

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

(華晨中國汽車控股有限公司)\*

*(Incorporated in Bermuda with limited liability)*

Stock Code : 1114

**Brilliance Auto**  
華 晨 汽 車



**Interim Report 2016**

*\* for identification purposes only*



## RESULTS

The board of directors (the “Board”) of Brilliance China Automotive Holdings Limited (the “Company”) announces the unaudited consolidated interim financial results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30th June, 2016. The unaudited consolidated interim financial statements have been reviewed by the audit committee of the Board.

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

		<b>(Unaudited)</b>	
		<b>For the six months ended</b>	
		<b>30th June,</b>	
		<b>2016</b>	<b>2015</b>
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Revenue</b>	4	<b>2,485,687</b>	2,058,285
Cost of sales		<b>(2,427,024)</b>	(1,946,758)
		<hr/>	
<b>Gross profit</b>		<b>58,663</b>	111,527
Other income		<b>37,205</b>	9,902
Interest income		<b>24,654</b>	42,749
Selling expenses		<b>(261,176)</b>	(203,725)
General and administrative expenses		<b>(160,481)</b>	(188,468)
Finance costs	6	<b>(70,772)</b>	(74,464)
Share of results of:			
Joint ventures		<b>1,905,948</b>	2,047,257
Associates		<b>148,763</b>	109,586
		<hr/>	
<b>Profit before income tax expense</b>	5	<b>1,682,804</b>	1,854,364
Income tax expense	8	<b>(5,281)</b>	(19,297)
		<hr/>	
<b>Profit for the period</b>		<b>1,677,523</b>	1,835,067

## CONDENSED 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,	
	2016	2015
Note	RMB'000	RMB'000
<b>Attributable to:</b>		
Equity holders of the Company	1,801,901	1,910,480
Non-controlling interests	(124,378)	(75,413)
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	1,677,523	1,835,067
	<hr/>	<hr/>
<b>Earnings per share</b>		
	9	
– Basic	RMB0.35782	RMB0.38014
– Diluted	RMB0.35709	RMB0.37861
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## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited)	
	For the six months ended	
	30th June,	
	2016	2015
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Profit for the period</b>	<b>1,677,523</b>	<b>1,835,067</b>
<b>Other comprehensive income (expense), net of tax</b>		
<i>Item which may be subsequently reclassified to profit or loss:</i>		
Change in fair value of available-for-sale financial assets	<b>(22,354)</b>	48,944
<i>Item which will not be reclassified to profit or loss:</i>		
Share of comprehensive income (expense) of a joint venture	<b>869,575</b>	(738,635)
<b>Other comprehensive income (expense), net of tax</b>	<b>847,221</b>	(689,691)
<b>Total comprehensive income for the period</b>	<b>2,524,744</b>	<b>1,145,376</b>
<b>Attributable to:</b>		
Equity holders of the Company	<b>2,649,122</b>	1,220,789
Non-controlling interests	<b>(124,378)</b>	(75,413)
	<b>2,524,744</b>	<b>1,145,376</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited)	(Audited)
		As at	As at
		30th June,	31st December,
		2016	2015
	Note	RMB'000	RMB'000
<b>Non-current assets</b>			
Intangible assets	11	1,381,986	1,423,193
Property, plant and equipment	11	1,785,479	1,743,057
Construction-in-progress	11	329,962	299,057
Land lease prepayments	11	85,828	86,847
Interests in joint ventures	12	15,787,011	14,011,488
Interests in associates	13	1,596,166	1,577,712
Prepayments for long-term investments	14	600,000	600,000
Available-for-sale financial assets	15	34,995	57,349
Long-term loan receivables	16	191,869	85,417
Other non-current assets		14,893	13,170
<b>Total non-current assets</b>		<b>21,808,189</b>	19,897,290
<b>Current assets</b>			
Cash and cash equivalents	17	1,753,434	1,070,876
Short-term bank deposits		242,864	676,013
Pledged short-term bank deposits	18	1,619,054	1,325,528
Inventories		1,059,344	1,211,004
Accounts receivable	19	1,515,977	1,444,708
Notes receivable	20	576,511	312,486
Other current assets	21	1,540,903	1,134,369
<b>Total current assets</b>		<b>8,308,087</b>	7,174,984

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)**

		(Unaudited)	(Audited)
		As at	As at
		30th June,	31st December,
		2016	2015
	Note	RMB'000	RMB'000
<b>Current liabilities</b>			
Accounts payable	22	3,153,860	3,038,018
Notes payable	23	2,752,539	2,157,010
Other current liabilities	24	1,231,513	1,074,225
Short-term bank borrowings	25	1,235,000	1,585,000
Income tax payable		18,265	17,632
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>8,391,177</b>	<b>7,871,885</b>
		<hr/>	<hr/>
<b>Net current liabilities</b>		<b>(83,090)</b>	<b>(696,901)</b>
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>21,725,099</b>	<b>19,200,389</b>
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Deferred government grants		132,370	136,708
		<hr/>	<hr/>
<b>Net assets</b>		<b>21,592,729</b>	<b>19,063,681</b>
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Share capital	26	396,644	395,877
Reserves	27	22,152,327	19,499,668
		<hr/>	<hr/>
Total equity attributable to equity holders of the Company		22,548,971	19,895,545
Non-controlling interests		(956,242)	(831,864)
		<hr/>	<hr/>
<b>Total equity</b>		<b>21,592,729</b>	<b>19,063,681</b>
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## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30th June, 2015 (Unaudited)

	Attributable to the equity holders of the Company											
	Issued capital RMB'000	Hedging reserve RMB'000	Share premium RMB'000	Investment revaluation reserve RMB'000	Cumulative translation adjustments reserve RMB'000	Difference arising from acquisition of non-controlling interests RMB'000	Share options reserve RMB'000	Capital reserve RMB'000	Retained earnings RMB'000	Total equity attributable to the equity holders of the Company RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1st January, 2015	395,877	(663,931)	2,466,685	16,355	39,179	(537,584)	3,401	120,000	15,286,351	16,931,333	(977,400)	15,953,933
Non-controlling interests arising from investment in a subsidiary	-	-	-	-	-	-	-	-	-	-	360,000	360,000
Profit for the period	-	-	-	-	-	-	-	-	1,910,480	1,910,480	(75,413)	1,835,067
Other comprehensive (expense) income	-	-	-	-	-	-	-	-	-	-	-	-
Share of other comprehensive expense of a joint venture	-	(738,635)	-	-	-	-	-	-	-	(738,635)	-	(738,635)
Change in fair value of available-for-sale financial assets	-	-	-	48,944	-	-	-	-	-	48,944	-	48,944
	-	(738,635)	-	48,944	-	-	-	-	-	(689,691)	-	(689,691)
As at 30th June, 2015	395,877	(1,607,566)	2,466,685	65,299	39,179	(537,584)	3,401	120,000	17,206,831	18,152,122	(692,813)	17,459,309



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

Six months ended 30th June, 2016 (Unaudited)

		Attributable to the equity holders of the Company											
		Issued capital RMB'000	Hedging reserve RMB'000	Share premium RMB'000	Investment revaluation reserve RMB'000	Cumulative translation adjustments reserve RMB'000	Difference arising from acquisition of non- controlling interests RMB'000	Share options reserve RMB'000	Capital reserve RMB'000	Retained earnings RMB'000	Total equity attributable to the equity holders of the Company RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
As at 1st January, 2016		395,877	(971,986)	2,465,685	41,716	39,179	(537,584)	3,401	120,000	18,338,257	19,895,545	(81,864)	19,063,681
Transactions with equity holders of the Company													
Issue of shares by exercise of share options		767	-	5,578	-	-	-	(2,041)	-	-	4,304	-	4,304
Profit for the period		-	-	-	-	-	-	-	1,801,901	1,801,901	(124,378)	1,677,523	
Other comprehensive income (expense)													
Share of other comprehensive expense of a joint venture		-	869,575	-	-	-	-	-	-	-	869,575	-	869,575
Change in fair value of available-for-sale financial assets		-	-	-	(22,354)	-	-	-	-	-	(22,354)	-	(22,354)
		-	869,575	-	(22,354)	-	-	-	-	-	847,221	-	847,221
As at 30th June, 2016		396,644	(102,411)	2,472,263	19,362	39,179	(537,584)	1,360	120,000	20,140,158	22,548,971	(96,242)	21,592,729

