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Brilliance Auto

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BRILLIANCE CHINA AUTOMOTIVE HOLDINGS LIMITED

(華 晨 中 國 汽 車 控 股 有 限 公 司) *

(Incorporated in Bermuda with limited liability)

(Stock Code: 1114)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2020

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, 2020. The unaudited consolidated interim financial statements have been reviewed by the audit committee of the Board.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

		(Unaudited) For the six months ended 30th June,	
	Note	2020 RMB'000	2019 RMB'000
Revenue	4	1,450,056	1,904,274
Cost of sales		<u>(1,372,713)</u>	<u>(1,802,951)</u>
Gross profit		77,343	101,323
Other income		42,345	93,944
Interest income		96,528	30,131
Selling expenses		(96,607)	(211,977)
General and administrative expenses		(628,618)	(264,739)
Finance costs		(58,851)	(36,381)
Share of results of:			
Joint ventures		4,383,255	3,552,380
Associates		(52,675)	2,895
Profit before income tax expense	5	3,762,720	3,267,576
Income tax expense	6	(12,948)	(205,976)
Profit for the period		<u>3,749,772</u>	<u>3,061,600</u>

* For identification purposes only

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

		(Unaudited)	
		For the six months ended	
		30th June,	
		2020	2019
	<i>Note</i>	RMB'000	RMB'000
Attributable to:			
Equity holders of the Company		4,045,203	3,229,996
Non-controlling interests		(295,431)	(168,396)
		<u>3,749,772</u>	<u>3,061,600</u>
Earnings per share			
	7		
– Basic		RMB0.80178	RMB0.64020
– Diluted		RMB0.80178	RMB0.64020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited)	
	For the six months ended	
	30th June,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	3,749,772	3,061,600
Other comprehensive income (expense) that will be subsequently reclassified to consolidated statement of profit or loss, net of tax		
Share of other comprehensive income (expense) of a joint venture	739,260	(166,173)
Share of other comprehensive expense of an associate	(88)	–
Fair value (loss) gain on notes receivable at fair value through other comprehensive income	(590)	2,728
	738,582	(163,445)
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	(851)	(4,003)
	737,731	(167,448)
Total comprehensive income for the period	4,487,503	2,894,152
Attributable to:		
Equity holders of the Company	4,783,495	3,061,992
Non-controlling interests	(295,992)	(167,840)
	4,487,503	2,894,152

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	(Unaudited) As at 30th June, 2020 <i>RMB'000</i>	(Audited) As at 31st December, 2019 <i>RMB'000</i>
	<i>Note</i>	
Non-current assets		
Intangible assets	941,953	946,557
Property, plant and equipment	1,979,342	2,239,030
Construction-in-progress	428,053	368,159
Land lease prepayments	81,223	82,281
Interests in joint ventures	26,677,536	21,555,021
Interests in associates	1,517,064	1,571,131
Equity investments	5,626	6,477
Long-term loan receivables	3,470,515	3,443,951
Other non-current assets	145,915	142,916
	35,247,227	30,355,523
Current assets		
Cash and cash equivalents	3,454,545	6,828,533
Statutory deposit reserves at central bank	21,989	23,344
Short-term bank deposits	3,630,000	1,800,000
Pledged short-term bank deposits	2,264,747	2,793,923
Inventories	690,241	705,096
Accounts receivable	1,124,836	1,082,731
Notes receivable	188,773	169,269
Other current assets	6,938,896	5,711,585
	18,314,027	19,114,481

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

		(Unaudited) As at 30th June, 2020 <i>RMB'000</i>	(Audited) As at 31st December, 2019 <i>RMB'000</i>
	<i>Note</i>		
Current liabilities			
Accounts payable	10	1,388,176	1,540,224
Notes payable		3,322,905	4,959,295
Other current liabilities		1,906,555	1,952,979
Short-term bank borrowings		6,648,000	6,292,000
Long-term bank borrowings due within one year		147,000	20,000
Income tax payable		11,027	40,625
Total current liabilities		<u>13,423,663</u>	<u>14,805,123</u>
Net current assets		<u>4,890,364</u>	<u>4,309,358</u>
Total assets less current liabilities		<u>40,137,591</u>	<u>34,664,881</u>
Non-current liabilities			
Other non-current liabilities		166,636	169,429
Long-term bank borrowings		518,000	20,000
Total non-current liabilities		<u>684,636</u>	<u>189,429</u>
Net assets		<u>39,452,955</u>	<u>34,475,452</u>
Capital and reserves			
Share capital		397,176	397,176
Reserves		38,311,852	33,528,357
Total equity attributable to equity holders of the Company		<u>38,709,028</u>	<u>33,925,533</u>
Non-controlling interests		743,927	549,919
Total equity		<u>39,452,955</u>	<u>34,475,452</u>

