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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, 2019

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

		(Unaudited) For the six months ended 30th June,	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**1,904,274**	2,287,134
Cost of sales		**(1,802,951)**	(2,130,228)
Gross profit		**101,323**	156,906
Other income		**93,944**	51,485
Interest income		**30,131**	31,706
Selling expenses		**(211,977)**	(178,267)
General and administrative expenses		**(264,739)**	(272,391)
Finance costs		**(36,381)**	(66,968)
Share of results of:			
Joint ventures		**3,552,380**	3,677,439
Associates		**2,895**	41,252
Profit before income tax expense	*5*	**3,267,576**	3,441,162
Income tax expense	*6*	**(205,976)**	(16,891)
Profit for the period		**3,061,600**	3,424,271

* *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,	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Attributable to:			
Equity holders of the Company		**3,229,996**	3,566,130
Non-controlling interests		**(168,396)**	(141,859)
		3,061,600	3,424,271
Earnings per share	*7*		
– Basic		**RMB0.64020**	RMB0.70683
– Diluted		**RMB0.64020**	RMB0.70683

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**(Unaudited) As at 30th June, 2019** ***RMB'000***	(Audited) As at 31st December, 2018 *RMB'000*
Non-current assets			
Intangible assets		**839,716**	611,955
Property, plant and equipment		**2,530,988**	2,329,548
Construction-in-progress		**208,693**	218,588
Land lease prepayments		**83,339**	84,397
Interests in joint ventures		**22,460,437**	24,074,405
Interests in associates		**1,591,409**	1,672,977
Equity investments		**8,290**	12,293
Long-term loan receivables		**2,569,805**	3,727,908
Other non-current assets		**105,013**	86,077
Total non-current assets		**30,397,690**	32,818,148
Current assets			
Cash and cash equivalents		**1,472,774**	2,310,459
Statutory deposit reserves at central bank		**26,249**	32,552
Short-term bank deposits		**–**	576,311
Pledged short-term bank deposits		**1,238,786**	1,075,837
Inventories		**1,164,647**	1,011,644
Accounts receivable	*9*	**1,038,486**	1,024,873
Notes receivable		**164,563**	317,132
Other current assets		**9,855,627**	2,932,900
Total current assets		**14,961,132**	9,281,708

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

	Note	**(Unaudited) As at 30th June, 2019** *RMB'000*	(Audited) As at 31st December, 2018 *RMB'000*
Current liabilities			
Accounts payable	*10*	**1,712,447**	1,860,050
Notes payable		**2,037,184**	1,630,648
Other current liabilities		**2,187,981**	1,984,143
Short-term bank borrowings		**4,461,820**	4,623,500
Income tax payable		**13,475**	13,623
Long-term bank borrowings due within one year		**20,000**	20,000
Total current liabilities		**10,432,907**	10,131,964
Net current assets (liabilities)		**4,528,225**	(850,256)
Total assets less current liabilities		**34,925,915**	31,967,892
Non-current liabilities			
Other non-current liabilities		**176,941**	103,070
Long-term bank borrowings		**30,000**	40,000
Total non-current liabilities		**206,941**	143,070
Net assets		**34,718,974**	31,824,822
Capital and reserves			
Share capital		**397,176**	397,176
Reserves		**33,744,560**	30,682,568
Total equity attributable to equity holders of the Company		**34,141,736**	31,079,744
Non-controlling interests		**577,238**	745,078
Total equity		**34,718,974**	31,824,822

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

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

3. ADOPTION OF NEW AND AMENDED HKFRSs

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

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

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

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

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

HKFRS 16 "Leases"

Upon the adoption of HKFRS 16, lessees no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease, the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee recognises interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the prior policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the Group elected not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses will continue to be recognised on a systematic basis over the lease term.

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

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

Upon the initial application of HKFRS 16, the Group measures the right-of-use assets at an amount equal to the lease liability (subject to certain adjustments) as if HKFRS 16 had always been applied by using the incremental borrowing rate at initial application date and the opening balances of both lease liabilities and the corresponding right-of-use assets will be adjusted to approximately RMB97,286,000, after taking into account the effects of discounting, as at 1st January, 2019.

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

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

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

The Group as a lessee

Applicable from 1st January, 2019

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

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

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

Measurement and recognition of leases as a lessee

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

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

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

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

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

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

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

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

4. REVENUE AND SEGMENT INFORMATION

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

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

The Group has identified the following reportable segments:

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

– the manufacture and sale of BMW vehicles; and

– the provision of auto financing service.

