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

(Incorporated in Bermuda with limited liability)

(Stock Code: 1114)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2019

The board of directors (the "**Board**") of Brilliance China Automotive Holdings Limited (the "**Company**") announces the consolidated financial results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31st December, 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	Note	**2019 RMB'000**	2018 RMB'000
Revenue	3	**3,861,949**	4,377,263
Cost of sales		**(3,787,570)**	(4,090,703)
Gross profit		**74,379**	286,560
Other income		**159,108**	141,328
Interest income		**101,395**	60,712
Selling expenses		**(376,860)**	(375,682)
General and administrative expenses		**(1,179,353)**	(918,058)
Finance costs		**(95,460)**	(113,927)
Share of results of:			
Joint ventures		**7,626,004**	6,244,848
Associates		**(16,757)**	33,265
Profit before income tax expense	4	**6,292,456**	5,359,046
Income tax expense	5	**(215,454)**	(64,552)
Profit for the year		**6,077,002**	5,294,494

* *For identification purposes only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)
For the year ended 31st December,
(Expressed in thousands of RMB except for earnings per share amounts)

	Note	**2019 RMB'000**	2018 RMB'000
Attributable to:			
Equity holders of the Company		**6,762,707**	5,820,909
Non-controlling interests		**(685,705)**	(526,415)
		6,077,002	5,294,494
Earnings per share	6		
– Basic		**RMB1.34041**	RMB1.15374
– Diluted		**RMB1.34041**	RMB1.15374

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31st December,

	2019 RMB'000	2018 RMB'000
Profit for the year	**6,077,002**	5,294,494
Other comprehensive (expense) income that will be subsequently reclassified to consolidated statement of profit or loss, net of tax		
Share of other comprehensive expense of a joint venture	**(145,081)**	(787,527)
Share of other comprehensive expense of an associate	**(83)**	–
Fair value gain (loss) on notes receivable at fair value through other comprehensive income ("**FVOCI**")	**2,509**	(3,859)
	(142,655)	(791,386)
Other comprehensive expense that will not be subsequently reclassified to consolidated statement of profit or loss, net of tax		
Change in fair value of equity investments	**(5,816)**	(12,206)
Total comprehensive income for the year	**5,928,531**	4,490,902
Attributable to:		
Equity holders of the Company	**6,613,690**	5,018,080
Non-controlling interests	**(685,159)**	(527,178)
	5,928,531	4,490,902

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December,

	Note	2019 RMB'000	2018 RMB'000
Non-current assets			
Intangible assets		**946,557**	611,955
Property, plant and equipment		**2,607,189**	2,548,136
Land lease prepayments		**82,281**	84,397
Interests in joint ventures		**21,555,021**	24,074,405
Interests in associates		**1,571,131**	1,672,977
Equity investments		**6,477**	12,293
Long-term loan receivables		**3,443,951**	3,727,908
Other non-current assets		**142,916**	86,077
Total non-current assets		**30,355,523**	32,818,148
Current assets			
Cash and cash equivalents		**6,828,533**	2,310,459
Statutory deposit reserves at central bank		**23,344**	32,552
Short-term bank deposits		**1,800,000**	576,311
Pledged short-term bank deposits		**2,793,923**	1,075,837
Inventories		**705,096**	1,011,644
Accounts receivable	7	**1,082,731**	1,024,873
Notes receivable		**169,269**	317,132
Other current assets		**5,711,585**	2,932,900
Total current assets		**19,114,481**	9,281,708
Current liabilities			
Accounts payable	8	**1,540,224**	1,860,050
Notes payable		**4,959,295**	1,630,648
Other current liabilities		**1,952,979**	1,984,143
Short-term bank borrowings		**6,292,000**	4,623,500
Long-term bank borrowings due within one year		**20,000**	20,000
Income tax payable		**40,625**	13,623
Total current liabilities		**14,805,123**	10,131,964
Net current assets (liabilities)		**4,309,358**	(850,256)
Total assets less current liabilities		**34,664,881**	31,967,892
Non-current liabilities			
Other non-current liabilities		**169,429**	103,070
Long-term bank borrowings		**20,000**	40,000
Total non-current liabilities		**189,429**	143,070
NET ASSETS		**34,475,452**	31,824,822

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
As at 31st December,

	2019	2018
	RMB'000	RMB'000
Capital and reserves		
Share capital	**397,176**	397,176
Reserves	**33,528,357**	30,682,568
Total equity attributable to equity holders of the Company	**33,925,533**	31,079,744
Non-controlling interests	**549,919**	745,078
TOTAL EQUITY	**34,475,452**	31,824,822

NOTES:

1. CORPORATE INFORMATION

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

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

2. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

These annual consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), collective terms of which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), and the accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the SEHK (the "**Listing Rules**").

These consolidated financial statements have been prepared on the basis consistent with the accounting policies adopted in the 2018 financial statements, except for the adoption for the first time the following new and amended HKFRSs (collectively "**New and Amended HKFRSs**") issued by the HKICPA, which are relevant to and effective for the consolidated financial statements for the annual financial year beginning on 1st January, 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 Treatments

Other than as discussed below, the adoption of the New and Amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) Statement of compliance (Continued)

(i) *HKFRS 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 were 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.

HKFRS 16 "Leases" replaces HKAS 17 "Leases" along with three Interpretations (HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease", HK(SIC)-Int 15 "Operating Leases-Incentives" and HK(SIC)-Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease").

HKFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting HKFRS 16 being recognised in equity as an adjustment to the opening balance of retained profits for the current period. Prior periods have not been restated. 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 and leases of low-value assets from the date of initial application as short-term lease.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of HKFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) Statement of compliance (Continued)

(i) HKFRS 16 "Leases" (Continued)

The weighted average incremental borrowing rate applied to lease liabilities recognised under HKFRS 16 was 4.54%.

Upon the initial application of HKFRS 16, the Group measures the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition 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 Group has already recognised the prepaid lease payments for leasehold land where the Group is a lessee. The application of HKFRS 16 does not have impact on these assets except for the whole balance which is now presented as "Prepaid lease payments" under non-current assets.

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 as 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 as at 1st January, 2019	97,286
Classified as	
– Current lease liabilities	20,805
– Non-current lease liabilities	76,481
	97,286

As a lessor, upon initial application of HKFRS 16, except for sub-leases in which the Group acts as an intermediate lessor, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but accounts for these leases in accordance with HKFRS 16. Comparative information is not restated.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) Statement of compliance (Continued)

(ii) Amendments to HKFRS 9 "Prepayment Features with Negative Compensation"

The amendments allow particular prepayable financial assets with negative compensation to be measured at amortised cost or at FVOCI instead of at financial assets at fair value through profit or loss if the prepayment amount substantially represented unpaid amounts of principal and interest, which could include reasonable additional compensation for the early termination of the contract.

The amendments also include clarifications to the modification or exchange of a financial liability that does not result in derecognition, i.e. the gain or loss arising from the modification of a financial liability that does not result in derecognition, calculated by discounting the change in contractual cash flows at the original effective interest rate, is immediately recognised in profit or loss.

The application of these amendments has had no impact on the Group's consolidated financial statements.

(iii) Amendments to HKAS 19 "Plan Amendment, Curtailment or Settlement"

The amendments clarify how an entity determines pension expenses when changes to a defined benefit plan occur and require an entity to use updated actuarial assumptions from remeasurement of net defined benefit liability (asset) to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Any reduction in a surplus should be recognised immediately in profit or loss either as part of past service cost, or as a gain or loss on settlement. In other words, a reduction in a surplus was not previously recognised because of the impact of the asset ceiling. Besides, any changes in the asset ceiling are recognised through other comprehensive income.

The application of these amendments has had no impact on the Group's consolidated financial statements.

(iv) Amendments to HKAS 28 "Long-term Interests in Associates and Joint Ventures"

The amendments clarify that an entity applies HKFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture. Besides, in applying HKFRS 9 to those long-term interests, an entity does not take into account adjustments to their carrying amount required by HKAS 28 "Investments in Associates and Joint Ventures" (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with HKAS 28).

The application of these amendments has had no impact on the Group's consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) Statement of compliance (Continued)

(v) Annual Improvements to HKFRSs 2015-2017 Cycle

The Annual Improvements to HKFRSs 2015-2017 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the joint operation at fair value. The previously held interest to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

The amendments to HKFRS 11 clarify that when an entity participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its previously held interest in the joint operation.

The amendments to HKAS 12 clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributive profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

The amendments to HKAS 23 clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

The application of these amendments has had no impact on the Group's consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) Statement of compliance (Continued)

(vi) HK(IFRIC) – Int 23 "Uncertainty over Income Tax Treatments"

HK(IFRIC) – Int 23 clarifies how to apply the recognition and measurement requirements in HKAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirement in HKAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying HK(IFRIC) – Int 23.

Under HK(IFRIC) – Int 23, an entity shall determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatment based on which approach better predicts the resolution of the uncertainty. When making the assessment, an entity shall assume that a tax authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is probable that tax authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable, the entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount method or the expected value method, depending on which method the entity expects to better predict the resolution of the uncertainty. Moreover, an entity shall reassess a judgement or estimate made if facts and circumstances on which the judgement or estimate was based change or as a result of new information that affects the judgement or estimate.

The application of HK(IFRIC) – Int 23 has had no impact on the Group's consolidated financial statements.

(b) Basis of measurement

The measurement basis used in the preparation of the consolidated financial statements is historical cost, except for financial instruments classified as finance assets which are measured at FVOCI.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(c) Future changes in HKFRSs

As at the date of this announcement, the HKICPA has issued certain New and Amended HKFRSs which are relevant to the Group and not yet effective.

HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]

1 Effective for annual periods beginning on or after 1st January, 2020

2 Effective for annual periods beginning on or after 1st January, 2021

3 Effective date not yet determined

4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1st January, 2020

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement.

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

3. REVENUE AND SEGMENT INFORMATION

Revenue earned during the year represents:

	2019 **RMB'000**	2018 RMB'000
Sale of minibuses, MPVs and automotive components, net of consumption tax, discounts and return	**3,391,432**	4,000,492
Interest and service charge income from provision of auto financing service, net of other indirect taxes	**470,517**	376,771
	3,861,949	4,377,263

Sale of minibuses, MPVs and automotive components are recognised at a point of time.

During the year, the Group had one largest customer with aggregate revenue of approximately RMB380,342,000 or 10% of the Group's revenue (2018: one largest customer with aggregate revenue of approximately RMB515,277,000 or 12% of the Group's revenue). Other than this largest customer, no other customer had aggregate revenue reaching or exceeding 10% of the Group's revenue during the year (2018: same).