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>(Unaudited)</b>	
	<b>For the six months ended</b>	
	<b>30th June,</b>	
	<b>2016</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Net cash used in operating activities</b>	<b>(330,967)</b>	<b>(296,522)</b>
<b>Net cash generated from investing activities</b>	<b>974,479</b>	<b>253,447</b>
<b>Net cash generated from financing activities</b>	<b>39,046</b>	<b>715,945</b>
<b>Increase in cash and cash equivalents</b>	<b>682,558</b>	<b>672,870</b>
<b>Cash and cash equivalents, as at 1st January</b>	<b>1,070,876</b>	<b>1,178,583</b>
<b>Cash and cash equivalents, as at 30th June</b>	<b>1,753,434</b>	<b>1,851,453</b>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Organisation and operations

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

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

### 2. Statement of compliance and accounting policies

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

These interim financial statements have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31st December, 2015, except for the adoption of the new and revised HKFRSs (which include individual HKFRSs, HKASs and interpretations) as disclosed in note 3 to these condensed consolidated financial statements.

These interim financial statements are unaudited and do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31st December, 2015.

### 3. Adoption of new or amended HKFRSs

In the current period, the Group has applied for the first time the following new and revised standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and are effective for the Group's financial statements for the annual financial period beginning on 1st January, 2016.

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

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

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

#### 4. Segment information

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

The Group has identified the following reportable segments:

- Manufacture and sale of minibuses and automotive components; and
- Manufacture and sale of BMW vehicles.

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

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

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

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

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

	(Unaudited)			Total <i>RMB'000</i>
	Manufacture and sale of minibuses and automotive components <i>RMB'000</i>	Manufacture and sale of BMW vehicles <i>RMB'000</i>	Reconciliation to the Group's condensed statement of profit or loss <i>RMB'000</i>	
Segment sales	2,485,687	44,680,356	(44,680,356)	2,485,687
Segment results	(310,239)	5,091,707	(5,091,707)	(310,239)
Impairment losses on assets				(7,969)
Unallocated costs net of unallocated revenue				(7,581)
Interest income				24,654
Finance costs				(70,772)
Share of results of:				
Joint ventures	(2,055)	1,908,003	-	1,905,948
Associates	148,763	-	-	148,763
Profit before income tax expense				1,682,804

#### 4. 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, 2015

	(Unaudited)			
	Manufacture and sale of minibuses and automotive components <i>RMB'000</i>	Manufacture and sale of BMW vehicles <i>RMB'000</i>	Reconciliation to the Group's condensed statement of profit or loss <i>RMB'000</i>	Total <i>RMB'000</i>
Segment sales	2,058,285	45,935,546	(45,935,546)	2,058,285
Segment results	(247,471)	5,493,848	(5,493,848)	(247,471)
Impairment losses on assets				(522)
Unallocated costs net of unallocated revenue				(22,771)
Interest income				42,749
Finance costs				(74,464)
Share of results of:				
Joint ventures	(2,710)	2,049,967	–	2,047,257
Associates	109,586	–	–	109,586
Profit before income tax expense				1,854,364

#### The assets and liabilities by reportable segments as at 30th June, 2016

	(Unaudited)			
	Manufacture and sale of minibuses and automotive components <i>RMB'000</i>	Manufacture and sale of BMW vehicles <i>RMB'000</i>	Reconciliation to the Group's condensed statement of financial position <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	11,728,923	63,677,320	(63,677,320)	11,728,923
Interests in joint ventures	7,639	15,779,372	–	15,787,011
Interests in associates	1,596,166	–	–	1,596,166
Available-for-sale financial assets				34,995
Prepayments for a long-term investment				600,000
Advance to a shareholder of a related party				300,000
Unallocated assets				69,181
<b>Total assets</b>				<b>30,116,276</b>
Segment liabilities	8,515,041	32,118,575	(32,118,575)	8,515,041
Unallocated liabilities				8,506
<b>Total liabilities</b>				<b>8,523,547</b>

#### 4. Segment information (Cont'd)

The assets and liabilities by reportable segments as at 31st December, 2015

(Audited)				
	Manufacture and sale of minibuses and automotive components <i>RMB'000</i>	Manufacture and sale of BMW vehicles <i>RMB'000</i>	Reconciliation to the Group's condensed statement of financial position <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	10,438,762	66,200,422	(66,200,422)	10,438,762
Interests in joint ventures	9,704	14,001,784	–	14,011,488
Interests in associates	1,577,712	–	–	1,577,712
Available-for-sale financial assets				57,349
Prepayments for long-term investments				600,000
Advance to a shareholder of a related party				300,000
Unallocated assets				86,983
<b>Total assets</b>				<b>27,072,274</b>
Segment liabilities	7,999,111	38,196,856	(38,196,856)	7,999,111
Unallocated liabilities				9,482
<b>Total liabilities</b>				<b>8,008,593</b>

#### 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,		
	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
<b>Charging:</b>		
Impairment losses on:		
– Accounts receivable (b)	–	348
– Other receivables (b)	4,587	174
– Loan receivables (b)	3,382	–
Cost of inventories	2,435,401	1,950,427
Amortisation of intangible assets (a)	65,607	13,443
Depreciation of property, plant and equipment	62,853	61,767
Amortisation of land lease prepayments	1,019	729
Staff costs (including directors' emoluments) (Note 7)	411,562	394,303
Research and development costs (b)	2,590	3,303
Provision for warranty	12,291	10,994
Operating lease charges for land and buildings	13,003	11,262
Loss on disposal of property, plant and equipment	299	98
<b>Crediting:</b>		
Write back of provision for accounts receivable	94	–
Write back of provision for other receivables	4,500	–
Write back of provision for loan receivables	617	–
Write back of provision for inventories sold	8,376	3,669

(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. Finance costs

	(Unaudited)	
	For the six months ended 30th June,	
	2016	2015
	RMB'000	RMB'000
Interest expense on:		
– Bank loans wholly repayable within one year	41,252	45,216
– Discounted bank guaranteed notes	34,461	34,069
	<hr/>	<hr/>
	75,713	79,285
Less: interest expense capitalised in intangible assets and construction-in-progress at the rate of 5.3% per annum (2015: 5.6% per annum)	(4,941)	(4,821)
	<hr/>	<hr/>
	70,772	74,464
	<hr/>	<hr/>

7. Staff costs (including directors' emoluments)

	(Unaudited)	
	For the six months ended 30th June,	
	2016	2015
	RMB'000	RMB'000
Wages, salaries and performance related bonus	313,164	306,284
Pension costs – defined contribution plans	38,390	33,988
Staff welfare costs	60,008	54,030
	<hr/>	<hr/>
	411,562	394,302
	<hr/>	<hr/>

8. Income tax expense

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

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

## 9. Earnings per share

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

	(Unaudited)	
	For the six months ended 30th June,	
	2016	2015
	'000	'000
Issued shares as at 1st January,	5,025,769	5,025,769
Effect of share options exercised	<u>10,019</u>	–
Weighted average number of ordinary shares for calculating basic earnings per share	<b>5,035,788</b>	5,025,769
Weighted average number of ordinary shares deemed issued under the Company's share option scheme	<u>10,337</u>	20,332
Weighted average number of ordinary shares for calculating diluted earnings per share	<b>5,046,125</b>	5,046,101

## 10. Dividend

The directors declared a dividend of HK\$0.11 per share (2015: HK\$0.11 per share) totaling HK\$554,122,000 (2015: HK\$552,835,000) at the board meeting held on 26th August, 2016.

