</i> ):		
– Huachen	<b>1,839</b>	–
Lease payments to:		
– Huachen	<b>1,705</b>	1,906

*Note:* The lease of premises to Huachen constitutes continuing connected transactions but is exempt from the requirements of reporting, annual review, announcement and independent shareholders' approval under Chapter 14A of the Listing Rules.

27. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

- (b) In addition to the above or as disclosed elsewhere in these consolidated interim financial statements, the Group also had the following material related party transactions:

	(Unaudited)	
	For the six months ended	
	30th June,	
	2019	2018
	RMB'000	RMB'000
Sales of goods to:		
– Shanghai Shenhua and its affiliated companies	56,762	144,199
– Joint ventures	4,246	2,951
– Associates	16,895	50,774
Purchases of goods from:		
– Joint ventures	1,109	49,503
– Associates	146,170	141,690
– Shanghai Shenhua and its affiliated companies	–	3,719
Rental on land and buildings charged by Shanghai Shenhua	296	296
Interest income from:		
– an associate (note 28(e))	6,147	1,710
– Xinhua Investment Holdings Limited ("Xinhua Investment") (note 28(e))	4,450	4,179
Interest to a non-controlling interest of BBAFC	10,240	13,161
Service fee from a non-controlling interest of BBAFC	1,764	1,380

The above 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.

- (c) As at 30th June, 2019, the Group's accounts receivable from affiliated companies consisted of the following:

	(Unaudited)	(Audited)
	As at	As at 31st
	30th June,	December,
	2019	2018
	RMB'000	RMB'000
Accounts receivable from related parties:		
– Shanghai Shenhua and its affiliated companies	10,416	338,846
– Huachen and its affiliated companies	723,294	326,023
– Associates	12,699	33,454
– Joint ventures	4,293	4,302
– An affiliated company of a shareholder of a joint venture	339	340
	<b>751,041</b>	<b>702,965</b>
Less: ECL allowance	<b>(23,677)</b>	<b>(26,874)</b>
	<b>727,364</b>	<b>676,091</b>

27. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

(c) (Cont'd)

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

	<b>(Unaudited)</b>	(Audited)
	<b>As at</b>	As at 31st
	<b>30th June,</b>	December,
	<b>2019</b>	2018
	<b>RMB'000</b>	<i>RMB'000</i>
Less than six months	492,594	217,323
Six months to one year	150,589	68,883
Above one year but less than two years	69,320	64,330
Above two years but less than five years	17,757	333,258
Five years or above	20,781	19,171
	<hr/>	
	<b>751,041</b>	702,965
	<hr/>	

(d) As at 30th June, 2019, the Group's notes receivable from affiliated companies arising from trading activities consisted of the following:

	<b>(Unaudited)</b>	(Audited)
	<b>As at</b>	As at 31st
	<b>30th June,</b>	December,
	<b>2019</b>	2018
	<b>RMB'000</b>	<i>RMB'000</i>
Notes receivable from related parties:		
– Shanghai Shenhua and its affiliated companies	599	10,851
– Associates	49,972	113,199
– Huachen and its affiliated companies	3,927	24,126
	<hr/>	
	<b>54,498</b>	148,176
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27. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

(e) As at 30th June, 2019, the amounts due from affiliated companies consisted of:

	(Unaudited) As at 30th June, 2019 RMB'000	(Audited) As at 31st December, 2018 RMB'000
Amounts due from related parties:		
– Joint ventures	27,083	99,485
– Associates	456,828	387,723
– Shanghai Shenhua and its affiliated companies	–	123
– Huachen and its affiliated companies	197,119	173,227
– Xinhua Investment	373,347	369,464
– Non-controlling interest of a subsidiary	7,311	6,768
	<hr/>	
	1,061,688	1,036,790
Less: ECL allowance	(15,131)	(84,921)
	<hr/>	
	1,046,557	951,869
	<hr/>	

Amounts due from affiliated companies are unsecured, non-interest bearing and repayable on demand, except for RMB373,347,000 (As at 31st December, 2018: RMB369,464,000) due from Xinhua Investment, a shareholder of Xinchen China Power Holdings Limited ("Power Xinchen"), an associate of the Group and RMB368,000,000 (As at 31st December, 2018: RMB300,000,000) 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 2019. On 22nd, August, 2019, an agreement was entered into between Xinhua Investment and the Company that the repayment of the amount was further extended to August 2020.