Although the minibuses, MPVs and automotive components of the Group are primarily sold in the PRC, the Group is exploring opportunities in the overseas markets and the sales by location of customers are as follows:

	2019 **RMB'000**	2018 RMB'000
PRC	**3,186,737**	3,968,365
Other Asian countries	**3,889**	6,194
Latin America and Caribbean Sea	**190,946**	24,801
Middle East	**9,746**	977
Africa	**–**	155
Others	**114**	–
	3,391,432	4,000,492

All interest and service charge income from provision of auto financing service is derived in the PRC.

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the directors and the chief operating decision makers for their decisions about resource allocation to the Group's business segments, which are determined by the Group's different brands of vehicles or different nature of business, and their respective performances.

3. REVENUE AND SEGMENT INFORMATION (Continued)

The Group has identified the following reportable segments:

(1) the manufacture and sale of minibuses, MPVs and automotive components;

(2) the manufacture and sale of BMW vehicles; and

(3) the provision of auto financing services.

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

- expenses related to share-based payments;
- share of results of associates and joint ventures;
- interest income;
- finance costs;
- corporate income and expenses which are not directly attributable to the business activities of any operating segment; and
- income tax expense.

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

Segment assets include all assets other than interests in joint ventures, interests in associates and equity 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 and are not allocated to a segment.

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

All segment assets are located in the PRC.

3. REVENUE AND SEGMENT INFORMATION (Continued)

Operating segments – 2019

	Manufacture and sale of minibuses, MPVs 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	**3,391,432**	**169,441,062**	**479,659**	**(169,450,204)**	**3,861,949**
Segment results	**(1,345,151)**	**20,393,874**	**51,979**	**(20,375,245)**	**(1,274,543)**
Unallocated costs net of unallocated income					**(48,183)**
Interest income					**101,395**
Finance costs					**(95,460)**
Share of results of:					
Joint ventures	**–**	**7,626,004**	**–**	**–**	**7,626,004**
Associates	**(16,757)**	**–**	**–**	**–**	**(16,757)**
Profit before income tax expense					**6,292,456**

Operating segments – 2018

	Manufacture and sale of minibuses, MPVs and automotive components RMB'000	Manufacture and sale of BMW vehicles RMB'000	Provision of auto financing service RMB'000	Reconciliation to the Group's consolidated statement of profit or loss and intersegment elimination RMB'000	Total RMB'000
Segment sales	4,000,492	138,704,000	385,758	(138,712,987)	4,377,263
Segment results	(873,783)	16,772,823	3,719	(16,738,144)	(835,385)
Unallocated costs net of unallocated income					(30,467)
Interest income					60,712
Finance costs					(113,927)
Share of results of:					
Joint ventures	–	6,244,848	–	–	6,244,848
Associates	33,265	–	–	–	33,265
Profit before income tax expense					5,359,046

3. REVENUE AND SEGMENT INFORMATION (Continued)

Operating Segments – 2019

	Manufacture and sale of minibuses, MPVs and automotive components RMB'000	Manufacture and sale of BMW vehicles RMB'000	Provision for auto financing service RMB'000	Reconciliation to the Group's consolidated statement of financial position and intersegment elimination RMB'000	Total RMB'000
Segment assets	18,734,602	116,080,980	7,752,825	(116,435,143)	26,133,264
Interests in joint ventures	–	21,555,021	–	–	21,555,021
Interests in associates	1,571,131	–	–	–	1,571,131
Equity investments					6,477
Unallocated assets					204,111
Total assets					49,470,004
Segment liabilities	9,240,705	72,970,938	6,107,833	(73,335,412)	14,984,064
Unallocated liabilities					10,488
Total liabilities					14,994,552
Other disclosures:					
Capital expenditures					
– Owned assets	974,418	6,923,132	7,678	(6,923,132)	982,096
– Right-of-use assets	7,002	1,050,942	–	(1,050,942)	7,002
Depreciation of property, plant and equipment					
– Owned assets	250,154	4,395,528	1,428	(4,395,528)	251,582
– Right-of-use assets	17,466	226,632	5,803	(226,632)	23,269
Amortisation of land lease prepayments	2,116	53,140	–	(53,140)	2,116
Amortisation of intangible assets	122,771	119,398	4,695	(119,398)	127,466
Provision for inventories	165,793	952,824	–	(952,824)	165,793
Write-back of provision for inventories sold	56,854	730,651	–	(730,651)	56,854
Net provision of expected credit loss ("ECL") allowance	1,478	–	76,586	(52,146)	25,918
Impairment losses on assets	283,747	172,517	–	(172,517)	283,747
Income tax expense	2,946	5,127,379	12,508	(4,927,379)	215,454