## 11. Capital expenditures

	(Unaudited)			
	Intangible assets RMB'000	Property, plant and equipment RMB'000	Construction- in-progress RMB'000	Land lease prepayments RMB'000
Net book value as at 1st January, 2016	1,423,193	1,743,057	299,057	86,847
Additions	22,488	87,500	51,398	–
Transfer	1,912	18,581	(20,493)	–
Disposals	–	(806)	–	–
Amortisation/Depreciation	(65,607)	(62,853)	–	(1,019)
<b>Net book value as at 30th June, 2016</b>	<b>1,381,986</b>	<b>1,785,479</b>	<b>329,962</b>	<b>85,828</b>



12. Interests in joint ventures

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2016	2015
	RMB'000	RMB'000
Share of net assets by equity method		
– Unlisted joint ventures	15,787,011	14,011,488

The assets and liabilities of BMW Brilliance and the respective net assets shared by the Group are as follows:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2016	2015
	RMB'000	RMB'000
Non-current assets	40,355,481	39,051,749
Current assets	23,321,839	27,148,673
Current liabilities	(28,096,258)	(34,035,515)
Non-current liabilities	(4,022,317)	(4,161,341)
Net assets	31,558,745	28,003,566
Proportion of the Group's ownership interest in BMW Brilliance	50%	50%
Carrying amount of the Group's interest in BMW Brilliance	15,779,373	14,001,783

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

	(Unaudited)	
	For the six months ended 30th June,	
	2016	2015
	RMB'000	RMB'000
Revenue	44,680,356	45,935,546
Profit for the period	5,091,707	5,493,848
Dividends received from the joint venture	1,000,000	1,000,000

### 13. Interests in associates

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2016	2015
	RMB'000	RMB'000
Share of net assets by equity method and goodwill		
– Associates listed in Hong Kong	917,686	877,805
– Unlisted associates	678,480	699,907
	<u>1,596,166</u>	<u>1,577,712</u>
Fair value of investment in associates listed in Hong Kong	<u>318,320</u>	<u>596,079</u>

There is no associate that is individually material to the Group. The Group's share of aggregate financial information of the associates for the six months ended 30th June, 2016 is summarised as follows:

	(Unaudited)	
	For the six months ended 30th June,	
	2016	2015
	RMB'000	RMB'000
Net profit and other comprehensive income attributable to the Group	<u>148,763</u>	109,586
Dividends received from associates	<u>129,780</u>	58,695

### 14. Prepayments for long-term investments

The Group entered into two agreements in 2003 to acquire effectively in aggregate the indirect equity interest of 33.35% in Shenyang JinBei Automotive Co., Ltd. ("JinBei"), a company listed on the Shanghai Stock Exchange, for a consideration of RMB600 million.

Although the acquisitions have been approved by State-owned Assets Supervision and Administration Commission of Liaoning Provincial Government and the State-Owned Assets Supervision and Administration Commission of the State Council, the acquisitions are still subject to the granting of a waiver by the China Securities Regulatory Commission.

As at 30th June, 2016 and 31st December, 2015, the consideration of RMB600 million paid was recorded as prepayments for a long-term investment. The directors have assessed the fair value of the underlying shares of JinBei and are satisfied that the recoverability of the prepayments is supported by the underlying shares of JinBei.

The directors are currently evaluating market situation and considering potential options for this investment in light of the Group's latest strategy and future plans.

15. Available-for-sale financial assets

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2016	2015
	RMB'000	RMB'000
Equity investments		
– Unlisted, at cost	4,138	4,138
– Listed in Hong Kong, at fair value	30,857	53,211
	<hr/>	<hr/>
	34,995	57,349
	<hr/>	<hr/>

16. Long-term loan receivables

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2016	2015
	RMB'000	RMB'000
Loan receivables from customers	539,734	182,420
Less: provision for doubtful debts	(5,504)	(2,739)
	<hr/>	<hr/>
	534,230	179,681
Less: current portion (Note 21)	(342,361)	(94,264)
	<hr/>	<hr/>
Non-current portion	191,869	85,417
	<hr/>	<hr/>
	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2016	2015
	RMB'000	RMB'000
Gross loan receivables recoverable:		
– No later than 1 year	345,869	95,700
– Later than 1 year and no later than 5 years	193,865	86,720
– Later than 5 years	–	–
	<hr/>	<hr/>
	539,734	182,420
	<hr/>	<hr/>

All loan receivables were derived from the business of provision of auto-financing by Brilliance-BEA Auto Finance Co., Ltd. during the period. The balances are denominated in Renminbi and secured by the motor vehicles.

The Group reviews regularly the recoverable amount of each individual receivable and adequate provision is made for any balance determined to be unrecoverable.

17. **Cash and cash equivalents**

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

18. **Pledged short-term bank deposits**

Pledged short-term bank deposits were for the following purposes:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2016	2015
	RMB'000	RMB'000
Issue of bank guaranteed notes to trade creditors ( <i>Note</i> )	1,408,524	1,114,998
Bank loans granted to JinBei ( <i>Note 28(a)</i> )	210,530	210,530
	<hr/>	<hr/>
	1,619,054	1,325,528
	<hr/>	<hr/>

*Note:* In addition to short-term bank deposits, as at 30th June, 2016, the Group had also pledged bank guaranteed notes receivable from third parties and affiliated companies of approximately RMB59.0 million (*as at 31st December, 2015: approximately RMB66.5 million*) for issue of bank guaranteed notes.

19. **Accounts receivable**

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2016	2015
	RMB'000	RMB'000
Accounts receivable	487,218	597,983
Accounts receivable from affiliated companies (Note 28(c))	1,028,759	846,725
	<hr/>	<hr/>
	1,515,977	1,444,708
	<hr/>	<hr/>

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

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2016	2015
	RMB'000	RMB'000
Less than six months	218,215	235,945
Six months to one year	33,994	11,282
Above one year but less than two years	218,992	335,768
Two years or above	37,572	36,637
	<hr/>	<hr/>
	508,773	619,632
Less: Provision for doubtful debts	(21,555)	(21,649)
	<hr/>	<hr/>
	487,218	597,983
	<hr/>	<hr/>

As at 30th June, 2016, accounts receivable from third parties in the amount of RMB260 million (as at 31st December, 2015: RMB401 million) were mainly denominated in U.S. Dollar and the rest were denominated in Renminbi. The Group's credit policy is to offer credit to customers following a financial assessment and with reference to the payment record. In order to minimise credit risk, credit history and background of new customers and debtors are checked and security deposits or letters of credit are usually obtained from major customers. Credit limits with credit terms of 30 days to 90 days are set for PRC customers and customers considered to be high risk are traded on cash basis or upon receipt of bank guaranteed notes or letters of credit. For overseas customers, since settlements must be made by letters of credit, credit periods up to one year are granted. Designated staff monitors accounts receivable and follow up collection with customers.

20. **Notes receivable**

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2016	2015
	RMB'000	RMB'000
Notes receivable	105,478	36,350
Notes receivable from affiliated companies (Note 28(d))	471,033	276,136
	<hr/>	<hr/>
	576,511	312,486
	<hr/>	<hr/>

All notes receivable are denominated in Renminbi and are primarily notes received from customers for settlement of accounts receivable balances. As at 30th June, 2016, all notes receivable were guaranteed by established banks in the PRC with maturities of less than six months from 30th June, 2016 (as at 31st December, 2015: same).

21. **Other current assets**

		(Unaudited)	(Audited)
		As at	As at
		30th June,	31st December,
		2016	2015
	Note	RMB'000	RMB'000
Other receivables	21(a)	460,285	441,031
Prepayments and other current assets		74,433	63,718
Other taxes recoverable		16,924	46,148
Amounts due from affiliated companies	28(e)	646,900	489,208
Short-term loan receivables		342,361	94,264
		<hr/>	<hr/>
		1,540,903	1,134,369
		<hr/>	<hr/>

21(a). Other receivables

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Advance to Shenyang Automobile Industry Asset Management Company Limited ("SAIAM")	300,000	300,000
Others	248,937	229,596
	<hr/>	<hr/>
	548,937	529,596
Less: Provision for doubtful debts	(88,652)	(88,565)
	<hr/>	<hr/>
	460,285	441,031
	<hr/>	<hr/>

All other receivables are denominated in Renminbi. SAIAM will become a subsidiary of the Group after the completion of the acquisition of SAIAM as detailed in note 14. The amount advanced to SAIAM will be settled upon the completion of the acquisition. In view of the substantial assets in JinBei possessed by SAIAM, the management considers the credit risk in recovering this amount to be minimal.

