Brilliance Auto
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BRILLIANCE CHINA AUTOMOTIVE HOLDINGS LIMITED
(華晨中國汽車控股有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1114)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2017

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

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

* *For identification purposes only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Cont'd)
(Expressed in thousands of RMB except for earnings per share amounts)

		(Unaudited) For the six months ended 30th June,	
		2017	2016
	Note	***RMB'000***	*RMB'000*
Attributable to:			
Equity holders of the Company		**2,310,518**	1,801,901
Non-controlling interests		**(259,795)**	(124,378)
		2,050,723	1,677,523
Earnings per share	*7*		
– Basic		**RMB0.45837**	RMB0.35782
– Diluted		**RMB0.45797**	RMB0.35709

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited) For the six months ended 30th June,	
	2017	2016
	RMB'000	*RMB'000*
Profit for the period	**2,050,723**	1,677,523
Other comprehensive (expense) income, net of tax		
Item which may be subsequently reclassified to profit or loss:		
Change in fair value of available-for-sale financial assets	**(1,934)**	(22,354)
Item which will not be reclassified to profit or loss:		
Share of comprehensive income of a joint venture	**946,152**	869,575
Other comprehensive income, net of tax	**944,218**	847,221
Total comprehensive income for the period	**2,994,941**	2,524,744
Attributable to:		
Equity holders of the Company	**3,254,736**	2,649,122
Non-controlling interests	**(259,795)**	(124,378)
	2,994,941	2,524,744

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**(Unaudited) As at 30th June, 2017** *RMB'000*	(Audited) As at 31st December, 2016 *RMB'000*
Non-current assets			
Intangible assets		**925,199**	1,338,612
Property, plant and equipment		**2,136,391**	1,825,685
Construction-in-progress		**278,495**	424,104
Land lease prepayments		**83,791**	84,810
Interests in joint ventures		**21,256,211**	17,644,857
Interests in associates		**1,655,246**	1,703,065
Prepayments for long-term investments		**600,000**	600,000
Available-for-sale financial assets		**31,534**	33,468
Long-term loan receivables		**389,358**	361,487
Other non-current assets		**18,585**	17,584
Total non-current assets		**27,374,810**	24,033,672
Current assets			
Cash and cash equivalents		**1,039,899**	940,938
Short-term bank deposits		**78,446**	193,146
Pledged short-term bank deposits		**1,767,418**	1,338,956
Inventories		**1,160,192**	1,104,070
Accounts receivable	*9*	**1,254,427**	1,583,968
Notes receivable		**846,387**	296,308
Other current assets		**2,008,287**	1,551,954
Total current assets		**8,155,056**	7,009,340

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

	Note	**(Unaudited) As at 30th June, 2017** ***RMB'000***	(Audited) As at 31st December, 2016 *RMB'000*
Current liabilities			
Accounts payable	*10*	**3,667,034**	3,324,123
Notes payable		**2,719,598**	2,330,052
Other current liabilities		**1,566,898**	1,322,736
Short-term bank borrowings		**1,777,000**	1,325,000
Income tax payable		**20,420**	20,749
Total current liabilities		**9,750,950**	8,322,660
Net current liabilities		**(1,595,894)**	(1,313,320)
Total assets less current liabilities		**25,778,916**	22,720,352
Non-current liabilities			
Deferred government grants		**113,389**	121,829
Long-term bank borrowings		**70,000**	–
		183,389	121,829
Net assets		**25,595,527**	22,598,523
Capital and reserves			
Share capital		**397,176**	396,809
Reserves		**26,583,480**	23,327,048
Total equity attributable to equity holders of the Company		**26,980,656**	23,723,857
Non-controlling interests		**(1,385,129)**	(1,125,334)
Total equity		**25,595,527**	22,598,523

NOTES:

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 this results announcement.

2. STATEMENT OF COMPLIANCE AND ACCOUNTING POLICIES

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

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

3. ADOPTION OF NEW OR AMENDED HKFRSs

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

Amendments to HKAS 7	Disclosure Initiative – Statement of Cash Flows
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

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

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

4. REVENUE AND SEGMENT INFORMATION

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

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

The Group has identified the following reportable segments:

– the manufacture and sale of minibuses and automotive components; and

– the manufacture and sale of BMW vehicles.

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

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

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

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

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, 2017

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

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

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

4. REVENUE AND SEGMENT INFORMATION (Cont'd)

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

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

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

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

5. PROFIT BEFORE INCOME TAX EXPENSE

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

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

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

(b) included in general and administrative expenses.

(c) included in cost of sales.

6. INCOME TAX EXPENSE

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

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

7. EARNINGS PER SHARE

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

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

8. DIVIDEND

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

9. ACCOUNTS RECEIVABLE

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

9. ACCOUNTS RECEIVABLE (Cont'd)

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

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

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

10. ACCOUNTS PAYABLE

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

10. ACCOUNTS PAYABLE (Cont'd)

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

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

11. CONTINGENCIES

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

MANAGEMENT'S DISCUSSION & ANALYSIS

Business Discussion and Analysis

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Prospects

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

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

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

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

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

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

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

Liquidity and Financial Resources

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

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

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

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

Capital Structure and Funding Policies

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

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

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

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

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

Capital Expenditure and Commitments

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

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

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

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

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

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

New Business and New Products

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

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

Employees, Remuneration Policy and Training programmes

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

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

Charge on Assets

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

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

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

Future Plans for Material Investments or Additions of Capital Assets

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

Gearing Ratio

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

Foreign Exchange Risks

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

Contingent Liabilities

Details of the contingent liabilities are set out in note 11 to this results announcement.

DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

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

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

There have not been material changes to the information disclosed in the Company's 2016 annual report in respect of our corporate governance practices. Major updates since the 2016 annual report are summarised in the 2017 interim report to be sent to shareholders of the Company.

REVIEW OF FINANCIAL STATEMENTS

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

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

BOARD OF DIRECTORS

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

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

Hong Kong, 25th August, 2017