3. REVENUE AND SEGMENT INFORMATION (Continued)

Operating segments – 2018

	Manufacture and sale of minibuses, MPVs and automotive components RMB'000	Manufacture and sale of BMW vehicles RMB'000	Provision for auto financing service RMB'000	Reconciliation to the Group's consolidated statement of financial position and intersegment elimination RMB'000	Total RMB'000
Segment assets	10,557,393	106,029,613	5,925,012	(106,382,024)	16,129,994
Interests in joint ventures	–	24,074,405	–	–	24,074,405
Interests in associates	1,672,977	–	–	–	1,672,977
Equity investments					12,293
Unallocated assets					210,187
Total assets					42,099,856
Segment liabilities	6,296,042	57,880,804	4,319,122	(58,233,215)	10,262,753
Unallocated liabilities					12,281
Total liabilities					10,275,034
Other disclosures:					
Capital expenditures					
– Owned assets	455,527	5,181,176	7,225	(5,181,176)	462,752
Depreciation of property, plant and equipment					
– Owned assets	156,872	4,392,971	1,211	(4,392,971)	158,083
Amortisation of land lease prepayments	2,116	40,835	–	(40,835)	2,116
Amortisation of intangible assets	113,345	93,821	3,880	(93,821)	117,225
Provision for inventories	46,682	1,048,538	–	(1,048,538)	46,682
Write-back of provision for inventories sold	24,382	540,096	–	(540,096)	24,382
Net provision of ECL allowance	35,031	–	26,339	–	61,370
Impairment losses on assets	285,994	–	–	–	285,994
Income tax expense	62,334	4,281,603	2,218	(4,281,603)	64,552

4. PROFIT BEFORE INCOME TAX EXPENSE

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

	2019 **RMB'000**	2018 RMB'000
Charging:		
ECL allowance on loan and receivables:		
– Accounts receivable (b)	**9,059**	18,262
– Loan receivables (b)	**77,999**	24,808
– Other receivables grouped under other non-current assets (b)	**4**	41
– Accounts receivable from affiliated companies (b)	**450**	16,458
– Amounts due from affiliated companies (b)	**–**	8,748
Impairment losses on owned assets:		
– Property, plant and equipment (b)	**283,747**	50,227
– Intangible assets (b)	**–**	235,767
Staff costs (including directors' emoluments)	**761,030**	710,666
Amortisation of intangible assets (a)	**127,466**	117,225
Amortisation of land lease prepayments	**2,116**	2,116
Loss on disposal of property, plant and equipment	**1,783**	1,329
Loss on disposal of intangible assets	**82**	–
Depreciation of property, plant and equipment:		
– Owned assets	**251,582**	158,083
– Right-of-use assets	**23,269**	–
Cost of inventories	**3,570,892**	3,870,037
Exchange loss, net (b)	**5,476**	–
Provision for inventories	**165,793**	46,682
Auditors' remuneration (b)	**3,286**	3,974
Research and development costs (b)	**142,603**	151,109
Warranty provision (b)	**24,154**	25,065
Lease charges:		
– Land and buildings under operating leases	**–**	31,714
– Short-term leases and leases with lease terms shorter than 12 months at initial application of HKFRS 16	**12,103**	–
– Low value items	**472**	–
Crediting:		
Exchange gain, net (b)	**–**	29,707
Write-back of provision for inventories sold	**56,854**	24,382
Rental income from land and buildings	**5,265**	4,151
Reversal of ECL allowance on:		
– Other receivables (b)	**12,356**	6,947
– Amounts due from affiliated companies (b)	**49,238**	–

4. PROFIT BEFORE INCOME TAX EXPENSE (Continued)

(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.

5. INCOME TAX EXPENSE

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

	2019 RMB'000	2018 RMB'000
Current tax		
PRC corporate income tax		
– Current year	**18,697**	6,746
– Over provision in prior years	**(3,243)**	(194)
PRC withholding tax on dividend	**200,000**	58,000
Total income tax expense	**215,454**	64,552

Reconciliation between tax expense and accounting profit using the weighted average taxation rate of the companies within the Group is as follows:

	2019 RMB'000	2018 RMB'000
Profit before income tax expense	**6,292,456**	5,359,046
Calculated at a weighted average statutory taxation rate in the PRC of 24.97% (2018: 24.62%)	**1,571,129**	1,319,662
Effect of tax holiday	**(260)**	(721)
Non-taxable income net of expenses not deductible for taxation purpose	**(1,911,578)**	(1,575,628)
PRC withholding tax on dividend	**200,000**	58,000
Unrecognised temporary differences	**97,447**	6,370
Unrecognised tax losses net of utilisation of previously unrecognised tax losses	**261,959**	257,063
Over provision in prior years	**(3,243)**	(194)
Tax expense for the year	**215,454**	64,552

6. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company of approximately RMB6,763 million (2018: approximately RMB5,821 million) by the weighted average number of ordinary shares of 5,045,269,000 shares (2018: 5,045,269,000 shares).

Diluted earnings per share is the same as basic earnings per share for the year ended 31st December, 2019 as there was no potential dilutive ordinary share in issue during the year.

There were no dilutive potential ordinary shares outstanding as at 31st December, 2019 (2018: same).

7. ACCOUNTS RECEIVABLE

	2019 **RMB'000**	2018 RMB'000
Accounts receivable	**384,754**	348,782
Accounts receivable from affiliated companies	**697,977**	676,091
	1,082,731	1,024,873

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

	2019 **RMB'000**	2018 RMB'000
Less than six months	**333,196**	294,557
Six months to one year	**11,332**	8,193
Above one year but less than two years	**9,332**	16,924
Above two years but less than five years	**25,549**	23,540
Five years or above	**50,580**	42,321
	429,989	385,535
Less: ECL allowance	**(45,235)**	(36,753)
	384,754	348,782

As at 31st December, 2019, accounts receivable from third parties of approximately RMB61 million (2018: approximately RMB38 million) are substantially denominated in U.S. Dollar or Euro and the rest are denominated in Renminbi. In order to minimise credit risk, credit history and background of new customers and debtors are checked and security deposits or letters of credit are usually obtained from major customers. Credit limits with credit terms of 30 to 90 days are set for PRC customers, and customers considered to be high risk are traded on cash basis or upon receipt of bank guaranteed notes or letters of credit. For overseas customers, since settlements must be made by letters of credit, credit periods up to one year are granted. Designated staff monitors accounts receivable and follow-up collection with customers.