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

22. Accounts payable

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Accounts payable	1,920,483	1,774,284
Accounts payable to affiliated companies (Note 28(f))	1,233,377	1,263,734
	<hr/>	<hr/>
	3,153,860	3,038,018
	<hr/>	<hr/>

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

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Less than six months	1,438,574	1,358,896
Six months to one year	310,782	222,421
Above one year but less than two years	53,796	63,462
Two years or above	117,331	129,505
	<hr/>	<hr/>
	1,920,483	1,774,284
	<hr/>	<hr/>

23. Notes payable

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2016	2015
	RMB'000	RMB'000
Notes payable	2,719,939	2,054,510
Notes payable to affiliated companies (Note 28(g))	32,600	102,500
	<hr/>	<hr/>
	2,752,539	2,157,010
	<hr/>	<hr/>

24. Other current liabilities

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2016	2015
	RMB'000	RMB'000
Customer advances	49,202	39,064
Other payables	782,400	765,653
Accrued expenses and other current liabilities	58,958	70,688
Other taxes payable	45,543	62,011
Provision for warranty	14,104	13,858
Deferred government grants	2,440	4,879
Amounts due to affiliated companies (Note 28(h))	278,866	118,072
	<hr/>	<hr/>
	1,231,513	1,074,225
	<hr/>	<hr/>

25. Short-term bank borrowings

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2016	2015
	RMB'000	RMB'000
Secured bank borrowings	130,000	110,000
Unsecured bank borrowings	1,105,000	1,475,000
	<hr/>	<hr/>
	1,235,000	1,585,000
	<hr/>	<hr/>



25. **Short-term bank borrowings (Cont'd)**

All short-term bank borrowings as at 30th June, 2016 were interest-bearing at rates ranging from 4.35% to 5.578% per annum (as at 31st December, 2015: 4.35% to 6.72% per annum) and repayable from 3rd July, 2016 to 27th June, 2017 (as at 31st December, 2015: repayable from 13th January, 2016 to 10th November, 2016).

As at 30th June, 2016, these bank borrowings are secured by the Group's buildings with net book values of approximately RMB123.2 million (as at 31st December, 2015: RMB110.2 million).

26. **Share capital**

	<b>(Unaudited)</b>		<b>(Audited)</b>	
	<b>As at 30th June, 2016</b>		<b>As at 31st December, 2015</b>	
	<b>Number of shares</b>	<b>Amount</b>	<b>Number of shares</b>	<b>Amount</b>
	<b>'000</b>	<b>US\$'000</b>	<b>'000</b>	<b>US\$'000</b>
Authorised				
Ordinary shares at par value of US\$0.01 each	8,000,000	80,000	8,000,000	80,000

	<b>(Unaudited)</b>		<b>(Audited)</b>	
	<b>As at 30th June, 2016</b>		<b>As at 31st December, 2015</b>	
	<b>Number of shares</b>	<b>Amount</b>	<b>Number of shares</b>	<b>Amount</b>
	<b>'000</b>	<b>RMB'000</b>	<b>'000</b>	<b>RMB'000</b>
Issued and fully paid				
Ordinary shares at par value of US\$0.01 each				
At beginning of period/year	5,025,769	395,877	5,025,769	395,877
Issue of new shares by exercising share options	11,700	767	–	–
	<b>5,037,469</b>	<b>396,644</b>	<b>5,025,769</b>	<b>395,877</b>

During the period, a total of 11,700,000 ordinary shares with par value of US\$0.01 each were issued as a result of exercise of share options at an aggregate consideration of approximately RMB4,304,000 of which RMB5,578,000 was credited to share premium account and RMB2,041,000 was debited to the share option reserve.

27. RESERVES

	Hedging reserve	Share premium	Investment revaluation reserve	Difference		Share options reserve	Capital reserve	Retained earnings	Total
				Cumulative translation adjustments	arising from acquisition of non-controlling interests				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note a)						(Note b)	(Note c)	
As at 1st January, 2015	(868,931)	2,466,685	16,355	39,179	(537,584)	3,401	120,000	15,296,351	16,535,456
Dividends	-	-	-	-	-	-	-	(452,827)	(452,827)
Total comprehensive income	(103,055)	-	25,361	-	-	-	-	3,494,733	3,417,039
As at 31st December, 2015	(971,986)	2,466,685	41,716	39,179	(537,584)	3,401	120,000	18,338,257	19,499,668
As at 1st January, 2016	(971,986)	2,466,685	41,716	39,179	(537,584)	3,401	120,000	18,338,257	19,499,668
Issue of shares by exercise of share options	-	5,578	-	-	-	(2,041)	-	-	3,537
Total comprehensive income	869,575	-	(22,354)	-	-	-	-	1,801,901	2,649,122
As at 30th June, 2016	(102,411)	2,472,263	19,362	39,179	(537,584)	1,360	120,000	20,140,158	22,152,327

- (a) Hedging reserve represents the Group's share of the hedging reserve in the equity of a joint venture. Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, or the foreign currency risk of a committed future transaction, the effective portion of any gains or losses on remeasurement of the derivative financial instrument to fair value are recognised in other comprehensive income and accumulated separately in equity in the hedging reserve.
- (b) In 2003, as approved by the board of directors of Shenyang XingYuanDong Automobile Component Co., Ltd. ("**Xing Yuan Dong**"), a subsidiary of the Company, in accordance with the relevant laws and regulations, dedicated capital of Xing Yuan Dong amounting to RMB120 million was released for capitalisation of paid up registered capital. Such release of dedicated capital is credited to the capital reserve.
- (c) The Group's retained earnings included an amount of approximately RMB1,455,367,000 (as at 31st December, 2015: RMB1,455,370,000) reserved by the subsidiaries in the PRC in accordance with the relevant PRC regulations. The PRC laws and regulations require companies registered in the PRC to allocate 10% of their profits after tax (determined under PRC GAAP) to their respective statutory reserves. No allocation to the statutory reserves is required after the balance of such reserve reaches 50% of the registered capital of the respective companies. The statutory surplus reserves shall only be used to make up losses of the company, to expand the company's production operations, or to increase the capital of the company.

## 28. Connected and related party transactions

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

In accordance with HKAS24 (Revised) "Related Party Disclosures" ("**HKAS24**"), other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC Government ("**government-related entities**") are regarded as related parties of the Group.

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

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

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

<b>Name</b>	<b>Relationship</b>
Huachen Automotive Group Holdings Company Limited (" <b>Huachen</b> ")	Major shareholder of the Company
JinBei	A shareholder of Shenyang Brilliance JinBei Automobile Co., Ltd. (" <b>Shenyang Automotive</b> "), a subsidiary of the Company
Shanghai Shenhua Holdings Co., Ltd. (" <b>Shanghai Shenhua</b> ")	Common directorship of certain directors of the Company
Brilliance Holdings Limited (" <b>BHL</b> ")	Common directorship of a director of the Company

Huachen and JinBei are PRC government-related entities, and are connected persons of the Company under the Listing Rules, with which the Group has material transactions.

28. **Connected and related party transactions (Cont'd)**

- (a) The related party transactions in respect of items listed below also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules:

	(Unaudited)	
	For the six months ended	
	30th June,	
	2016	2015
	RMB'000	RMB'000
Sales of goods:		
– Huachen and its affiliated companies	418,974	121,185
Purchases of goods:		
– Affiliated companies of JinBei	176,570	248,057
– Huachen and its affiliated companies	276,465	263,472
Sub-contracting charges to:		
– Huachen and its affiliated companies	16,291	9,008

Pursuant to an agreement entered into between a member of the Group and JinBei, 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, 2015: RMB600 million) for the period from 1st January, 2016 to 31st December, 2016. As at 30th June, 2016, under this agreement, JinBei and its subsidiaries had outstanding bank loans and other banking facilities totalling RMB520 million (as at 31st December, 2015: RMB530 million) of which RMB200 million (as at 31st December, 2015: RMB200 million) and RMB320 million (as at 31st December, 2015: RMB330 million) were supported by the Group's bank deposits pledged to and corporate guarantee provided to the banks, respectively.