NOTES:

1. ORGANISATION AND OPERATIONS

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

The principal activities of the Group are set out in note 4 to this results announcement.

2. STATEMENT OF COMPLIANCE AND ACCOUNTING POLICIES

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

These consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the consolidated annual financial statements for the year ended 31st December, 2019, except for the adoption of the new and revised HKFRSs (which include individual HKFRSs, HKASs and interpretations) as disclosed in note 3 to this results announcement.

These consolidated interim financial statements are unaudited and do not include all the information and disclosures required in the consolidated annual financial statements, and should be read in conjunction with the Group's consolidated annual financial statements for the year ended 31st December, 2019.

3. ADOPTION OF NEW AND AMENDED HKFRSs

In the current period, the Group has applied for the first time the following new and amended HKFRSs (the "**New and Amended HKFRSs**") issued by the HKICPA, which are relevant to the Group and are effective for the Group's consolidated financial statements for the annual financial period beginning on 1st January, 2020.

Amendments to HKFRS 3	Definition of Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

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

4. REVENUE AND SEGMENT INFORMATION

The Company is an investment holding company. The principal activities of the Group are the manufacture and sale of BMW vehicles in the People's Republic of China (the "PRC") through its major joint venture, BMW Brilliance Automotive Ltd. ("BBA"), the manufacture and sale of 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"). Revenue earned during the period represents:

	(Unaudited)	
	For the six months ended	
	30th June,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Sale of minibuses, MPVs and automotive components, net of consumption tax, discounts and return	1,152,822	1,687,009
Interest and service charge income from provision of auto financing service, net of other indirect taxes	<u>297,234</u>	<u>217,265</u>
	<u>1,450,056</u>	<u>1,904,274</u>

The Group has identified the following reportable segments:

- the manufacture and sale of minibuses, MPVs and automotive components;
- the manufacture and sale of BMW vehicles; and
- the provision of auto financing service.

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

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

Segment assets include all assets other than interests in joint ventures, interests in associates 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.

4. REVENUE AND SEGMENT INFORMATION (Cont'd)

Revenue and results by reportable segments and reconciliation of segment results to profit before income tax expense for the period – for the six months ended 30th June, 2020

(Unaudited)					
	Manufacture and sale of minibuses, MPVs and automotive components <i>RMB'000</i>	Manufacture and sale of BMW vehicles <i>RMB'000</i>	Provision of auto financing service <i>RMB'000</i>	Reconciliation to the Group's consolidated statement of profit or loss and intersegment elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Segment sales to external customers	1,152,822	80,900,375	303,717	(80,906,858)	1,450,056
Segment results	(649,928)	11,701,557	50,731	(11,693,696)	(591,336)
Unallocated costs net of unallocated revenue					(14,201)
Interest income					96,528
Finance costs					(58,851)
Share of results of:					
Joint ventures	–	4,383,255	–	–	4,383,255
Associates	(52,675)	–	–	–	(52,675)
Profit before income tax expense					<u>3,762,720</u>

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

(Unaudited)					
	Manufacture and sale of minibuses, MPVs and automotive components <i>RMB'000</i>	Manufacture and sale of BMW vehicles <i>RMB'000</i>	Provision of auto financing service <i>RMB'000</i>	Reconciliation to the Group's consolidated statement of profit or loss and intersegment elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Segment sales to external customers	1,687,009	79,259,348	224,217	(79,266,300)	1,904,274
Segment results	(296,957)	9,487,612	28,090	(9,476,887)	(258,142)
Unallocated costs net of unallocated revenue					(23,307)
Interest income					30,131
Finance costs					(36,381)
Share of results of:					
Joint ventures	–	3,552,380	–	–	3,552,380
Associates	2,895	–	–	–	2,895
Profit before income tax expense					<u>3,267,576</u>