8. ACCOUNTS PAYABLE

	2019	2018
	RMB'000	RMB'000
Accounts payable	**1,101,935**	1,367,949
Accounts payable to affiliated companies	**438,289**	492,101
	1,540,224	1,860,050

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

	2019	2018
	RMB'000	RMB'000
Less than six months	**704,055**	926,794
Six months to one year	**69,717**	77,967
Above one year but less than two years	**53,713**	217,010
Two years or above	**274,450**	146,178
	1,101,935	1,367,949

Accounts payable with balances denominated in currencies other than Renminbi are considered not significant. All these amounts are payable within one year.

9. DIVIDENDS

	2019		2018	
	HK$'000	**RMB'000**	HK$'000	RMB'000
Special dividends of HK$0.74 per share declared during the year (2018: nil)	**3,733,499**	**3,280,290**	–	–
Dividends of HK$0.11 per share declared during the year (2018: HK$0.11 per share)	**554,980**	**487,611**	554,980	483,822
	4,288,479	**3,767,901**	554,980	483,822

The directors of the Company did not recommend any dividend payment at the board meeting held on 27th March, 2020 in respect of the Group's 2019 annual results (2018: nil).

10. CONTINGENT LIABILITIES

Pursuant to an agreement dated 20th November, 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 31st December, 2019, under this agreement, outstanding bank loans and other banking facilities totaling RMB206 million (2018: RMB206 million) were utilised and supported by the Group's bank deposits pledged to and corporate guarantee provided to the banks.

OVERVIEW AND PROSPECTS

China's economic growth further slowed to its weakest pace in almost 30 years in the year 2019, with GDP rising 6.1% compared to 2018. According to the China Association of Automobile Manufacturers, total Chinese vehicle sales decreased by 8.2% to 25.8 million units in 2019. Of this figure, passenger vehicle sales accounted for 21.4 million units, a drop of 9.6% from the previous year. Nevertheless, premium passenger vehicle sales had gone against the negative overall market development, registering unit sales growth of approximately 8.9% during the year. The commendable growth in premium passenger vehicle sales was primarily driven by new product launches and solid demand for premium autos in China.

During the year, BBA had continued to deliver respectable results amidst the incessant economic turmoil caused by the Sino-American trade tension. BBA achieved sales of 545,919 BMW vehicles in 2019, representing an increase of approximately 17.1% compared to the previous year. The joint venture had continued to focus its efforts in production capacity expansion and launch of new models to the market. The new X3 model launched in mid-2018 had contributed full year additional volumes in 2019, and was a major factor for BBA's sales volume improvement achieved during the year. In addition, the all-new 3-series which is the leading premium sports sedan in its segment was launched in July 2019, and the seventh locally produced BMW model, the X2, also came to market at the end of 2019. The launch of the new products further invigorated BBA's product offerings in China, and together with our other key models such as the 5-series, X1 and 1-series sedans continued to deliver sales volumes in 2019. Furthermore, the construction of the third production plant of BBA, as well as the extension of the existing Dadong, Tiexi and battery facilities were all proceeding well on track in 2019.

BBA has also continued to expand its dealer network which had reached 551 full service 4S shops nationwide as at 31st December, 2019. BBA continued to work closely with its sales organisation on all fronts in an effort to sustain the liquidity and profitability of 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, Ling Yue Digital Information Technology Co., Ltd., the wholly-owned subsidiary of BBA formed in January 2019, is the first independent digital company of BMW Group worldwide. It will act as the data service provider and innovation incubator to BBA, with an initial focus on the key areas of IT solutions, data consolidation, and in-car connectivity, which will all work towards facilitating BBA's product engineering and customer retention efforts.

As for our minibus and MPV business under RBJAC, during 2019, this joint venture continued to transform and upgrade itself leveraging on the support of our partner Renault. The joint venture has successfully integrated the Renault-Nissan-Mitsubishi alliance manufacturing quality standard, which enables the sharing of vehicle platform, engines and technology for a new heavy-van model which will be localised in 2021 from the Renault product portfolio. In addition, the company also actively responded to the China 6 emission policy requirement by upgrading its existing model. Furthermore, the joint venture also gained exposure to overseas markets via connection to the Renault sales network, and received favorable feedback on both the quality and performance of its products.

BBAFC, our auto finance subsidiary in China, was able to extensively grow both its new business volume as well as profits during 2019. BBAFC now actively engages with our captive partners – Huachen Group, BMW and RBJAC, our exclusively branded service partner – Jaguar Land Rover, as well as our key strategic partner – Tesla. Over and above these established relationships, further incremental growth was achieved through the realisation of selected 'multi-brand' opportunities, as well as the addition of several leading new energy vehicle manufacturers within the Chinese market. The dedicated focus on continual process optimisation and digitalisation, coupled with a strong emphasis on risk management, were crucial factors for the remarkable growth and positive development throughout the year.