In addition to the above, during the period the Company incurred operating lease rental on land and buildings of RMB1,758,000 (six months ended 30th June, 2015: RMB1,758,000) to Huachen and sold goods to affiliated companies of JinBei in the amount of RMB254,000 (six months ended 30th June, 2015: RMB588,000). These transactions constitute continuing connected transactions but are exempt from the requirements of reporting, annual review, announcement and independent shareholders' approval under Chapter 14A of the Listing Rules.

28. **Connected and related party transactions (Cont'd)**

(b) In addition to the above, the Group also had the following material related party transactions:

	(Unaudited)	
	For the six months ended	
	30th June,	
	2016	2015
	<b>RMB'000</b>	<i>RMB'000</i>
Sales of goods:		
– Shanghai Shenhua and its affiliated companies	1,577,051	1,535,401
– Joint ventures	2,947	4,648
– Associates	79,777	60,212
Purchases of goods:		
– Joint ventures	105,969	161,117
– Associates	183,384	312,684
– Shanghai Shenhua and its affiliated companies	3,139	3,520
Operating lease rental on land and buildings charged by Shanghai Shenhua	296	296
Interest from Xinhua Investment Holdings Limited ("Xinhua Investment") (Note 28(e))	4,331	4,056

The above sale and purchase transactions were carried out after negotiations between the Group and the affiliated companies in the ordinary course of business and on the basis of estimated market value as determined by the directors.

In addition, the Group had provided a corporate guarantee up to a maximum amount of RMB60 million (as at 31st December, 2015: RMB60 million) for the period from 1st January, 2016 to 31st December, 2016 for revolving bank loans and bank guaranteed notes to Shanghai Shenhua. As at 30th June, 2016, RMB60 million (as at 31st December, 2015: RMB60 million) of this corporate guarantee was fully utilised by Shanghai Shenhua.

28. Connected and related party transactions (Cont'd)

(c) As at 30th June, 2016, accounts receivable from affiliated companies consisted of the following:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Accounts receivable from related parties:		
– Shanghai Shenhua and its affiliated companies	476,625	370,975
– Affiliated companies of JinBei	35,125	31,329
– Huachen and its affiliated companies	497,641	433,739
– Associates	38,389	22,178
– A joint venture	1,293	7,939
– An affiliated company of a shareholder of a joint venture	1,074	1,953
	<hr/>	<hr/>
	1,050,147	868,113
Less: Provision for doubtful debts	(21,388)	(21,388)
	<hr/>	<hr/>
	1,028,759	846,725
	<hr/>	<hr/>

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

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Less than six months	716,417	696,954
Six months to one year	190,209	21,315
Above one year but less than two years	33,715	67,397
Two years or above	109,806	82,447
	<hr/>	<hr/>
	1,050,147	868,113
	<hr/>	<hr/>

28. **Connected and related party transactions (Cont'd)**

(d) As at 30th June, 2016, notes receivable from affiliated companies arising from trading activities consisted of the following:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Notes receivable from related parties:		
– Affiliated companies of JinBei	1,614	427
– Shanghai Shenhua and its affiliated companies	287,529	108,071
– Associates	100,125	69,303
– Huachen and its affiliated companies	81,765	98,335
	<hr/>	
	471,033	276,136
	<hr/>	

(e) As at 30th June, 2016, amounts due from affiliated companies consisted of:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due from related parties:		
– Joint ventures	85,768	88,489
– Associates	85,446	85,377
– Shanghai Shenhua	14,050	14,050
– Huachen and its affiliated companies	166,199	12,662
– Xinhua Investment	332,681	323,219
– JinBei and its affiliated companies	54,904	57,559
	<hr/>	
	739,048	581,356
Less: Provision for doubtful debts	(92,148)	(92,148)
	<hr/>	
	646,900	489,208
	<hr/>	

Amounts due from affiliated companies are unsecured, interest-free and repayable on demand, except for the amount due from Xinhua Investment, a shareholder of Xinchun China Power Holdings Limited, an associate of the Group, which is secured by all assets of that shareholder, interest-bearing at 3% per annum and repayable in August 2017.

28. **Connected and related party transactions (Cont'd)**

(f) As at 30th June, 2016, accounts payable to affiliated companies arising from trading activities consisted of the following:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Accounts payable to related parties:		
– Associates	319,313	451,993
– Joint ventures	152,013	107,229
– Huachen and its affiliated companies	430,084	419,329
– An affiliated company of BHL	33,827	33,718
– Shanghai Shenhua and its affiliated companies	8,086	40,172
– Affiliated companies of JinBei	290,051	211,290
– Affiliated companies of a shareholder of a joint venture	3	3
	<hr/>	<hr/>
	1,233,377	1,263,734
	<hr/>	<hr/>

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

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Less than six months	861,867	1,073,380
Six months to one year	244,905	63,497
Above one year but less than two years	50,426	56,537
Two years or above	76,179	70,320
	<hr/>	<hr/>
	1,233,377	1,263,734
	<hr/>	<hr/>

(g) As at 30th June, 2016, notes payable to affiliated companies arising from trading activities consisted of the following:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Notes payable to related parties:		
– Affiliated companies of JinBei	–	3,050
– A joint venture	11,600	44,000
– Associates	21,000	55,450
	<hr/>	<hr/>
	32,600	102,500
	<hr/>	<hr/>



28. **Connected and related party transactions (Cont'd)**

(h) As at 30th June, 2016, amounts due to affiliated companies consisted of the following:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2016	2015
	RMB'000	RMB'000
Amounts due to related parties:		
– Associates	9,438	5,519
– Huachen and its affiliated companies	226,908	68,797
– Affiliated companies of BHL	28,259	28,182
– Affiliated companies of Shanghai Shenhua	4,620	5,438
– JinBei and its affiliates	9,621	10,116
– Other affiliated company	20	20
	<hr/>	
	278,866	118,072
	<hr/>	

The amounts due to affiliated companies are unsecured, interest-free and repayable on demand.

(i) Pursuant to a trademark license agreement, JinBei granted Shenyang Automotive the right to use the JinBei trademark on its products and marketing materials indefinitely.

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

	(Unaudited)	
	For the six months ended	
	30th June,	
	2016	2015
	RMB'000	RMB'000
Short-term employee benefits	9,324	10,466
	<hr/>	

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

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

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

29. Commitments

(a) Capital commitments

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted but not provided for:		
– Construction projects	9,935	73,561
– Acquisition of plant and machinery	298,029	173,435
– Others	133,286	14,757
	<hr/>	<hr/>
	441,250	261,753
	<hr/>	<hr/>
Authorised but not contracted for:		
– Construction projects and acquisition of plant and machinery	114,381	59,804
	<hr/>	<hr/>

(b) Operating lease commitments

As at 30th June, 2016, the Group had future aggregate minimum lease payments payable under non-cancellable operating leases in respect of leased properties as follows:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	22,723	23,073
In the second to fifth years inclusive	32,652	40,357
Over five years	11,360	13,841
	<hr/>	<hr/>
	66,735	77,271
	<hr/>	<hr/>

## MANAGEMENT'S DISCUSSION & ANALYSIS

### Business Discussion and Analysis

The unaudited consolidated net sales of the Group (which comprised primarily those derived from the minibus business operated by our major operating subsidiaries such as Shenyang Automotive and Xing Yuan Dong for the first six months of 2016 was RMB2,485.7 million, representing an increase of 20.8% from the RMB2,058.3 million for the same period in 2015. The increase in revenue was primarily driven by increases in the sales volumes of Granse and Huasong, both of which are high end products compared to Haise, and an increase in the sale of automotive components.

