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, 2018

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, 2018. 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,	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**2,287,134**	2,837,136
Cost of sales		**(2,130,228)**	(2,720,050)
Gross profit		**156,906**	117,086
Other income		**51,485**	29,446
Interest income		**31,706**	24,553
Selling expenses		**(178,267)**	(289,845)
General and administrative expenses		**(272,391)**	(555,236)
Finance costs		**(66,968)**	(62,947)
Share of results of:			
Joint ventures		**3,677,439**	2,666,432
Associates		**41,252**	125,306
Profit before income tax expense	*5*	**3,441,162**	2,054,795
Income tax expense	*6*	**(16,891)**	(4,072)
Profit for the period		**3,424,271**	2,050,723

* *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,	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Attributable to:			
Equity holders of the Company		**3,566,130**	2,310,518
Non-controlling interests		**(141,859)**	(259,795)
		3,424,271	2,050,723
Earnings per share	*7*		
– Basic		**RMB0.70683**	RMB0.45837
– Diluted		**RMB0.70683**	RMB0.45797

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**(Unaudited) As at 30th June, 2018** *RMB'000*	(Audited) As at 31st December, 2017 *RMB'000*
Non-current assets			
Intangible assets		**643,005**	696,200
Property, plant and equipment		**2,345,954**	2,386,434
Construction-in-progress		**229,651**	180,695
Land lease prepayments		**85,455**	86,513
Interests in joint ventures		**24,171,770**	21,593,786
Interests in associates		**1,684,358**	1,747,517
Prepayments for long-term investments		**600,000**	600,000
Equity investments		**14,447**	24,499
Long-term loan receivables		**2,866,181**	1,446,655
Other non-current assets		**72,494**	61,993
Total non-current assets		**32,713,315**	28,824,292
Current assets			
Cash and cash equivalents		**1,899,171**	1,732,076
Cash at central bank		**42,307**	62,038
Short-term bank deposits		**12,728**	43,402
Pledged short-term bank deposits		**913,765**	1,713,754
Inventories		**995,575**	1,043,793
Accounts receivable	*9*	**1,139,846**	1,023,365
Notes receivable		**230,190**	363,795
Other current assets		**2,962,169**	3,049,616
Total current assets		**8,195,751**	9,031,839

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

	Note	**(Unaudited) As at 30th June, 2018** ***RMB'000***	(Audited) As at 31st December, 2017 *RMB'000*
Current liabilities			
Accounts payable	*10*	**2,740,513**	3,278,870
Notes payable		**1,434,437**	2,780,586
Other current liabilities		**2,076,106**	2,055,279
Short-term bank borrowings		**4,456,400**	2,809,900
Income tax payable		**18,674**	40,340
Total current liabilities		**10,726,130**	10,964,975
Net current liabilities		**(2,530,379)**	(1,933,136)
Total assets less current liabilities		**30,182,936**	26,891,156
Non-current liabilities			
Long-term bank borrowings		**70,000**	80,000
Deferred government grants		**108,510**	110,949
Total non-current liabilities		**178,510**	190,949
Net assets		**30,004,426**	26,700,207
Capital and reserves			
Share capital		**397,176**	397,176
Reserves		**29,081,853**	26,125,775
Total equity attributable to equity holders of the Company		**29,479,029**	26,522,951
Non-controlling interests		**525,397**	177,256
Total equity		**30,004,426**	26,700,207

NOTES:

1. ORGANISATION AND OPERATIONS

The Company was incorporated in Bermuda on 9th June, 1992 with limited liability. The Company's shares are traded on the main board of The Stock Exchange of Hong Kong Limited (the "**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 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, 2017, 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 consolidated interim financial statements are unaudited and do not include all the information and disclosures required in the consolidated annual financial statements, and should be read in conjunction with the Group's consolidated annual financial statements for the year ended 31st December, 2017.

3. ADOPTION OF NEW OR AMENDED HKFRSs

In the current period, the Group has applied for the first time the following new and revised standards, amendments and interpretations (the "**new HKFRSs**") issued by the HKICPA, which are relevant to the Group and are effective for the Group's consolidated interim financial statements for the annual financial period beginning on 1st January, 2018.