Approximately RMB368,000,000 (As at 31st December, 2018: RMB300,000,000) due from an associate is unsecured, interest-bearing at 4.35% per annum on RMB300,000,000 and 5.1% on RMB68,000,000 (As at 31st December, 2018: 4.35% on RMB300,000,000), are repayable on 31st December, 2019 and 12th May, 2020, respectively.

(f) As at 30th June, 2019, dividend receivable from affiliated companies consist of:

	(Unaudited) As at 30th June, 2019 RMB'000	(Audited) As at 31st December, 2018 RMB'000
Dividends from related parties:		
– A joint venture	5,000,000	–
– An associate	42,000	–
	<hr/>	
	5,042,000	–
	<hr/>	

27. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

(g) As at 30th June, 2019, accounts payable to affiliated companies arising from trading activities consisted of the following:

	(Unaudited) As at 30th June, 2019 <i>RMB'000</i>	(Audited) As at 31st December, 2018 <i>RMB'000</i>
Accounts payable to related parties:		
– Associates	138,194	240,592
– Joint ventures	2,258	69,495
– Huachen and its affiliated companies	243,572	163,357
– An affiliated company of BHL	364	364
– Shanghai Shenhua and its affiliated companies	16,395	18,290
– An affiliated company of a shareholder of a joint venture	3	3
	<b>400,786</b>	<b>492,101</b>

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

	(Unaudited) As at 30th June, 2019 <i>RMB'000</i>	(Audited) As at 31st December, 2018 <i>RMB'000</i>
Less than six months	320,111	307,452
Six months to one year	31,158	79,895
Above one year but less than two years	23,380	86,306
Two years or above	26,137	18,448
	<b>400,786</b>	<b>492,101</b>

(h) As at 30th June, 2019, the Group's notes payable to affiliated companies arising from trading activities consisted of the following:

	(Unaudited) As at 30th June, 2019 <i>RMB'000</i>	(Audited) As at 31st December, 2018 <i>RMB'000</i>
Notes payable to related parties:		
– Associates	28,922	81,151
– Affiliated companies of Huachen	12,130	57,765
	<b>41,052</b>	<b>138,916</b>



27. **CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)**

- (i) As at 30th June, 2019, amounts due to affiliated companies consisted of the following:

	(Unaudited) As at 30th June, 2019 RMB'000	(Audited) As at 31st December, 2018 RMB'000
Amounts due to related parties:		
– Associates	3,977	5,311
– A joint venture	5,000	5,000
– Huachen and its affiliated companies	321,734	351,917
– Affiliated companies of BHL	28,317	28,326
– Affiliated companies of Shanghai Shenhua	4,295	4,313
– Non-controlling interests of subsidiaries	49,815	44,774
	<b>413,138</b>	<b>439,641</b>

Amounts due to affiliated companies are unsecured, non-interest bearing and repayable on demand.

- (j) As at 30th June, 2019, lease liabilities due to Huachen is approximately RMB46,194,000 (2018: nil).

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

	(Unaudited) For the six months ended 30th June, 2019 RMB'000	2018 RMB'000
Short-term employee benefits	11,936	11,907

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

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

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

28. COMMITMENTS

(a) Capital commitments

	(Unaudited)	(Audited)
	As at	As at 31st
	30th June,	December,
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted but not provided for:		
– Construction projects	90,187	15,512
– Acquisition of plant and machinery	196,007	151,784
– Others	191,109	107,673
	<hr/>	<hr/>
	477,303	274,969
	<hr/>	<hr/>

(b) Operating lease commitments

*As lessee*

Apart from the leases of leasehold land and buildings which are recognised as right-of-use assets in note 11 under property, plant and equipment, as at 30th June, 2019, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of leased properties as follows:

	(Unaudited)	(Audited)
	As at	As at 31st
	30th June,	December,
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	2,591	32,926
In the second to fifth years inclusive	–	57,953
Over five years	–	58,897
	<hr/>	<hr/>
	2,591	149,776
	<hr/>	<hr/>

28. COMMITMENTS (Cont'd)

(b) Operating lease commitments (Cont'd)

*As lessor*

As at 30th June, 2019, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of land use rights as follows:

	<b>(Unaudited)</b>	(Audited)
	<b>As at</b>	As at 31st
	<b>30th June,</b>	December,
	<b>2019</b>	2018
	<b>RMB'000</b>	<b>RMB'000</b>
Within one year	<b>5,484</b>	5,166
In the second to fifth years inclusive	<b>3,551</b>	5,263
	<b>9,035</b>	10,429

29. CONTINGENT LIABILITIES

Pursuant to an agreement dated 20th December, 2018 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, 2018: RMB600 million*) for the period from 1st January, 2019 to 31st December, 2019. As at 30th June, 2019, under this agreement, outstanding bank loans and other banking facilities totaling RMB206 million (*As at 31st December, 2018: RMB206 million*) were utilised and supported by the Group's bank deposits pledged to the banks.