Shenyang Automotive sold 31,547 minibuses and MPVs in the first half of 2016, representing a 4.5% increase from the 30,190 units sold during the same period in 2015. Of these, 24,768 units were Haise minibuses, representing a decrease of 8.4% from 27,046 units sold during the first six months of 2015. The decrease in the sales volume of Haise during the first half of 2016 was primarily caused by intense price competition from other minibuses manufacturers in the similar market sector for lower end minibuses. On the other hand, sales volume of the Granse products increased by 75.3% from 3,005 units for the first half of 2015 to 5,267 units for the corresponding period in 2016. The increase was a result of price repositioning initiatives undertaken by the Group during the period. In addition, Shenyang Automotive also sold 1,512 units of the new Huasong 7 MPV during the first six months of 2016, compared to 139 units during the period from its launch in March 2015 to June 2015.

Unaudited cost of sales increased by 24.7% from RMB1,946.8 million in the first six months of 2015 to RMB2,427.0 million for the same period in 2016. The proportionally higher increase in cost of sales as compared to the increase in revenue during the first half of 2016 was mainly due to a higher amortisation of intangible assets in relation to Huasong recorded during the period. As a result, the unaudited gross profit margin of the Group dropped to 2.4% in the first half of 2016 from 5.4% in the same period in 2015.

Unaudited other income increased by 2.8 times from RMB9.9 million in the first six months of 2015 to RMB37.2 million for the same period in 2016. The increase was primarily due to an increase in government grants received during the period, as well as an increase in exchange gains from the translation of foreign currency denominated balances as a result of RMB depreciation.

Unaudited interest income decreased by 42.3% from RMB42.7 million in the first six months of 2015 to RMB24.7 million for the same period in 2016 due to lower cash balances kept in fixed deposits and a decrease in interest rates during the period.

Unaudited selling expenses increased by 28.2% from RMB203.7 million in the first half of 2015 to RMB261.2 million for the same period in 2016. The increase in selling expenses was driven mainly by an increase in advertising activities to promote the Huasong 7 MPV. Selling expense as a percentage of revenue increased from 9.9% to 10.5% between the two periods for the same reason.

Unaudited general and administrative expenses decreased by 14.9% from RMB188.5 million in the first six months of 2015 to RMB160.5 million for the same period in 2016 due to the fact that certain startup costs related to the establishment of Brilliance-BEA Auto Finance Co., Ltd recorded in the six months period ended 30th June, 2015 have not recurred this year, and also as a result of administrative cost controls implemented during the same period in 2016.

Unaudited finance costs decreased by 5.0% from RMB74.5 million for the first six months of 2015 to RMB70.8 million for the same period in 2016, as a result of a decrease in bank borrowings and bank borrowing interest rates.

The Group's unaudited share of results of joint ventures decreased by 6.9% from RMB2,047.3 million in the first half of 2015 to RMB1,905.9 million for the same period in 2016. This was primarily attributable to decreased profits contributed by BMW Brilliance, the Group's 50% indirectly-owned joint venture.

Unaudited net profit contributed to the Group by BMW Brilliance decreased by 6.9% from RMB2,050.0 million in the first half of 2015 to RMB1,908.0 million for the same period this year. The BMW joint venture achieved sales of 142,220 BMW vehicles in the first six months of 2016, an increase of 1.7% as compared to 139,775 BMW vehicles sold in the same period in 2015. The sales volumes of the locally produced 3-series, 5-series and X1 achieved in the first six months of 2016 were 49,580 units, 69,430 units and 17,698 units, respectively, compared to 48,009 units, 72,421 units and 19,345 units, respectively, for the same period in 2015. The new locally produced 2-series active tourer was launched in March 2016 and achieved sales volume of 5,512 units during the period. The drop in the net profit contributed by BMW Brilliance during the six months ended 30th June, 2016 was caused by the incurrence of upfront expenditures for production start-ups of new vehicles and capacity expansion measures, as well as higher selling and marketing expenses incurred during the first half of 2016.

The Group's unaudited share of results of associates increased by 35.8% from RMB109.6 million in the first half of 2015 to RMB148.8 million in the corresponding period in 2016. This was primarily attributable to an increase in the contribution from Shenyang Aerospace Mitsubishi Motors Engine Manufacturing Co., Ltd. during the first six months of 2016 as a result of strong customer demand for certain engine models.

The Group's unaudited profit before income tax expense decreased by 9.3% from RMB1,854.4 million in the first half of 2015 to RMB1,682.8 million for the same period in 2016. Unaudited income tax expense has decreased by 72.6% from RMB19.3 million in the first half of 2015 to RMB5.3 million for the corresponding period in 2016, due to the booking of an income tax provision during the first six months of 2015.

As a result of the above, the Group recorded an unaudited profit attributable to equity holders of the Company of RMB1,801.9 million for the first half of 2016, representing a decrease of 5.7% from the RMB1,910.5 million for the same period in 2015. Unaudited basic earnings per share for the six months ended 30th June, 2016 amounted to RMB0.35782 compared to RMB0.38014 for the same period in 2015.

The Company declared a dividend of HK\$0.11 per share (2015: *same*), amounting to a total of about HK\$554.1 million for the year (2015: *HK\$552.8 million*).

## **Prospects**

Following the deceleration of China's economic growth in 2015 and a difficult year for the auto industry, the Chinese auto market demonstrated tremendous resilience under this challenging environment during the first six months of 2016. According to the China Association of Automobile Manufacturers, during the six months period ended 30th June, 2016, a total of 12.8 million vehicles were sold in China, representing an increase of 8.1% over the same period last year. Of these, 11.0 million units were passenger vehicles, representing a growth rate of 9.2% over the same period last year. The premium passenger vehicle segment had once again outperformed the overall passenger vehicle market, delivering volume growth of around 13% during this period.

Since the beginning of the year, our BMW Brilliance joint venture ("**BBA**" or the "**JV**") had been busy preparing itself for its new production and product launches. The capacity expansion project at the Tiexi plant was completed at the start of the year with the addition of an all-new front-wheel-drive production platform. Together with the Dadong plant, the JV has now reached total annual production capacity of over 400,000 units providing for products of different architectures. In addition, the new engine plant in Tiexi had also commenced operation at the beginning of the year, enabling local production of the brand new 3 and 4-cylinder BMW engines in the JV. These new facilities will support the JV's multiple new product launch cycle starting in 2016 with the new 2-series active tourer and the next generation X1 long-wheelbase which were introduced to the market in March and May of 2016, respectively.

During the first half of 2016, BBA recorded sales of 142,220 units of BMW vehicles, representing an increase of 1.7% when compared to the same period last year. The 3-series continued to show growth while the 2-series active tourer contributed newly added volume, which had more than compensated for the drop in X1 and 5-series volumes during this period due mainly to life cycle reasons. With the new X1 now in the market, the JV expects X1 sales to pick up speed over the remaining of the year. The JV also has measures in place to upkeep the 5-series' competitiveness for the remaining of the year.

BBA has continued to expand its dealer network which had reached 435 full service 4S shops nationwide as at 30th June, 2016. The JV continues to work closely with its sales organization on all fronts in an effort to sustain the profitability of both the JV and its dealers. Our JV's sales activities will continue to be supported by the BMW auto finance company which has continued to contribute to the profits of the JV so far.

Despite a normalizing market, Brilliance continues to be confident about the long-term growth prospects of the Chinese premium auto industry, and believes the new products to be introduced by BBA over the next few years will broaden and also better tailor our product portfolio to the Chinese consumers' preferences. Concurrently, the topics of cost reduction, streamlining of operation, sales volume enhancement, component localization, and further integration of our JV into the BMW network via potential exports of vehicles and components from China will all remain key focus areas for the JV's ongoing operation.

As for the minibus business, the new premium Huasong MPV model has entered the second year of its life cycle. Sales during the first six months of 2016 was unexciting, as further efforts are still required in promoting brand recognition and re-evaluating market opportunities. At the same time, the Group continues to produce facelift versions of its existing minibus and MPV models in order to make them more competitive. The Group is also considering potential strategic moves to turnaround its minibus operation over time. However, it is likely that the minibus and MPV operation will continue to create a negative impact to the Group's overall financial performance for the whole year.

The remaining months of 2016 will continue to be very challenging for the Group. Maintaining the prominent position of BMW Brilliance in the premium auto market remains the Group's business priority. Apart from that, the Group also continues to look for new business opportunities as well as ways to further streamline its existing operation and corporate structure to support its business growth.