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

The adoption of these new HKFRSs, except for HKFRS 9 and HKFRS 15, the details of which are explained below, had no material impact on how the results and financial positions for the current and prior periods have been prepared and presented.

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

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

HKFRS 9 "Financial Instruments"

Classification and measurement of financial assets

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

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

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

The impairment of financial assets applying the expected credit loss model

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

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

HKFRS 15 "Revenue from Contracts with Customers"

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

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

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

Consolidated Statement of Financial Position items:

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

Consolidated Statement of Profit or Loss items:

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

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

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

The Group concluded that except for a joint venture of the Group, the adoption of HKFRS 15 has an insignificant effect on how the Group recognises its revenue.

4. REVENUE AND SEGMENT INFORMATION

The Company is an investment holding company. The principal activities of the Group are the manufacture and sale of BMW vehicles in the People's Republic of China (the "**PRC**") through its major joint venture, BMW Brilliance Automotive Ltd. ("**BMW Brilliance**"), the manufacture and sale of non-BMW automobiles and automotive components through its subsidiary Renault Brilliance Jinbei Automotive Co., Ltd. ("**RBJAC**"), and the provision of auto financing service to customers and dealers through its subsidiary Brilliance-BEA Auto Finance Co., Ltd. ("**BBAFC**"). Revenue earned during the period represents:

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

4. REVENUE AND SEGMENT INFORMATION (Cont'd)

The Group has identified the following reportable segments:

– manufacture and sale of non-BMW automobiles and automotive components;

– manufacture and sale of BMW vehicles; and

– the provision of auto financing service.

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

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

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

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

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

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

4. REVENUE AND SEGMENT INFORMATION (Cont'd)

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

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

Revenue and results by reportable segments and reconciliation of segment results to profit before income tax expense for the period – for the six months ended 30th June, 2017

	(Unaudited)				
	Manufacture and sale of non-BMW automobiles and automotive components *RMB'000*	Manufacture and sale of BMW vehicles *RMB'000*	Provision of auto financing service *RMB'000*	Reconciliation to the Group's consolidated statement of profit or loss and intersegment elimination *RMB'000*	Total *RMB'000*
Segment sales to external customers	2,791,734	53,042,666	50,181	(53,047,445)	2,837,136
Segment results	(664,156)	7,105,508	991	(7,110,287)	(667,944)
Unallocated costs net of unallocated revenue					(30,605)
Interest income					24,553
Finance costs					(62,947)
Share of results of:					
Joint ventures	(2,388)	2,668,820	–	–	2,666,432
Associates	125,306	–	–	–	125,306
Profit before income tax expense					2,054,795

4. REVENUE AND SEGMENT INFORMATION (Cont'd)

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

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

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

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

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,	
	2018	2017
	RMB'000	*RMB'000*
Charging:		
Impairment losses on:		
– Accounts receivable *(b)*	**–**	377
– Other receivables *(b)*	**786**	22,433
– Loan receivables *(b)*	**15,341**	4,246
– Intangible assets *(b)*	**–**	350,000
– Construction-in-progress	**–**	2,005
– Property, plant and equipment	**–**	7,818
Cost of inventories	**2,150,260**	2,710,746
Amortisation of intangible assets *(a)*	**71,144**	91,057
Amortisation of land lease prepayments	**1,058**	1,019
Depreciation of property, plant and equipment	**78,441**	71,315
Staff costs (including directors' emoluments)	**387,114**	389,829
Provision for inventories	**1,755**	413
Research and development costs *(b)*	**27,839**	5,538
Warranty provision *(b)*	**11,868**	15,071
Operating lease charges in respect of land and buildings	**18,987**	17,382
Loss on disposal of property, plant and equipment	**460**	1,349
Exchange loss, net	**1,257**	20,752
Crediting:		
Write–back of impairment losses on:		
– Accounts receivable	**358**	–
– Other receivables	**–**	8,473
Write back of provision for inventories sold	**21,787**	11,665

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

(b) included in general and administrative expenses.