## MANAGEMENT'S DISCUSSION & ANALYSIS

### Business Discussion and Analysis

The unaudited consolidated revenue of the Group (which comprised primarily net sales derived from the businesses operated by our major operating subsidiaries including RBJAC, Xing Yuan Dong and BBAFC) for the first six months of 2019 was RMB1,904.3 million, representing a decrease of 16.7% from the RMB2,287.1 million generated during the same period in 2018. The decrease in revenue was mainly due to a drop in the sales volumes of minibuses and multi-purpose vehicles ("MPV") as well as reduced sales of automotive components during the period.

RBJAC sold 20,234 minibuses and MPVs in the first half of 2019, representing a 11.0% decrease from the 22,739 units sold during the same period in 2018. Out of the units sold, 18,132 units were Haise minibuses, representing a decrease of 13.6% from 20,980 units sold during the first six months of 2018. Furthermore, sales volume of the Granse products decreased by 7.5% from 1,544 units for the first half of 2018 to 1,428 units for the same period in 2019. The decrease in sales volumes was due to matured product portfolios and intensive market competition. The implementation of certain new regulations in China also have a negative effect on the sales of the Group's minibuses and MPVs.

Unaudited cost of sales decreased by 15.4% from RMB2,130.2 million in the first six months of 2018 to RMB1,803.0 million for the same period in 2019. As a result, the unaudited gross profit of the Group decreased by 35.4% from RMB156.9 million in the first six months of 2018 to RMB101.3 million for the same period in 2019. The unaudited gross profit margin of the Group also dropped to 5.3% in the first half of 2019 from 6.9% in the same period in 2018.

Unaudited other income increased by 82.3% from RMB51.5 million in the first six months of 2018 to RMB93.9 million for the same period in 2019. The increase was mainly due to an increase of recognised government grant and certain government compensation received for the relocation of a subsidiary's factory.

Unaudited interest income decreased by 5.0% from RMB31.7 million in the first six months of 2018 to RMB30.1 million for the same period in 2019 due to a decrease in average bank deposits during the period.

Unaudited selling expenses increased by 18.9% from RMB178.3 million in the first half of 2018 to RMB212.0 million for the same period in 2019. The increase in selling expenses was driven mainly by increases in advertising and staff costs. As a result, selling expenses as a percentage of revenue increased from 7.8% to 11.1% as compared to the same period in 2018.

Unaudited general and administrative expenses decreased by 2.8% from RMB272.4 million in the first six months of 2018 to RMB264.7 million for the same period in 2019 due to the write-back of certain provision of expected credit losses which was partly offset by an increase in staffing and research and development costs.

Unaudited finance costs decreased by 45.7% from RMB67.0 million for the first six months of 2018 to RMB36.4 million for the same period in 2019, due to less financing being arranged through discounting of bank guaranteed notes and decrease of bank borrowings together with a decrease in borrowing rate in the first half of 2019.

The Group's unaudited share of results of joint ventures represent contribution from BBA. Unaudited net profit contributed to the Group by BBA decreased by 3.4% from RMB3,677.4 million in the first half of 2018 to RMB3,552.4 million for the same period this year. The BMW joint venture achieved sales of 264,194 BMW vehicles in the first six months of 2019, an increase of 25.9% as compared to 209,768 BMW vehicles sold in the same period in 2018. The sales volumes of the BMW models locally produced by BBA are listed in the table below:

<b>BBA BMW Models</b>	<b>1H2019 (Units)</b>	<b>1H2018 (Units)</b>	<b>% Change</b>
5-series	75,764	69,086	+9.7%
3-series	60,758	66,664	-8.9%
X3	54,701	2,261	+2,319.0%
X1	48,311	47,736	+1.2%
1-series sedan	21,129	19,394	+8.9%
2-series active tourer	3,531	4,627	-23.7%
<b>Total BMW vehicles</b>	<b>264,194</b>	<b>209,768</b>	<b>+25.9%</b>

The Group's unaudited share of results of associates decreased by 93.0% from RMB41.3 million in the first half of 2018 to RMB2.9 million in the corresponding period in 2019. This was primarily attributable to a decrease in profit contribution from Shenyang Aerospace Mitsubishi Motors Engine Manufacturing Co., Ltd. due to the slowdown in the demand for combustion engines.