As for 2020, despite the ongoing uncertainties amid the sprawling novel coronavirus pandemic, BBA remains to be cautiously confident about the outlook for the rest of the year. The year 2020 had opened to a great start in January for BBA against a declining market. However, February was hard hit by the Wuhan epidemic, and BBA's deliveries were significantly affected. Supply chain was disrupted, but with the concerted efforts of our purchasing and logistics teams working swiftly to utilise all levers to identify alternative solutions, the supply chain in China has been stabilised. Forced closures of dealer outlets since the end of January have gradually been released, and at this time 95% of our dealer network is opened and active again, albeit with reduced staffing capacity. In general, we have started seeing early signs of improvements in March. With incoming orders gaining momentum and assuming the current positive trend continues, we see a chance for sales to return to a normal level by the end of April, as market demand for premium auto continues to be robust. The launch of the 2020 new models such as the 5-series facelift and the all-new iX3 will proceed in the second half of the year as planned. The iX3, which is the X3 battery electric ("**BEV**") variant, will be the first pure battery electric vehicle to be produced in BBA, and the first world product to be solely offered by BBA via exports to all markets.

In 2020, RBJAC will work towards reinforcing its medium-van market share and penetrating the heavy-van segment, while continuing with the development of electrified models. The joint venture will continue to deepen its co-operation with Renault on vehicle engineering and production management. The product pipeline includes both heavy-van and medium-van models to be launched in the next two to three years which are expected to overhaul the company's performance over time. As for BBAFC, the company will continue to diversify its funding resources through the expansion of numerous local and global banking partnerships, with the implementation of retail co-lending with multiple bank partners to further support the company's aggressive growth strategy. BBAFC is also well on its path to launch its initial long-term international bank syndication loan, which will also further support the growth and funding diversity required in 2020 and beyond.

The rest of 2020 will be extremely challenging for the Group, given the scale of the coronavirus pandemic and deep market uncertainty. The safety and welfare of all our employees will continue to be paramount, while at the same time we will work hard to keep up with business operations while minimising risks. With proper steering and adaptation of a flexible approach, we are confident that our group companies will be able to navigate the unprecedented circumstance which is now before us, and are hopeful that the second half of the year will bring further recovery to the Company's performance.

BUSINESS DISCUSSION & ANALYSIS

The consolidated revenues 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 year ended 31st December, 2019 was RMB3,861.9 million, representing a decrease of 11.8% from the RMB4,377.3 million generated during the year ended 31st December, 2018. The decrease in revenues was mainly due to a drop in the sales volumes of minibuses and MPVs as well as reduced sales of automotive components during the year.

RBJAC sold 40,197 minibuses and MPVs in 2019, which was 6.5% lower than the 43,000 vehicles sold in 2018. Of the minibuses sold, 36,210 units were Haise minibuses, representing a 7.0% decrease from the 38,924 units sold in 2018. The unit sales of Granse MPV also decreased by 6.8% from 3,007 units in 2018 to 2,803 units in 2019. The decrease in the sales volumes of Haise and Granse was due to a matured product portfolio and increasingly intensive market competition. The implementation of certain new regulations in China had also prevented the sale of certain RBJAC products and negatively affected its sales.

Cost of sales decreased by 7.4% from RMB4,090.7 million in 2018 to RMB3,787.6 million in 2019. The percentage decrease in cost of sales was lower than the percentage decrease in revenues, mainly attributable to a change in depreciation policy for tools and moulds, and an increase in certain direct material and production costs. As a result, the gross profit margin of the Group had dropped from 6.5% in 2018 to 1.9% in 2019.

Other income increased by 12.6% from RMB141.3 million in 2018 to RMB159.1 million in 2019 due to an increase in recognised government grant and certain government compensation received for the relocation of a subsidiary's factory during the year.

Interest income increased by 67.1% from RMB60.7 million in 2018 to RMB101.4 million in 2019 due to an increase of cash deposits in the second half of the year as a result of the receipt of dividends from BBA and contribution of additional paid-up capital by the non-controlling interests of RBJAC.

Selling expenses have stayed relatively flat in 2019 compared to 2018, despite a decrease in revenues. As such, selling expenses as a percentage of revenue has risen from 8.6% in 2018 to 9.8% in 2019. The higher selling expense ratio in 2019 was due to increases in advertising and staff costs.

General and administrative expenses increased by 28.5% from RMB918.1 million in 2018 to RMB1,179.4 million in 2019 primarily due to an increase in the provision of inventories not included in costs of sales. As a result, general and administrative expenses as a percentage of revenue have increased from 21.0% in 2018 to 30.5% for 2019.

Finance costs decreased by 16.2% from RMB113.9 million in 2018 to RMB95.5 million in 2019 due to less financing being arranged through discounting of bank guaranteed notes and a decrease in bank borrowings coupled with lower borrowing rates realised over the course of the year.

Net profits contributed to the Group by BBA increased by 22.1% from RMB6,244.8 million in 2018 to RMB7,626.0 million in 2019. The BMW joint venture achieved sales of 545,919 BMW vehicles in 2019, an increase of 17.1% as compared to 466,182 BMW vehicles sold in 2018. The 2019 sales volumes of the BMW models produced and sold by BBA were as follows:

BBA BMW Models	**2019 (Units)**	2018 (Units)	% Change
1-series	**44,965**	41,242	9.0%
2-series	**3,680**	8,503	–56.7%
3-series	**109,199**	134,600	–18.9%
5-series	**163,521**	146,014	12.0%
X1	**97,375**	97,418	– 0.1%
X2	**5,600**	n/a	n/a
X3	**121,579**	38,405	216.6%
Total	**545,919**	466,182	17.1%

The Group's share of results of associates turned from a profit of RMB33.3 million in 2018 to a loss of RMB16.8 million in 2019. This was primarily attributable to weakened results of Xinchen China Power Holdings Limited and Shenyang Aerospace Mitsubishi Motors Engine Manufacturing Co., Ltd. realised during the year.