6. INCOME TAX EXPENSE

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

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

7. EARNINGS PER SHARE

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

	(Unaudited) For the six months ended 30th June,	
	2018	2017
	'000	*'000*
Issued shares at 1st January,	**5,045,269**	5,039,869
Effect of share options exercised	**–**	895
Weighted average number of ordinary shares for calculating basic earnings per share	**5,045,269**	5,040,764

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

8. DIVIDENDS

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

9. ACCOUNTS RECEIVABLE

	(Unaudited) As at 30th June, 2018	(Audited) As at 31st December, 2017
	RMB'000	*RMB'000*
Accounts receivable	**421,997**	318,969
Accounts receivable from affiliated companies	**717,849**	704,396
	1,139,846	1,023,365

9. ACCOUNTS RECEIVABLE (Cont'd)

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

	(Unaudited) As at 30th June, 2018 *RMB'000*	(Audited) As at 31st December, 2017 *RMB'000*
Less than six months	**326,830**	197,352
Six months to one year	**10,284**	11,714
Above one year but less than two years	**12,402**	1,001
Two years or above	**90,614**	127,423
	440,130	337,490
Less: provision for impairment losses	**(18,133)**	(18,521)
	421,997	318,969

As at 30th June, 2018, accounts receivable from third parties of approximately RMB61 million *(As at 31st December, 2017: approximately RMB104 million)* were mainly denominated in 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 track record. In order to minimise credit risk, credit history and background of new customers and debtors are checked and security deposits or letters of credit are usually obtained from major customers. Credit limits with credit terms of 30 days to 90 days are set for PRC customers and customers considered to be high risk are traded on cash basis or upon receipt of bank guaranteed notes or letters of credit. For overseas customers, since settlements must be made by letters of credit, credit periods up to one year are granted. Designated staff monitors accounts receivable and follow up collection with customers.

10. ACCOUNTS PAYABLE

	(Unaudited) As at 30th June, 2018 *RMB'000*	(Audited) As at 31st December, 2017 *RMB'000*
Accounts payable	**1,817,919**	2,249,436
Accounts payable to affiliated companies	**922,594**	1,029,434
	2,740,513	3,278,870

10. ACCOUNTS PAYABLE (Cont'd)

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

	(Unaudited) As at 30th June, 2018 *RMB'000*	(Audited) As at 31st December, 2017 *RMB'000*
Less than six months	**1,076,876**	1,743,531
Six months to one year	**504,112**	312,627
Above one year but less than two years	**95,327**	56,077
Two years or above	**141,604**	137,201
	1,817,919	2,249,436

11. CONTINGENCIES

Pursuant to an agreement dated 20th November, 2017 entered into between a member of the Group and Shenyang JinBei Automotive Co., Ltd., both parties agreed to provide cross guarantees to support each other in obtaining banking facilities up to a maximum amount of RMB600 million for each party *(As at 31st December, 2017: RMB600 million)* for the period from 1st January, 2018 to 31st December, 2018. As at 30th June, 2018, under this agreement, outstanding bank loans and other banking facilities totaling RMB356 million *(As at 31st December, 2017: RMB356 million)* were utilised, of which RMB206 million *(As at 31st December, 2017: RMB206 million)* and RMB150 million *(As at 31st December, 2017: RMB150 million)* were supported by the Group's bank deposits pledged to and corporate guarantee provided to the banks, respectively.

MANAGEMENT'S DISCUSSION & ANALYSIS

Business Discussion and Analysis

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

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

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

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

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

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

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

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

The Group's unaudited share of results of joint ventures increased by 37.9% from RMB2,666.4 million in the first half of 2017 to RMB3,677.4 million for the same period in 2018. This was primarily attributable to increased profits contributed by BMW Brilliance, the Group's 50% indirectly-owned joint venture.

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

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

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

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

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

Prospects

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

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

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

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

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

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

The remaining months of 2018 will continue to be very challenging for the Group, especially on transaction pricing and sales volume in light of current market uncertainty. Maintaining the prominent position of BBA in the premium auto market, executing renewed strategies for the turnaround of RBJAC with Renault SAS ("**Renault**") as our new partner, and driving for additional businesses and profits for BBAFC, will all remain the Group's business priorities. Apart from these, the Group also continues to look for new business opportunities as well as ways to further streamline its existing operation and corporate structure to support its business growth.