The Group's unaudited profit before income tax expense decreased by 5.0% from RMB3,441.2 million in the first half of 2018 to RMB3,267.6 million for the same period in 2019. Unaudited income tax expense has increased by 1,119.0% from RMB16.9 million in the first half of 2018 to RMB206.0 million for the same period in 2019, mainly due to an increase in PRC dividend withholding tax on dividends distributed by a subsidiary to the Company in the first half of 2019.

As a result of the above, the Group recorded an unaudited profit attributable to equity holders of the Company of RMB3,230.0 million for the first half of 2019, representing a decrease of 9.4% from the RMB3,566.1 million for the same period in 2018. Unaudited basic earnings per share for the six months ended 30th June, 2019 amounted to RMB0.64020 compared to RMB0.70683 for the same period in 2018.

On 25th July, 2019, the directors declared at the board meeting a special dividend of HK\$0.74 per share totaling approximately HK\$3,733.5 million, or approximately RMB3,280.3 million, which was distributed on 16th August, 2019.

The Company has declared a dividend of HK\$0.11 per share (*2018: HK\$0.11 per share*), amounting to a total of about HK\$555.0 million, or approximately RMB487.6 million (*2018: HK\$555.0 million, or approximately RMB483.8 million*).

## **Prospects**

China's economic growth showed further signs of slow down during the first six months of 2019, with GDP up 6.3% compared to the same period last year. According to the China Association of Automobile Manufacturers, total Chinese vehicle sales in the first six months of 2019 decreased by 12.4% to 12.3 million units. Of this figure, passenger vehicle sales accounted for 10.1 million units, a drop of 9.2%. On the other hand, as in prior periods, growth in premium passenger vehicle sales had stayed ahead of overall market growth, and reached approximately 9% during this period. The strong growth in premium passenger vehicle sales was driven by new product launches and solid demand for premium autos in China.

During the first six months of 2019, BBA had continued to deliver respectable results amidst unceasing economic turbulence. BBA achieved sales of 264,194 BMW vehicles in the first half of 2019, representing an increase of approximately 25.9% compared to the same period last year. The joint venture had continued to focus its efforts in production capacity expansions and market launches of new models. The new generation X3 launched in June 2018 had further fortified the competitiveness of BBA's product offerings in China, and was a major contributor to the increase in BBA's sales volume during the period. The 3-series had undergone run out during the first six months of the year to prepare the market for the launch of the new generation model which was introduced in July 2019. Furthermore, our 5-series, X1, and 1-series sedans also continued to deliver increasing sales volumes during the period.

BBA has continued the expansion of its dealer network with 532 full service 4S shops nationwide as at 30th June, 2019. BBA 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. In addition, a newly-formed wholly-owned subsidiary of BBA, Ling Yue Digital Information Technology Co., Ltd. ("**Lingyue**"), was incorporated in China in January 2019 as a data service provider and innovation incubator and the first independent digital company within BMW Group worldwide. Lingyue will drive BMW's customer-centricity and lead the BMW brand's digital transformation, providing digital solutions and services that enable seamless and exclusive online-to-offline user experiences for BMW customers in China.

Despite market slowdown, BBA is 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 sport activity vehicle ("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 second half 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 new energy vehicle ("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. 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 internal combustion engine ("ICE") and BEV variants to provide flexibility to meet market demand. In addition, the highly popular X5 SAV model will also be introduced into BBA as a local product in the future. To prepare for the new products, BBA has embarked on further capacity expansions which 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.

As for our light commercial vehicle ("LCV") business under RBJAC, the management team has been focusing its efforts in combining the widely recognised JinBei brand name with strong technology support from Renault. During the first six months of the year, RBJAC saw a rapid gear up of its operations in R&D and product planning. The strategy is to push forward with the development of new products such as the Renault Master model and a new JinBei product. Under the direction of Renault and the Group, the company was able to sustain during the period in spite of a worsened market, tightened regulation and reduced sales. Although we expect RBJAC to continue to contribute negative earnings to the Group for the rest of the year, especially in light of the implementation of the new China VI vehicle emission standards in certain regions effective in July 2019, our aim is to further stabilize the company's existing business, develop new business models, achieve cost down, cultivate sales network in focus cities, and strengthen new product pipeline with new Renault branded products as well as upgrade existing products to comply with new regulations, all in an effort to reduce losses year-on-year and ultimately return the company to profitability over time.