4. REVENUE AND SEGMENT INFORMATION (Cont'd)

The assets and liabilities by reportable segments as at 30th June, 2020

	(Unaudited)				
	Manufacture and sale of minibuses, MPVs and automotive components <i>RMB'000</i>	Manufacture and sale of BMW vehicles <i>RMB'000</i>	Provision of auto financing service <i>RMB'000</i>	Reconciliation to the Group's consolidated statement of financial position and intersegment elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	17,481,643	116,404,154	8,050,571	(116,759,847)	25,176,521
Interests in joint ventures	–	26,677,536	–	–	26,677,536
Interests in associates	1,517,064	–	–	–	1,517,064
Equity investments					5,626
Unallocated assets					184,507
Total assets					53,561,254
Segment liabilities	8,097,580	63,049,082	6,367,778	(63,415,868)	14,098,572
Unallocated liabilities					9,727
Total liabilities					14,108,299
Other disclosure:					
Impairment losses on assets	295,890	–	–	–	295,890

The assets and liabilities by reportable segments as at 31st December, 2019

	(Audited)				
	Manufacture and sale of minibuses, MPVs and automotive components <i>RMB'000</i>	Manufacture and sale of BMW vehicles <i>RMB'000</i>	Provision of auto financing service <i>RMB'000</i>	Reconciliation to the Group's consolidated statement of financial position and intersegment elimination <i>RMB'000</i>	Total <i>RMB'000</i>
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 disclosure:					
Impairment losses on assets	283,747	172,517	–	(172,517)	283,747

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,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Charging:		
Expected credit loss (“ECL”) allowance for:		
– Loan receivables <i>(b)</i>	33,328	24,348
– Other receivables <i>(b)</i>	441	–
– Other receivables grouped under non-current assets <i>(b)</i>	3	–
– Accounts receivable from affiliated companies <i>(b)</i>	3,981	–
– Amounts due from affiliated companies <i>(b)</i>	1,255	–
Cost of inventories	1,232,291	1,728,686
Impairment losses on owned assets:		
– Intangible assets <i>(b)</i>	106,229	–
– Property, plant and equipment and construction-in-progress <i>(b)</i>	189,661	–
Amortisation of intangible assets <i>(a)</i>	54,006	58,480
Amortisation of land lease prepayments	1,058	1,058
Depreciation of property, plant and equipment:		
– Owned assets	135,448	121,665
– Right-of-use assets	11,625	11,564
Staff costs (including directors’ emoluments)	319,975	405,667
Provision for inventories	2,932	1,315
Research and development costs <i>(b)</i>	52,521	52,631
Warranty provision	4,873	9,642
Lease charges:		
– Short-term leases with lease term of 12 months or shorter	5,990	5,495
– Low value items	191	234
Loss on disposal of property, plant and equipment	2,897	1,036
Exchange loss, net <i>(b)</i>	–	1,428
	<hr/>	<hr/>
Crediting:		
Exchange gain, net <i>(b)</i>	9,297	–
Rental income from land and buildings	2,355	2,632
Reversal of ECL allowance for:		
– Accounts receivable <i>(b)</i>	513	1,715
– Accounts receivable from affiliated companies <i>(b)</i>	–	3,197
– Amounts due from affiliated companies <i>(b)</i>	–	61,183
– Other receivables <i>(b)</i>	–	14,949
– Other receivables grouped under other non-current assets <i>(b)</i>	–	29
Write back of provision for inventories sold	6,554	38,606
	<hr/>	<hr/>

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

(b) included in general and administrative expenses.

6. INCOME TAX EXPENSE

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

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

7. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company for the six months ended 30th June, 2020 of approximately RMB4,045,203,000 (*Six months ended 30th June, 2019: approximately RMB3,229,996,000*) by the weighted average number of ordinary shares of 5,045,269,000 shares (*Six months ended 30th June, 2019: 5,045,269,000 shares*).

Diluted earnings per share is the same as basic earnings per share for the six months ended 30th June, 2020 as there was no potential dilutive ordinary share in issue during the period (*Six months ended 30th June, 2019: same*).