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

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

Segment assets include all assets other than interests in joint ventures, interests in associates, equity investments, and receivable for prepayments for investments. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

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

4. REVENUE AND SEGMENT INFORMATION (Cont'd)

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

	(Unaudited)				
	Manufacture and sale of non-BMW automobiles and automotive components *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	**1,687,009**	**79,259,348**	**224,217**	**(79,266,300)**	**1,904,274**
Segment results	**(296,957)**	**9,487,612**	**28,090**	**(9,476,887)**	**(258,142)**
Unallocated costs net of unallocated revenue					**(23,307)**
Interest income					**30,131**
Finance costs					**(36,381)**
Share of results of:					
Joint ventures	**–**	**3,552,380**	**–**	**–**	**3,552,380**
Associates	**2,895**	**–**	**–**	**–**	**2,895**
Profit before income tax expense					**3,267,576**

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

	(Unaudited)				
	Manufacture and sale of non-BMW automobiles and automotive components *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

4. REVENUE AND SEGMENT INFORMATION (Cont'd)

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

	(Unaudited)				
	Manufacture and sale of Non-BMW automobiles and automotive components *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	**15,472,161**	**103,398,769**	**6,000,781**	**(103,755,254)**	**21,116,457**
Interests in joint ventures	**–**	**22,460,437**	**–**	**–**	**22,460,437**
Interests in associates	**1,591,409**	**–**	**–**	**–**	**1,591,409**
Equity investments					**8,290**
Unallocated assets					**182,229**
Total assets					**45,358,822**
Segment liabilities	**6,623,514**	**58,477,895**	**4,373,340**	**(58,843,943)**	**10,630,806**
Unallocated liabilities					**9,042**
Total liabilities					**10,639,848**

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

	(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	10,557,393	106,029,613	5,925,012	(106,382,024)	16,129,994
Interests in joint ventures	–	24,074,405	–	–	24,074,405
Interests in associates	1,672,977	–	–	–	1,672,977
Equity investments					12,293
Unallocated assets					210,187
Total assets					42,099,856
Segment liabilities	6,296,042	57,880,804	4,319,122	(58,233,215)	10,262,753
Unallocated liabilities					12,281
Total liabilities					10,275,034

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

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

(b) included in general and administrative expenses.

6. INCOME TAX EXPENSE

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

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

7. EARNINGS PER SHARE

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

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

8. DIVIDENDS

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

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

9. ACCOUNTS RECEIVABLE

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

9. ACCOUNTS RECEIVABLE (Cont'd)

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

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

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

The Group's credit policy is to minimise credit risk. Credit history and background of new customers and debtors are checked and security deposits or letters of credit are usually obtained from major customers. Credit limits with credit terms of 30 to 90 days are set for PRC customers, and customers considered to be of high risk are traded on cash basis or upon receipt of bank guaranteed notes or letters of credit. For overseas customers, since settlements must be made by letters of credit, credit periods up to one year are granted. Designated staff monitors accounts receivable and follow-up collection with customers.

10. ACCOUNTS PAYABLE

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

10. ACCOUNTS PAYABLE (Cont'd)

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

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

11. CONTINGENCIES

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

MANAGEMENT'S DISCUSSION & ANALYSIS

Business Discussion and Analysis

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Prospects

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

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

BBA has continued the expansion of its dealer network with 532 full service 4S shops nationwide as at 30th June, 2019. BBA continues to work closely with its sales organization on all fronts in an effort to sustain the profitability of both BBA and its dealers. BBA's sales activities also continue to be supported by the BMW auto finance company and Herald International Financial Leasing Co. Ltd., both of which have been performing well in supporting the sales effort of and contributing profits to BBA. In addition, a newly-formed wholly-owned subsidiary of BBA, Ling Yue Digital Information Technology Co., Ltd. ("**Lingyue**"), was incorporated in China in January 2019 as a data service provider and innovation incubator and the first independent digital company within BMW Group worldwide. Lingyue will drive BMW's customer-centricity and lead the BMW brand's digital transformation, providing digital solutions and services that enable seamless and exclusive online-to-offline user experiences for BMW customers in China.