The Group's profit before income tax expense increased by 17.4% from RMB5,359.0 million in 2018 to RMB6,292.5 million in 2019. Income tax expense increased by 233.6% from RMB64.6 million in 2018 to RMB215.5 million in 2019, primarily due to withholding taxes paid for the dividend income from a subsidiary to the Company.

As a result of the above, the Group recorded net profit attributable to equity holders of the Company of RMB6,762.7 million for the year 2019, representing an increase of 16.2% from the RMB5,820.9 million realised in 2018. Basic earnings per share in 2019 amounted to RMB1.34041, compared to RMB1.15374 in 2018. In addition, return on capital employed (as defined by the EBITDA ÷ average capital employed) for 2019 was 20.6%, compared to 19.7% for 2018.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2019, the Group had RMB6,828.5 million in cash and cash equivalents (As at 31st December, 2018: RMB2,310.5 million), RMB23.3 million in statutory deposit reserves at central bank (As at 31st December, 2018: RMB32.6 million), RMB1,800 million in short-term bank deposits (As at 31st December, 2018: RMB576.3 million) and RMB2,793.9 million in pledged short-term bank deposits (As at 31st December, 2018: RMB1,075.8 million). As at 31st December, 2019, the Group had notes payable in the amount of RMB4,959.3 million (As at 31st December, 2018: RMB1,630.6 million).

As at 31st December, 2019, the Group had outstanding short-term bank borrowings of RMB6,292.0 million (As at 31st December, 2018: RMB4,623.5 million), and long-term bank borrowings due within one year and over one year of RMB20 million (As at 31st December, 2018: RMB20 million) and RMB20 million (As at 31st December, 2018: RMB40 million), respectively.

All short-term bank borrowings as at 31st December, 2019 were due within one year, being repayable from 7th January, 2020 to 23rd December, 2020 (As at 31st December, 2018: repayable from 14th January, 2019 to 5th November, 2019). As at 31st December, 2019, these borrowings were at fixed interest rates and were denominated in Renminbi (As at 31st December, 2018: same). RMB20 million of the long-term bank borrowings as at 31st December, 2019 were due within one year, being repayable from 20th March, 2020 to 20th December, 2020; and RMB20 million were due within 2 years, being repayable from 20th March, 2021 to 1st December, 2021 (As at 31st December, 2018: 3 years). As at 31st December, 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 year ended 31st December, 2019, the Group's accounts receivable turnover days was approximately 98 days, compared to approximately 84 days for 2018. Inventory turnover days was approximately 87 days in 2019, compared to approximately 96 days in 2018.

CAPITAL STRUCTURE AND FUNDING POLICIES

As at 31st December, 2019, the Group's total assets was approximately RMB49,470.0 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 RMB33,528.4 million (As at 31st December, 2018: RMB30,682.6 million), (c) total liabilities of RMB14,994.6 million (As at 31st December, 2018: RMB10,275.0 million) and (d) contribution from non-controlling interests of RMB549.9 million (As at 31st December, 2018: RMB745.1 million). As at 31st December, 2019, 94.8% (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 2.6% (As at 31st December, 2018: 2.0%) were denominated in U.S. Dollar. The remaining balance of 2.6% (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 31st December, 2019, the Group's total available banking facilities for its daily operations amounted to RMB712.7 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

In 2019, the Group incurred capital expenditures of RMB989.1 million (2018: RMB462.8 million) mainly for acquisition of both owned and right-of-use assets of tools and moulds, machinery and equipment, and development costs for minibuses and MPVs as well as specialised software. As at 31st December, 2019, the Group's contracted capital commitments amounted to RMB1,043.9 million (As at 31st December, 2018: RMB275.0 million), which were related to the capital expenditures in respect of construction projects, acquisition of plant facilities and machinery, and product development.

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 year ended 31st December, 2019.

NEW BUSINESS AND NEW PRODUCTS

BBA will be introducing new models of both internal combustion engine and BEV 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 new JinBei products.

BBAFC is holding ongoing discussions with potential new OEM customers and service providers 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 5,610 employees as at 31st December, 2019 (As at 31st December, 2018: approximately 6,540). Employee costs amounted to RMB761.0 million for the year ended 31st December, 2019 (For the year ended 31st December, 2018: RMB710.7 million). The Group will endeavour to ensure that the salary levels of its employees are in line with industry practices and prevailing market conditions, and that employees' remuneration is based on performance.

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

CHARGE ON ASSETS

As at 31st December, 2019, short-term bank borrowings of RMB91 million (As at 31st December, 2018: RMB98 million) were secured by the Group's land lease prepayments with a net book value of RMB2.1 million (As at 31st December, 2018: RMB2.2 million), buildings, tools and moulds, machinery and equipment and construction-in-progress with total net book values of approximately RMB208.0 million (As at 31st December, 2018: RMB220.4 million).

As at 31st December, 2019, long-term bank borrowings of RMB40 million (As at 31st December, 2018: RMB60 million) were secured by the Group's land lease prepayments with a net book value of RMB30.0 million (As at 31st December, 2018: RMB30.6 million) and buildings, plant and equipment with total net book value of RMB33.6 million (As at 31st December, 2018: RMB51.8 million).