## Liquidity and Financial Resources

As at 30th June, 2016, the Group had RMB1,753.4 million in cash and cash equivalents (*as at 31st December, 2015: RMB1,070.9 million*), RMB242.9 million in short-term bank deposits (*as at 31st December, 2015: RMB676 million*) and RMB1,619.1 million in pledged short-term bank deposits (*as at 31st December, 2015: RMB1,325.5 million*). As at 30th June, 2016, the Group had notes payable in the amount of RMB2,752.5 million (*as at 31st December, 2015: RMB2,157 million*).

As at 30th June, 2016, the Group had outstanding short-term bank borrowings of RMB1,235 million (*as at 31st December, 2015: RMB1,585 million*) and did not have any long-term bank borrowings outstanding (*as at 31st December, 2015: nil*).

All short-term bank borrowings as at 30th June, 2016 were due within one year, being repayable from 3rd July, 2016 to 27th June, 2017 (*as at 31st December, 2015: repayable from 13th January, 2016 to 10th November, 2016*). As at 30th June, 2016, these borrowings were at fixed interest rates and were denominated in Renminbi (*as at 31st December, 2015: same*).

## Capital Structure and Funding Policies

As at 30th June, 2016, the Group's total assets was RMB30,116.3 million (*as at 31st December, 2015: RMB27,072.3 million*), which was funded by the following: (a) share capital of RMB396.6 million (*as at 31st December, 2015: RMB395.9 million*), (b) reserves of RMB22,152.3 million (*as at 31st December, 2015: RMB19,499.7 million*), (c) total liabilities of RMB8,523.5 million (*as at 31st December, 2015: RMB8,008.6 million*) and (d) negative contribution from non-controlling interests of RMB956.2 million (*as at 31st December, 2015: RMB831.9 million*).

As at 30th June, 2016, 93.26% (*as at 31st December, 2015: 90.3%*) 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 2.87% (*as at 31st December, 2015: 7.32%*) were denominated in U.S. Dollar. The remaining balance of 3.87% (*as at 31st December, 2015: 2.38%*) were denominated in other currencies.

Apart from the borrowings, banking facilities have been put in place for contingency purposes. As at 30th June, 2016, the Group's total available banking facilities for its daily operations amounted to RMB373.5 million (*as at 31st December, 2015: RMB268.4 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. The management also monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

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

### **Capital Expenditure and Commitments**

For the first six months of 2016, the Group incurred capital expenditure of RMB161.4 million (*six months ended 30th June, 2015: RMB222.3 million*) mainly for the acquisition of tools and moulds, machinery and equipment, and development costs for minibuses.

As at 30th June, 2016, the Group's capital commitments, including those authorised but not yet contracted for, amounted to RMB555.6 million (*as at 31st December, 2015: RMB321.6 million*). Among such capital commitments, contracted capital commitments amounted to RMB441.3 million (*as at 31st December, 2015: RMB261.8 million*), which was primarily capital expenditure in respect of construction projects and acquisition of plant and machinery.

### **New Business and New Products**

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

### **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, 2016.



## **Employees, Remuneration Policy and Training programmes**

The Group employed approximately 7,330 employees as at 30th June, 2016 (*as at 30th June, 2015: approximately 6,940*). Employee costs amounted to RMB411.6 million for the six months ended 30th June, 2016 (*six months ended 30th June, 2015: RMB394.3 million*). The Group will endeavour to ensure that the salary levels of its employees are in line with industry practices and prevailing market conditions, and that employees' remuneration is based on performance. In addition, employees are eligible for share options under the share option scheme adopted by the Company.

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

## **Charge on Assets**

As at 30th June, 2016, bank borrowings of RMB130 million (*as at 31st December, 2015: RMB110 million*) were secured by the Group's buildings with net book values of approximately RMB123.2 million (*as at 31st December, 2015: RMB110.2 million*).

In addition, as at 30th June, 2016, the Group pledged short-term bank deposits of RMB1,408.5 million (*as at 31st December, 2015: RMB1,115 million*) for issue of bank guaranteed notes to trade creditors, and RMB210.5 million (*as at 31st December, 2015: RMB210.5 million*) to secure bank loans granted to a related party of the Group.

As at 30th June, 2016, the Group had also pledged bank guaranteed notes receivable from third parties and affiliated companies of approximately RMB59 million (*as at 31st December, 2015: approximately RMB66.5 million*) for issue of bank guaranteed notes.

## **Future Plans for Material Investments or Additions of Capital Assets**

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

## **Gearing Ratio**

As at 30th June, 2016, the gearing ratio, computed by dividing total liabilities by total equity attributable to equity holders of the Company, was approximately 0.38 (*as at 31st December, 2015: 0.40*). The decrease in the gearing ratio was primarily due to higher comprehensive income attributable to equity holders of the Company generated during the period.

## **Foreign Exchange Risks**

Despite a decrease in the overseas sales of the Group, the Group considers that exchange rate fluctuations may have some effect on the overall financial performance of the Group but it is still at a manageable level. The Group will continue to monitor the situation and may consider entering into hedging arrangements in order to minimise foreign exchange risks, if and when necessary. There were no outstanding hedging transactions as at 30th June, 2016 (*as at 30th June, 2015: nil*).

## **Contingent Liabilities**

Pursuant to an agreement entered into between a member of the Group and JinBei, 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, 2015: RMB600 million*) for the period from 1st January, 2016 to 31st December, 2016. As at 30th June, 2016, under this agreement, JinBei and its subsidiaries had outstanding bank loans and other banking facilities totalling RMB520 million (*as at 31st December, 2015: RMB530 million*) of which RMB200 million (*as at 31st December, 2015: RMB200 million*) and RMB320 million (*as at 31st December, 2015: RMB330 million*) were supported by the Group's bank deposits pledged to and corporate guarantee provided to the banks, respectively.

In addition, the Group had provided a corporate guarantee up to a maximum amount of RMB60 million (*as at 31st December, 2015: RMB60 million*) for the period from 1st January, 2016 to 31st December, 2016 for revolving bank loans and bank guaranteed notes to Shanghai Shenhua. As at 30th June, 2016, RMB60 million (*as at 31st December, 2015: RMB60 million*) of this corporate guarantee was utilised by Shanghai Shenhua.

## **DIVIDEND**

The Board is pleased to declare a dividend of HK\$0.11 per ordinary share of the Company to shareholders whose names appear on the register of members of the Company as at 13th October, 2016 (2015: HK\$0.11 per ordinary share). The dividend is expected to be paid on Friday, 28th October, 2016.

## **CLOSURE OF REGISTER OF MEMBERS**

The Hong Kong branch register of members of the Company will be closed from Tuesday, 11th October, 2016 to Thursday, 13th October, 2016, both dates inclusive, during which period no transfer of shares will be registered. The record date for the dividend is Thursday, 13th October, 2016. 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 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. on Friday, 7th October, 2016.

## **UPDATE ON DIRECTORS' INFORMATION**

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of the directors of the Company since the date of the 2015 annual report up to the date of this report is set out below:

- (1) Mr. Qi Yumin resigned as the chairman of the board and a director of JinBei (stock code: 600609), a company listed on The Shanghai Stock Exchange, on 17th August, 2016.
- (2) Mr. Wang Shiping resigned as a director of JinBei (stock code: 600609) and Shanghai Shenhua (stock code: 600653), both of which are companies listed on The Shanghai Stock Exchange, on 17th August, 2016 and 12th August, 2016, respectively.
- (3) Mr. Lei Xiaoyang resigned as a director of JinBei (stock code: 600609) and Shanghai Shenhua (stock code: 600653), both of which are companies listed on The Shanghai Stock Exchange, on 17th August, 2016 and 12th August, 2016, respectively.
- (4) Mr. Jiang Bo was removed as a director of China Health Group Limited (formerly known as "China HealthCare Holdings Limited") (stock code: 673), a company listed on the main board of the Stock Exchange, on 18th June, 2016. Details are set out in the announcements and circular published by the said company during the period from April 2016 to June 2016.