Despite market slowdown, BBA is confident about the long-term growth prospects of the Chinese premium auto industry. The new X3 will be a key product which will bolster the competitiveness of BBA's product offerings in China. In addition, the new generation 3-series sedan, the X2 sport activity vehicle ("**SAV**") which will be the seventh BMW model to be locally produced by BBA, as well as the X1 facelift version are all scheduled for second half 2019 launch and these new products will further drive sales growth. Moreover, BMW is taking leadership as the premium E-mobility provider in China. BBA has outlined an advanced roadmap of its new energy vehicle ("**NEV**") strategy and product lineup for the next few years to proactively position itself for participation in this potentially lucrative and rapidly growing area in China. BBA will be integrated into BMW's worldwide production network to enable export business from China, with the pure battery electric ("**BEV**") variant of the X3 to be solely produced by BBA and exported worldwide after 2020. Future new products will also be equipped with both the internal combustion engine ("**ICE**") and BEV variants to provide flexibility to meet market demand. In addition, the highly popular X5 SAV model will also be introduced into BBA as a local product in the future. To prepare for the new products, BBA has embarked on further capacity expansions which include construction of a new greenfield plant as well as extension of the existing Dadong and Tiexi facilities, all of which are scheduled to be completed in 2022 and will encompass fully flexible production architectures for all types of drivetrains.

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

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

The rest of 2019 will continue to be very challenging and potentially volatile for the Chinese auto industry and for the Group in light of current market uncertainty. Maintaining the prominent position of BBA in the premium auto market, executing renewed strategies for the turnaround of RBJAC by working closely with Renault, and driving for additional businesses and profits for BBAFC, all remain as the Group's business priorities. Apart from that, the Group also continues to look for ways to further streamline its existing operation and corporate structure to support its business growth.

Liquidity and Financial Resources

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

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

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

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

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

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

Capital Structure and Funding Policies

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

As at 30th June, 2019, 87.1% *(As at 31st December, 2018: 97.3%)* of the Group's cash and cash equivalents (comprising cash on hand, bank balances and demand deposits within 3 months of maturity when acquired) were denominated in Renminbi, whereas 1.5% *(As at 31st December, 2018: 2.0%)* were denominated in U.S. Dollar. The remaining balance of 11.4% *(As at 31st December, 2018: 0.7%)* were denominated in other currencies.

Apart from the borrowings, banking facilities were in place for contingency purposes. As at 30th June, 2019, the Group's total available banking facilities for its daily operations amounted to RMB2,293.3 million *(As at 31st December, 2018: RMB1,819.7 million)* without any committed banking facilities.

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

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

Capital Expenditures and Commitments

For the first six months of 2019, the Group incurred capital expenditures of RMB518.9 million *(Six months ended 30th June, 2018: RMB107.8 million)* mainly for acquisition of tools and moulds, machinery and equipment, and development costs for LCV products.

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

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

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

New Business and New Products

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

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

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

Employees, Remuneration Policy and Training Programmes

The Group employed approximately 5,980 employees as at 30th June, 2019 *(As at 30th June, 2018: approximately 6,920)*. Employee costs amounted to RMB405.7 million for the six months ended 30th June, 2019 *(Six months ended 30th June, 2018: RMB387.1 million)*. The Group will endeavour to ensure that the salary levels of its employees are in line with industry practices and prevailing market conditions, and that employees' remunerations are based on performance. In addition, employees are eligible for share options under the share option scheme adopted by the Company.

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

Charge on Assets

As at 30th June, 2019, short-term bank borrowings of RMB96 million *(As at 31st December, 2018: RMB98 million)* were secured by the Group's land lease prepayments with a net book value of approximately RMB2.2 million *(As at 31st December, 2018: approximately RMB2.2 million)*, and buildings, tools and moulds, and machinery and equipment with an aggregate net book values of approximately RMB207.7 million (*As at 31st December 2018: approximately RMB220.4 million)*.

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

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

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

Future Plans for Material Investments or Additions of Capital Assets

There was no plan authorised by the Board for material investments or additions of capital assets during the six months ended 30th June, 2019.

Gearing Ratio

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

Foreign Exchange Risks

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

Contingent Liabilities

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

Subsequent event

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

DIVIDENDS

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

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

CLOSURE OF REGISTER OF MEMBERS

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

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

There have not been material changes to the information disclosed in the Company's 2018 annual report in respect of our corporate governance practices. Major updates since the 2018 annual report are summarised in the 2019 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, 2019.

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

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. Yan Bingzhe *(Chief Executive Officer)*, Mr. Qian Zuming *(Chief Financial Officer)* and Mr. Zhang Wei; and three independent non-executive directors, Mr. Xu Bingjin, Mr. Song Jian and Mr. Jiang Bo.

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

Hong Kong, 23rd August, 2019