During the first half of 2019, BBAFC had achieved encouraging results both in terms of serviced portfolio growth and profitability, despite operating in a challenging auto environment. In addition to growing its portfolio to support the businesses of Huachen Group, RBJAC, Jaguar Land Rover and new energy partners Tesla and Hozon, BBAFC has also further complemented its customer lineup through the addition of new strategic partners BMW Group and Brilliance Xinyuan during the period. In addition, BBAFC is also in the process of securing additional dealer group and OEM partnerships in order to further expand its business and diversify its customer base to support the company's growth. Furthermore, the company had also commenced the utilization of nationwide financial service providers to support incremental business growth. The measures enable the company to grow both in terms of business volume and profit margins. BBAFC will continue to focus on generating new retail business through diversified sales channel management, process optimization toward digitalization and strategic risk management and internal control.

The rest of 2019 will continue to be very challenging and potentially volatile 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, all remain as 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.

### **Liquidity and Financial Resources**

As at 30th June, 2019, the Group had RMB1,472.8 million in cash and cash equivalents (*As at 31st December, 2018: RMB2,310.5 million*), RMB26.2 million in statutory deposit reserves at central bank (*As at 31st December, 2018: RMB32.6 million*) and RMB1,238.8 million in pledged short-term bank deposits (*As at 31st December, 2018: RMB1,075.8 million*).

As at 30th June, 2019, the Group had notes payable in the amount of RMB2,037.2 million (*As at 31st December, 2018: RMB1,630.6 million*).

As at 30th June, 2019, the Group had outstanding short-term bank borrowings and long-term bank borrowings due within one year of RMB4,461.8 million and RMB20 million, respectively (*As at 31st December, 2018: RMB4,623.5 million and RMB20 million, respectively*), and outstanding long-term bank borrowings of RMB30 million (*As at 31st December, 2018: RMB40 million*).

All short-term bank borrowings as at 30th June, 2019 were due within one year, being repayable from 2nd July, 2019 to 18th June, 2020 (*As at 31st December, 2018: repayable from 14th January, 2019 to 5th November, 2019*). As at 30th June, 2019, these borrowings bore interest at rates ranging from 3.30% to 8.00% per annum and were denominated in Renminbi (*As at 31st December, 2018: 4.35% to 7.50%, Renminbi*).

RMB20 million of the long-term bank borrowings as at 30th June, 2019 were due within one year, being repayable from 20th September, 2019 to 20th June, 2020 (*As at 31st December 2018: RMB20 million*); and RMB30 million were due within 2.5 years, being repayable from 20th September, 2020 to 1st December, 2021 (*As at 31st December, 2018: 3 years*). As at 30th June, 2019, these long-term bank borrowings were interest-bearing at 5.23% per annum, and were denominated in Renminbi (*As at 31st December, 2018: 5.23%, Renminbi*).

With an aim to improve its liquidity, the Group regularly monitors its accounts receivable turnover and inventory turnover. For the six months ended 30th June, 2019, the Group's accounts receivable turnover days was approximately 98 days, compared to approximately 84 days for the year ended 31st December, 2018. Inventory turnover days was approximately 116 days for the six months ended 30th June, 2019, compared to approximately 96 days for the year ended 31st December, 2018.



## Capital Structure and Funding Policies

As at 30th June, 2019, the Group's total assets was RMB45,359.0 million (*As at 31st December, 2018: RMB42,099.9 million*), which was funded by the following: (a) share capital of RMB397.2 million (*As at 31st December, 2018: RMB397.2 million*), (b) reserves of RMB33,744.6 million (*As at 31st December, 2018: RMB30,682.6 million*), (c) total liabilities of RMB10,640.0 million (*As at 31st December, 2018: RMB10,275.0 million*) and (d) contribution from non-controlling interests of RMB577.2 million (*As at 31st December, 2018: RMB745.1 million*).

As at 30th June, 2019, 87.1% (*As at 31st December, 2018: 97.3%*) 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 1.5% (*As at 31st December, 2018: 2.0%*) were denominated in U.S. Dollar. The remaining balance of 11.4% (*As at 31st December, 2018: 0.7%*) were denominated in other currencies.