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

As at 30th June, 2016, so far as is known to the directors or chief executives of the Company, each of the following persons (other than a director or chief executive of the Company) had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"):

Name of shareholders	Number and class of shares held/ Approximate shareholding percentage (Note 1)					
	Long		Short		Lending	
	Position	%	Position	%	Pool	%
Huachen (Note 2)	2,135,074,988 ordinary	42.38	–	–	–	–
Templeton Asset Management Ltd. (Note 3)	704,337,676 ordinary	13.98	–	–	–	–

Notes:

1. The percentage of shareholding is calculated on the basis of 5,037,469,388 ordinary shares in issue of the Company as at 30th June, 2016.
2. The 2,135,074,988 shares in long position were held in the capacity as beneficial owner.
3. The 704,337,676 shares in long position were held in the capacity as investment manager.

Save as disclosed herein, as at 30th June, 2016, there was no other person so far known to the directors or chief executives of the Company, other than a director or chief executive of the Company as having an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

As at 30th June, 2016, the interests and short positions of each director, chief executive and their respective close associates in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") to be notified to the Company and the Stock Exchange, are set out below:

### The Company

Name of directors/ chief executives	Type of interests	Number and class of shares held/ Approximate shareholding percentage (Note 1)				Number of share options granted (Percentage of the Company's issued share capital) (Note 2)
		Long Position	%	Short Position	%	
Mr. Wu Xiao An	Personal	6,750,000 ordinary	0.13%	–	–	–
Mr. Qi Yumin	Personal	2,700,000 ordinary	0.05%	–	–	1,800,000 (0.04%) (Note 3)
Mr. Wang Shiping	Personal	900,000 ordinary	0.02%	–	–	600,000 (0.01%) (Note 3)
Mr. Lei Xiaoyang	Personal	700,000 ordinary	0.01%	–	–	600,000 (0.01%) (Note 3)

#### Notes:

1. The percentage of shareholding is calculated on the basis of 5,037,469,388 ordinary shares in issue of the Company as at 30th June, 2016.
2. The percentage represents the number of shares which may fall to be allotted and issued upon exercise of any subscription rights attaching to the share options granted by the Company based on the 5,037,469,388 ordinary shares of the Company in issue as at 30th June, 2016.
3. These share options are exercisable at any time during the 10-year period from 22nd December, 2008 at the subscription price of HK\$0.438 per share.

## Associated Corporation of the Company

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

### Notes:

- The percentage of shareholding is calculated on the basis of 1,282,211,794 shares in issue of Power Xinchen as at 30th June, 2016.
- As at 30th June, 2016, Power Xinchen was indirectly held as to 31.20% by the Company. The 33,993,385 shares in long position are interests of a discretionary trust under an incentive scheme of Power Xinchen. The said trust held 33,993,385 shares of Power Xinchen. Mr. Wu Xiao An is one of the trustees of the aforementioned trust. Mr. Wu also held 50% interests in Lead In Management Limited which is also a trustee of the said trust. Accordingly, Mr. Wu was deemed or taken to be interested in the 33,993,385 shares of Power Xinchen, representing approximately 2.65% of its issued share capital as at 30th June, 2016.
- Mr. Wu Xiao An held 8,320,041 shares of Power Xinchen in the capacity of beneficial owner, representing approximately 0.65% of its issued share capital as at 30th June, 2016.

Save as disclosed above, as at 30th June, 2016, none of the directors, chief executives of the Company or their respective close associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

## SHARE OPTIONS

At a special general meeting held on 11th November, 2008, shareholders of the Company adopted a share option scheme (the “**Share Option Scheme**”).

The Share Option Scheme came into effect on 14th November, 2008 and will remain in force for a period of 10 years from 14th November, 2008. The period during which an option may be exercised will be determined by the directors at their absolute discretion, save that no option shall be exercised later than 10 years from the date of grant.

A summary of movements of the share options of the Company under the Share Option Scheme during the six months ended 30th June, 2016 is set out below:

Category and name of participants (Note 1)	Date of grant	Number of share options					Outstanding as at 30th June, 2016	Option period	Subscription price per share (HK\$)
		Outstanding as at 1st January, 2016	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period			
<b>Directors</b>									
Mr. Qi Yumin	22nd December, 2008 (Note 2)	4,500,000	–	2,700,000	–	–	1,800,000	22nd December, 2008 – 21st December, 2018	0.438
Mr. Wang Shiping	22nd December, 2008 (Note 2)	1,500,000	–	900,000	–	–	600,000	22nd December, 2008 – 21st December, 2018	0.438
Mr. Lei Xiaoyang	22nd December, 2008 (Note 2)	1,500,000	–	900,000	–	–	600,000	22nd December, 2008 – 21st December, 2018	0.438
<b>Employees (in aggregate)</b>	22nd December, 2008 (Note 2)	10,500,000	–	6,300,000	–	–	4,200,000	22nd December, 2008 – 21st December, 2018	0.438
<b>Others (in aggregate)</b>	22nd December, 2008 (Note 2)	1,500,000	–	900,000	–	–	600,000	22nd December, 2008 – 21st December, 2018	0.438
<b>Total</b>		19,500,000	–	11,700,000 (Note 3)	–	–	7,800,000		

*Notes:*

1. During the six months ended 30th June, 2016:
  - (a) no share options under the Share Option Scheme have been granted to any associates of the directors, chief executive or substantial shareholders of the Company;
  - (b) there is no participant with options granted in excess of the individual limit; and
  - (c) no share options under the Share Option Scheme have been granted to any supplier of goods or services to any member of the Group or any entity in which the Group holds any equity interest.
2. The share options were granted on 22nd December, 2008 and vested immediately upon the grant and are exercisable within a period of 10 years. The closing price of the shares of the Company immediately before the date on which the share options were granted is HK\$0.445 per share.
3. The weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised was HK\$7.4658 per share.

As no share options have been granted by the Company under the Share Option Scheme for the six months ended 30th June, 2016, no expenses were recognised by the Group for the period under review (*six months ended 30th June, 2015: nil*).

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June, 2016.

#### **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, 2016.



## Major updates

There have not been material changes to the information disclosed in the Company's 2015 annual report in respect of our corporate governance practices. Major updates since the 2015 annual report are summarised below.

### *Retirement of directors*

Code provision A.4.2 states that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. According to bye-law 99, at every annual general meeting, one-third of the directors for the time being, or if their number is not three or in a multiple of three, then the number nearest to but not greater than one-third (or in such other manner of rotation as may be required by the Listing Rules), shall retire from office by rotation.

To comply with the code provision A.4.2 and in accordance with bye-law 99, Mr. Wang Shiping and Mr. Lei Xiaoyang retired by rotation at the annual general meeting of the Company held on 3rd June, 2016 (the **"2016 AGM"**).

Each of Mr. Wang Shiping and Mr. Lei Xiaoyang were re-elected as directors of the Company by shareholders of the Company at the 2016 AGM.

### *Communications with shareholders*

In accordance with the code provision E.1.2, (a) Mr. Wu Xiao An, the chairman of the Board and a member of the remuneration committee and nomination committee, (b) Mr. Xu Bingjin, the chairman of each of the audit committee, remuneration committee and nomination committee and an independent non-executive director, and (c) Mr. Song Jian, a member of the aforementioned three board committees and an independent non-executive director, attended the 2016 AGM in person to answer questions from shareholders. In addition, all other directors of the Company also attended the 2016 AGM by way of telephone conference.

Pursuant to the code provision E.1.2, the Company has invited representatives of the external auditors of the Company to attend the 2016 AGM to answer shareholders' questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

## REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the unaudited consolidated interim financial statements of the Group for the six months ended 30th June, 2016.

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

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

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

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

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors, each director of the Company has confirmed that he has complied with the standards set out in the Model Code during the six months ended 30th June, 2016.

#### **BOARD OF DIRECTORS**

As at the date of this report, the Board comprises three executive directors, Mr. Wu Xiao An (also known as Mr. Ng Siu On) (*Chairman*), Mr. Qi Yumin (*Chief Executive Officer*) and Mr. Wang Shiping; one non-executive director, Mr. Lei Xiaoyang; 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, 26th August, 2016