There were no dilutive potential ordinary shares outstanding as at 30th June, 2020 (*Six months ended 30th June, 2019: same*).

8. DIVIDENDS

On 13th July, 2020, the Board declared at the board meeting a dividend of HK\$0.11 per share (*2019: HK\$0.11 per share*) totaling approximately HK\$554,980,000 (*2019: approximately HK\$554,980,000*) or approximately RMB501,646,000 (*2019: approximately RMB487,611,000*) and a special dividend of HK\$0.30 per share (*2019: HK\$0.74 per share*) totaling approximately HK\$1,513,581,000 (*2019: approximately HK\$3,733,499,000*) or approximately RMB1,368,126,000 (*2019: approximately RMB3,280,290,000*).

9. ACCOUNTS RECEIVABLE

	(Unaudited) As at 30th June, 2020 RMB'000	(Audited) As at 31st December, 2019 RMB'000
Accounts receivable	420,061	384,754
Accounts receivable from affiliated companies	704,775	697,977
	1,124,836	1,082,731

9. ACCOUNTS RECEIVABLE (Cont'd)

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

	(Unaudited) As at 30th June, 2020 RMB'000	(Audited) As at 31st December, 2019 RMB'000
Less than six months	364,517	333,196
Six months to one year	10,662	11,332
Above one year but less than two years	18,813	9,332
Above two years but less than five years	22,595	25,549
Five years or above	34,320	50,580
	<hr/>	<hr/>
	450,907	429,989
Less: ECL allowance	(30,846)	(45,235)
	<hr/>	<hr/>
	420,061	384,754

As at 30th June, 2020, accounts receivable from third parties of approximately RMB47.9 million (*As at 31st December, 2019: approximately RMB61 million*) were substantially denominated in U.S. Dollar or Euro and the rest were denominated in Renminbi.

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

10. ACCOUNTS PAYABLE

	(Unaudited) As at 30th June, 2020 RMB'000	(Audited) As at 31st December, 2019 RMB'000
Accounts payable	912,116	1,101,935
Accounts payable to affiliated companies	476,060	438,289
	<hr/>	<hr/>
	1,388,176	1,540,224

10. ACCOUNTS PAYABLE (Cont'd)

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

	(Unaudited) As at 30th June, 2020 RMB'000	(Audited) As at 31st December, 2019 RMB'000
Less than six months	617,451	704,055
Six months to one year	44,679	69,717
Above one year but less than two years	66,273	53,713
Two years or above	183,713	274,450
	<u>912,116</u>	<u>1,101,935</u>

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

11. CONTINGENT LIABILITIES

Pursuant to an agreement dated 20th December, 2019 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, 2019: RMB600 million*) for the period from 1st January, 2020 to 31st December, 2020. As at 30th June, 2020, under this agreement, outstanding bank loans and other banking facilities totaling RMB206 million (*As at 31st December, 2019: RMB206 million*) were utilised and supported by the Group's bank deposits pledged to the banks.

MANAGEMENT'S DISCUSSION & ANALYSIS

Business Discussion and Analysis

The unaudited consolidated 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 first six months of 2020 was RMB1,450.1 million, representing a decrease of 23.9% from the RMB1,904.3 million generated during the same period in 2019. The decrease in revenues was mainly due to a drop in the sales volumes of minibuses and MPVs during the period. The effect of this decrease was offset partly by the increase in revenue from the provision of auto financing service.

RBJAC sold 11,733 minibuses and MPVs in the first half of 2020, representing a 42.0% decrease from the 20,234 units sold during the same period in 2019. Out of the minibuses sold, 10,782 units were Haise minibuses, representing a decrease of 40.5% from 18,132 units sold during the first six months of 2019. Furthermore, sales volume of the Granse MPV also decreased by 33.4% from 1,428 units for the first half of 2019 to 951 units for the same period in 2020. The decreases in the sales volumes of Haise and Granse were mainly due to the pandemic-induced lockdown imposed on dealerships during the first quarter of the year, which had prevented the sale of RBJAC's products and negatively affected its sales.

Unaudited cost of sales decreased by 23.9% from RMB1,803.0 million in the first six months of 2019 to RMB1,372.7 million for the same period in 2020. As a result, the unaudited gross profit of the Group decreased by 23.7% from RMB101.3 million in the first six months of 2019 to RMB77.3 million for the same period in 2020. Consequently, the unaudited gross profit margin of the Group had stayed constant at 5.3% in the first half of 2020 versus the same period in 2019.