Apart from the borrowings, banking facilities were in place for contingency purposes. As at 30th June, 2019, the Group's total available banking facilities for its daily operations amounted to RMB2,293.3 million (*As at 31st December, 2018: RMB1,819.7 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

For the first six months of 2019, the Group incurred capital expenditures of RMB518.9 million (*Six months ended 30th June, 2018: RMB1078 million*) mainly for acquisition of tools and moulds, machinery and equipment, and development costs for LCV products.

As at 30th June, 2019, the Group's capital commitments amounted to RMB477.3 million (*As at 31st December, 2018: RMB275.0 million*) which was primarily related to capital expenditures in respect of construction projects and acquisition of plant and machinery.

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

There were no significant investments held, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30th June, 2019.

## **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 5,980 employees as at 30th June, 2019 (*As at 30th June, 2018: approximately 6,920*). Employee costs amounted to RMB405.7 million for the six months ended 30th June, 2019 (*Six months ended 30th June, 2018: RMB387.1 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' remunerations are based on performance. In addition, employees are eligible for share options under the share option scheme adopted by the Company.

To enhance the overall quality and professional expertise standard of all employees, the Group provides training to its employees from time to time. RBJAC has developed and implemented "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 30th June, 2019, short-term bank borrowings of RMB96 million (*As at 31st December, 2018: RMB98 million*) were secured by the Group's land lease prepayments with a net book value of approximately RMB2.2 million (*As at 31st December, 2018: approximately RMB2.2 million*), and buildings, tools and moulds, and machinery and equipment with an aggregate net book values of approximately RMB207.7 million (*As at 31st December, 2018: approximately RMB220.4 million*).

As at 30th June, 2019, long-term bank borrowings of RMB50 million (*As at 31st December, 2018: RMB60 million*) were secured by the Group's land lease prepayments with a net book value of approximately RMB30.3 million (*As at 31st December, 2018: approximately RMB30.6 million*), and buildings, plant and equipment with an aggregate net book value of approximately RMB36.0 million (*As at 31st December, 2018: approximately RMB51.8 million*).

In addition, as at 30th June, 2019, the Group pledged short-term bank deposits of RMB1,028.3 million (*As at 31st December, 2018: RMB847.1 million*) for issue of bank guaranteed notes to trade creditors, and RMB210.5 million (*As at 31st December, 2018: RMB210.5 million*) to secure bank loans granted to a related party of the Group. As at 31st December, 2018, the Group pledged RMB18.2 million for co-operative financing arrangement.

As at 30th June, 2019, the Group had also pledged bank guaranteed notes receivable from third parties and related parties of approximately RMB43.5 million (*As at 31st December, 2018: approximately RMB91.9 million*) to secure the issue of bank guaranteed notes.

## **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 during the six months ended 30th June, 2019.

## **Gearing Ratio**

As at 30th June, 2019, the gearing ratio, computed by dividing total liabilities by total equity attributable to equity holders of the Company, was approximately 0.31 (*As at 31st December, 2018: 0.33*). The decrease in the gearing ratio was primarily due to continuing profit attributable to equity holders generated during 2019.

## **Foreign Exchange Risks**

The Group considers that exchange rate fluctuations may have some effect on the overall financial performance of the Group but it is still at a manageable level. The Group will continue to monitor the situation and may consider entering into hedging arrangements in order to minimise foreign exchange risks, if and when necessary. There were no outstanding hedging transactions as at 30th June, 2019 (*As at 30th June, 2018: nil*).

## **Contingent Liabilities**

Pursuant to an agreement dated 20th December, 2018 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, 2018: RMB600 million*) for the period from 1st January, 2019 to 31st December, 2019. As at 30th June, 2019, under this agreement, outstanding bank loans and other banking facilities totaling RMB206 million (*As at 31st December, 2018: RMB206 million*) were utilised and supported by the Group's bank deposits pledged to the banks.

## **Subsequent event**

With an aim to meet the funding requirement of RBJAC, RMB1 billion was paid up by the Company and Renault SAS in proportion to their respective equity interest in RBJAC in July 2019.

## **DIVIDENDS**

On 25th July, 2019, the Board declared a special dividend of HK\$0.74 per ordinary share of the Company to shareholders whose names appeared on the register of members of the Company as at Thursday, 8th August, 2019 (*2018 special dividend: nil*). The special dividend was paid on Friday, 16th August, 2019.