Liquidity and Financial Resources

As at 30th June, 2018, the Group had RMB1,899.2 million in cash and cash equivalents *(As at 31st December, 2017: RMB1,732.1 million)*, RMB42.3 million in cash at central bank *(As at 31st December, 2017: RMB62.0 million)*, RMB12.7 million in short-term bank deposits *(As at 31st December, 2017: RMB43.4 million)* and RMB913.8 million in pledged short-term bank deposits *(As at 31st December, 2017: RMB1,713.8 million)*. As at 30th June, 2018, the Group had notes payable in the amount of RMB1,434.4 million *(As at 31st December, 2017: RMB2,780.6 million)*.

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

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

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

Capital Structure and Funding Policies

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

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

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

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

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

Capital Expenditure and Commitments

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

As at 30th June, 2018, the Group's capital commitments, including those authorised but not yet contracted for, amounted to RMB372.8 million *(As at 31st December, 2017: RMB412.3 million)*. Among such, contracted capital commitments amounted to RMB260.0 million *(As at 31st December, 2017: RMB310.4 million)*, which was primarily related to capital expenditures in respect of construction projects and acquisition of plant and machinery.

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

There were no significant investments held, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30th June, 2018.

New Business and New Products

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

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

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

Employees, Remuneration Policy and Training programmes

The Group employed approximately 6,920 employees as at 30th June, 2018 *(As at 30th June, 2017: approximately 7,150)*. Employee costs amounted to RMB387.1 million for the six months ended 30th June, 2018 *(Six months ended 30th June, 2017: RMB389.8 million)*. The Group will endeavour to ensure that the salary levels of its employees are in line with industry practices and prevailing market conditions, and that employees' remuneration is based on performance. In addition, employees are eligible for share options under the share option scheme adopted by the Company.

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

Charge on Assets

As at 30th June, 2018, short-term bank borrowings of RMB91 million *(As at 31st December, 2017: RMB575 million)* were secured by the Group's buildings and tools and moulds, machinery and equipment with total net book values of approximately RMB194.5 million *(As at 31st December, 2017: RMB197.1 million)*. As at 30th June, 2018, no bank borrowings are secured by the Group's bank guaranteed notes *(As at 31st December, 2017: RMB250 million)*.

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

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

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

Future Plans for Material Investments or Additions of Capital Assets

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

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

Gearing Ratio

As at 30th June, 2018, the gearing ratio, computed by dividing total liabilities by total equity attributable to equity holders of the Company, was approximately 0.37 *(As at 31st December, 2017: 0.42)*. The decrease in the gearing ratio was primarily due to the increase in total equity attributable to equity holders of the Company as compared to 31st December, 2017.

Foreign Exchange Risks

The Group considers that exchange rate fluctuations may have some effect on the overall financial performance of the Group but it is still at a manageable level. The Group will continue to monitor the situation and may consider entering into hedging arrangements in order to minimise foreign exchange risks, if and when necessary. There were no outstanding hedging transactions as at 30th June, 2018 *(As at 30th June, 2017: nil)*.

Contingent Liabilities

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 12th October, 2018 *(2017: HK$0.11 per ordinary share)*. The dividend is expected to be paid on Friday, 26th October, 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 10th October, 2018 to Friday, 12th October, 2018, both days inclusive, during which period no transfer of shares will be registered. The record date for the dividend is Friday, 12th October, 2018. In order to qualify for the dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m., Hong Kong time, on Tuesday, 9th October, 2018.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June, 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Maintaining an effective corporate governance framework is one of the priorities of the Company. The Company has complied with the code provisions set out in Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the six months ended 30th June, 2018.

There have not been material changes to the information disclosed in the Company's 2017 annual report in respect of our corporate governance practices. Major updates since the 2017 annual report are summarised in the 2018 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, 2018.

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

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, 24th August, 2018