In addition, as at 31st December, 2019, the Group pledged short-term bank deposits of RMB2,583.3 million (As at 31st December, 2018: RMB847.1 million) for issue of bank guaranteed notes to trade creditors, RMB210.5 million (As at 31st December, 2018: RMB210.5 million) to secure bank loans granted to a related party of the Group, and RMB0.06 million (As at 31st December, 2018: RMB18.2 million) for joint auto financing arrangement.

As at 31st December, 2019, the Group had also pledged bank guaranteed notes receivable from third parties and related parties in the amount of RMB31.3 million (As at 31st December, 2018: RMB91.9 million) to secure the issue of bank guaranteed notes.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR ADDITIONS OF CAPITAL ASSETS

The Group considers the addition of capital assets used in the development of new vehicles as part of its normal business. The Group did not have other future plans for material investments or capital assets as at the date of this announcement.

GEARING RATIO

As at 31st December, 2019, the gearing ratio, computed by dividing total liabilities by total equity attributable to equity holders of the Company, was approximately 0.44 (As at 31st December, 2018: 0.33). The increase in the gearing ratio was primarily due to increase in notes payable and short-term bank borrowings as at 31st December, 2019 as compared to 31st December, 2018.

FOREIGN EXCHANGE RISKS

The Group considers that exchange rate fluctuations may have some effect on the overall financial performance of the Group but it is still at a manageable level. The Group will continue to monitor the situation and may consider entering into hedging arrangements in order to minimise foreign exchange risks, if and when necessary. There were no outstanding hedging transactions as at 31st December, 2019 (As at 31st December, 2018: nil).

CONTINGENT LIABILITIES

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

DIVIDENDS

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

On 23rd August, 2019, the Board declared a dividend of HK$0.11 (the "**HK$0.11 Dividend**") per ordinary share of the Company to shareholders whose names appear on the register of members of the Company as at 6th September, 2019 (2018: HK$0.11 per ordinary share). The HK$0.11 Dividend was paid on 23rd September, 2019.

The directors of the Company did not recommend any dividend payment at the Board meeting held on 27th March, 2020 in respect of the Group's 2019 annual results (2018: nil).

CLOSURE OF REGISTER OF MEMBERS

The Company's forthcoming annual general meeting will be held on Friday, 26th June, 2020 at 11:00 a.m. (the "**2020 AGM**").

The register of members of the Company will be closed from Monday, 22nd June, 2020 to Friday, 26th June, 2020, both days inclusive, during which period no transfer of shares will be registered. The record date for the 2020 AGM is Monday, 22nd June, 2020. Only shareholders of the Company whose names appear on the register of members of the Company on Monday, 22nd June, 2020 or their proxies or duly authorised corporate representatives are entitled to attend and vote at the 2020 AGM. In order to qualify for attending and voting at the 2020 AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m., Hong Kong time, on Friday, 19th June, 2020.

PROXY LODGMENT DEADLINE DATE AND TIME

Whether or not a shareholder is able to attend the 2020 AGM, he/she is requested to complete the proxy form in accordance with the instructions printed thereon and return it to the office of the Company's branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong before 11:00 a.m., Hong Kong time, on Wednesday, 24th June, 2020, or not less than 48 hours before the time appointed for the holding of any adjourned meeting of the 2020 AGM.

Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the 2020 AGM or any adjourned meeting thereof if they so wish and in such event, the form of proxy will be deemed to be revoked.

IMPORTANT EVENTS AFFECTING THE GROUP THAT HAVE OCCURRED SINCE THE END OF THE FINANCIAL YEAR

The outbreak of novel coronavirus COVID-19 in around late December 2019 has brought uncertainties to the Group's operating environment in the PRC. To combat the spread of the coronavirus, the Chinese government has introduced a number of measures, including but not limited to extending the national Chinese New Year holiday period and suspending public transportation services. As a result, and to limit the spread of the virus by promoting the 'work from home' philosophy, some of our manufacturing plants and offices have been temporarily closed till March 2020. Automotive production and component supply chain have experienced a delay. The Group has put in place contingency measures to lower the impact from the outbreak. The Company will continue to monitor the situation and assess its impact on the Group's operation.

Save as disclosed herein, to the knowledge of the directors of the Company, no important events affecting the Group have occurred since the end of the financial year.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities in 2019.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors, each director of the Company has confirmed that he has complied with the standards set out in the Model Code during the year ended 31st December, 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieving and maintaining the highest standards of corporate governance consistent with the needs and requirements of the business and its shareholders, and consistent with the "Corporate Governance Code" set out in Appendix 14 to the Listing Rules. Throughout the financial year ended 31st December, 2019, the Group has complied with all code provisions which were in effect in the financial year ended 31st December, 2019.

Major updates since the 2018 annual report are summarised in the 2019 annual report to be sent to shareholders of the Company in April 2020.

REVIEW OF FINANCIAL STATEMENTS

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

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the year ended 31st December, 2019 have been agreed by Grant Thornton Hong Kong Limited, the Company's auditor (the "**Auditor**"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Auditor on the preliminary announcement.

PUBLICATION OF ANNUAL REPORT

The 2019 annual report of the Company containing the information required by the Listing Rules will be published on the websites of the SEHK (www.hkexnews.hk) and the Company (www.brillianceauto.com) in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises four executive directors: Mr. Wu Xiao An (also known as Mr. Ng Siu On) *(Chairman)*, Mr. 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, 27th March, 2020