The Board is pleased to declare a dividend of HK\$0.11 (the "**Dividend**") per ordinary share of the Company to shareholders whose names appear on the register of members of the Company as at Friday, 6th September, 2019 (*2018: HK\$0.11 per ordinary share*). The Dividend is expected to be paid on Monday, 23rd September, 2019.

## **CLOSURE OF REGISTER OF MEMBERS**

To determine entitlements to the Dividend, the register of members of the Company will be closed on Friday, 6th September, 2019, during said date no transfer of shares will be registered. The record date for the Dividend is Friday, 6th September, 2019. In order to qualify for the Dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m., Hong Kong time, on Thursday, 5th September, 2019.

## **UPDATE ON DIRECTORS' INFORMATION**

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of the directors of the Company since the date of the 2018 annual report up to the date of this report is set out below:

- Mr. Yan Bingzhe was appointed as a director of Shanghai Shenhua (stock code 600653), a company listed on The Shanghai Stock Exchange, from 26th April, 2019 to 9th August, 2019.

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

As at 30th June, 2019, so far as is known to the directors or chief executives of the Company, each of the following persons (other than a director or chief executive of the Company) had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"):

Name of shareholders	Long position	%	Number and class of shares held/ Approximate shareholding percentage (Note 1)		Lending pool	%
			Short position	%		
Baillie Gifford & Co (Note 2)	271,306,000 ordinary	5.38	–	–	–	–
Citigroup Inc. (Note 3)	450,546,243 ordinary	8.93	9,765,948	0.19	439,517,120	8.71
GIC Private Limited (Note 4)	354,138,000 ordinary	7.02	–	–	–	–
Huachen (Note 5)	2,135,074,988 ordinary	42.32	–	–	–	–
J.P. Morgan Chase & Co. (Note 6)	300,448,724 ordinary	5.95	38,898,065	0.77	247,043,277	4.89
Templeton Asset Management Ltd. (Note 7)	300,842,176 ordinary	5.96	–	–	–	–

### Notes:

- The percentage of shareholding is calculated on the basis of 5,045,269,388 ordinary shares in issue of the Company as at 30th June, 2019.
- The 271,306,000 shares in long position were held as to 27,152,000 shares in the capacity as investment manager and as to 244,154,000 shares as corporate interest.
- The 450,546,243 shares in long position were held as to 11,029,123 shares as corporate interest and as to 439,517,120 shares in the capacity as approved lending agent. The 9,765,948 shares in short position were held as corporate interest.
- The 354,138,000 shares in long position were held in the capacity as investment manager.
- The 2,135,074,988 shares in long position were held in the capacity as beneficial owner.
- The 300,448,724 shares in long position were held as to 52,745,304 shares as corporate interest, as to 616,000 shares in the capacity as investment manager, as to 43,243 shares as security interest, as to 900 shares in the capacity as trustee and as to 247,043,277 shares in the capacity as approved lending agent. The 38,898,065 shares in short position were held as corporate interest.
- The 300,842,176 shares in long position were held in the capacity as investment manager.

Save as disclosed herein, as at 30th June, 2019, there was no other person so far known to the directors or chief executives of the Company, other than a director or chief executive of the Company as having an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

As at 30th June, 2019, the interests and short positions of each director, chief executive and their respective close associates in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") to be notified to the Company and the Stock Exchange, are set out below:

### The Company

Name of directors/ chief executives	Type of Interests	Number and class of shares held/ Approximate shareholding percentage (Note)				Number of share options granted (Percentage of the Company's issued share capital)
		Long Position	%	Short Position	%	
Mr. Wu Xiao An (also known as Mr. Ng Siu On)	Personal	6,200,000 ordinary	0.12	–	–	–
Mr. Qian Zuming	Personal	600,000 ordinary	0.01	–	–	–

Note: The percentage of shareholding is calculated on the basis of 5,045,269,388 ordinary shares in issue of the Company as at 30th June, 2019.

## Associated Corporation of the Company

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

### Notes:

1. The percentage of shareholding is calculated on the basis of 1,282,211,794 ordinary shares in issue of Power Xinchen as at 30th June, 2019.
2. As at 30th June, 2019, Power Xinchen was indirectly held as to approximately 31.20% by the Company. The 33,993,385 shares in long position are interests of a discretionary trust under an incentive scheme of Power Xinchen. The said trust held 33,993,385 shares of Power Xinchen. Mr. Wu Xiao An is one of the trustees of the aforementioned trust. Mr. Wu also held 50% interests in Lead In Management Limited which is also a trustee of the said trust. Accordingly, Mr. Wu was deemed or taken to be interested in the 33,993,385 shares of Power Xinchen, representing approximately 2.65% of its issued share capital as at 30th June, 2019.
3. Mr. Wu Xiao An held 8,320,041 shares of Power Xinchen in the capacity of beneficial owner, representing approximately 0.65% of its issued share capital as at 30th June, 2019.

Save as disclosed above, as at 30th June, 2019, 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 to be notified to the Company and the Stock Exchange.

## SHARE OPTIONS

To provide appropriate incentives or rewards to eligible persons for their contributions or potential contributions to the Group or any entity in which the Group holds any equity interest (the “**Invested Entity**”), the Board considers that it is in the interests of the Company to adopt a new share option scheme. At the annual general meeting held on 4th June, 2019 (the “**2019 AGM**”), shareholders of the Company adopted a share option scheme (the “**Share Option Scheme**”).

The Share Option Scheme came into effect on 5th June, 2019 and will remain in force for a period of 10 years till 4th June, 2029 (inclusive). The period during which an option may be exercised will be determined by the directors at their absolute discretion, save that no option shall be exercised later than 10 years from the date of grant.

As at 30th June, 2019, there was no outstanding share option under the Share Option Scheme.

During the six months ended 30th June, 2019:

- (a) no share options under the Share Option Scheme have been granted, exercised, lapsed or cancelled;
- (b) no share options under the Share Option Scheme have been granted to any associates of the directors, chief executive or substantial shareholders of the Company;
- (c) there is no participant with options granted in excess of the individual limit; and
- (d) no share options under the Share Option Scheme have been granted to any supplier of goods or services to any member of the Group or any Invested Entity.

As no share options have been granted by the Company under the Share Option Scheme for the six months ended 30th June, 2019, no expenses were recognised by the Group for the period under review (*Six months ended 30th June, 2018: nil*).

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June, 2019.

#### **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

Maintaining an effective corporate governance framework is one of the priorities of the Company. The Company has complied with the code provisions set out in Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the six months ended 30th June, 2019.

#### **Major updates**

There have not been material changes to the information disclosed in the Company's 2018 annual report in respect of our corporate governance practices. Major updates since the 2018 annual report are summarised below.

##### *Retirement of directors*

Code provision A.4.2 states that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. According to bye-law 99 of 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, then the number nearest to but not greater than one-third (or in such other manner of rotation as may be required by the Listing Rules), shall retire from office by rotation. To comply with the code provision A.4.2 and in accordance with the bye-law 99, Mr. Qian Zuming and Mr. Zhang Wei retired by rotation at the 2019 AGM.



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. Pursuant to the bye-law 102(B), a director appointed by the Board to fill a casual vacancy shall hold office until the next following general meeting. On 12th April, 2019, Mr. Yan Bingzhe was appointed as an executive director of the Company to fill the vacancy created by the resignation of Mr. Qi Yumin. In accordance with code provision A.4.2 and the bye-law 102(B), Mr. Yan Bingzhe held office until the 2019 AGM.

Each of Mr. Yan Bingzhe, Mr. Qian Zuming and Mr. Zhang Wei were re-elected as directors of the Company by shareholders of the Company at the 2019 AGM.

#### *Communications with shareholders*

In accordance with the code provision E.1.2, (a) Mr. Xu Bingjin, the chairman of each of the audit committee, remuneration committee and nomination committee and an independent non-executive director, (b) Mr. Song Jian, a member of the aforementioned three board committees and an independent non-executive director, and (c) Mr. Wu Xiao An, a member of the remuneration committee and nomination committee and an executive director, attended the 2019 AGM in person to answer questions from shareholders. In addition, all other directors of the Company also attended the 2019 AGM in person or by way of telephone conference.

Pursuant to the code provision E.1.2, the Company has invited representatives of the external auditor of the Company to attend the 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.

#### **REVIEW OF FINANCIAL STATEMENTS**

The audit committee of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the unaudited consolidated interim financial statements of the Group for the six months ended 30th June, 2019.

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

#### **INDEPENDENT NON-EXECUTIVE DIRECTORS**

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

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

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors, each director of the Company has confirmed that he has complied with the standards set out in the Model Code during the six months ended 30th June, 2019.

### **BOARD OF DIRECTORS**

As at the date of this report, the Board comprises four executive directors, Mr. Wu Xiao An (*Chairman*), Mr. Yan Bingzhe (*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, 23rd August, 2019