Unaudited other income decreased by 55.0% from RMB93.9 million in the first six months of 2019 to RMB42.3 million for the same period in 2020. The decrease was mainly due to a decrease of the sale of scrap materials as a result of a decrease in overall vehicle sale.

Unaudited interest income increased by 220.6% from RMB30.1 million in the first six months of 2019 to RMB96.5 million for the same period in 2020 due to an increase of bank interest income in the first six months of 2020 incurred from the additional paid-up capital contributed by the non-controlling interests of RBJAC, and dividend income received from BBA near the end of 2019. In addition, there was also an increase in interest income from advances to a third party and affiliated companies.

Unaudited selling expenses decreased by 54.4% from RMB212.0 million in the first half of 2019 to RMB96.6 million for the same period in 2020. The decrease in selling expenses was driven mainly by the decrease of advertising and transportation expenses due to reduced business activity and lower sales of minibuses. As a result, selling expenses as a percentage of revenue decreased from 11.1% to 6.7% as compared to the same period in 2019.

Unaudited general and administrative expenses increased by 137.5% from RMB264.7 million in the first six months of 2019 to RMB628.6 million for the same period in 2020 mainly due to the recognition of impairment losses for intangible assets and property, plant and equipment. As a result, general and administrative expenses as a percentage of revenue have increased from 13.9% in the first half of 2019 to 43.3% for the same period in 2020.

Unaudited finance costs increased by 61.8% from RMB36.4 million for the first six months of 2019 to RMB58.9 million for the same period in 2020, due to increase in bank borrowings and use of bank guaranteed notes.

The Group's unaudited share of result of joint venture represents contribution from BBA. Unaudited net profit contributed to the Group by BBA increased by 23.4% from RMB3,552.4 million in the first half of 2019 to RMB4,383.3 million for the same period this year. The BMW joint venture achieved sales of 262,012 units in the first six months of 2020, a decrease of 0.8% as compared to 264,194 BMW vehicles sold in the same period in 2019. The sales volumes of the BMW models locally produced by BBA are listed in the table below:

BBA BMW Models	1H2020 (Units)	1H2019 (Units)	% Change
1-series sedan	16,948	21,129	-19.8%
2-series active tourer	15	3,531	-99.6%
3-series	64,973	60,758	+6.9%
5-series	70,095	75,764	-7.5%
X1	41,690	48,311	-13.7%
X2	11,245	-	n/a
X3	57,046	54,701	+4.3%
Total BMW vehicles	262,012	264,194	-0.8%

The Group's unaudited share of results of associates turned from a profit of RMB2.9 million in the first half of 2019 to a loss of RMB52.7 million in the same period in 2020. This was primarily attributable to weakened demand of motor engines and other automobile parts in the market during the period.

The Group's unaudited profit before income tax expense increased by 15.2% from RMB3,267.6 million in the first half of 2019 to RMB3,762.7 million for the same period in 2020. Unaudited income tax expense has decreased by 93.7% from RMB206.0 million in the first half of 2019 to RMB12.9 million for the same period in 2020, as there was a PRC dividend withholding tax charged on dividends distributed by a subsidiary to the Company in the first half of 2019.

As a result of the above, the Group recorded an unaudited profit attributable to equity holders of the Company of RMB4,045.2 million for the first half of 2020, representing an increase of 25.2% from the RMB3,230.0 million for the same period in 2019. Unaudited basic earnings per share for the six months ended 30th June, 2020 amounted to RMB0.80178 compared to RMB0.64020 for the same period in 2019.

On 13th July, 2020, the Board declared at the board meeting a dividend of HK\$0.11 per share (2019: HK\$0.11 per share) totaling approximately HK\$554,980,000 (2019: approximately HK\$554,980,000) or approximately RMB501,646,000 (2019: approximately RMB487,611,000) and a special dividend of HK\$0.30 per share (2019: HK\$0.74 per share) totaling approximately HK\$1,513,581,000 (2019: approximately HK\$3,733,499,000) or approximately RMB1,368,126,000 (2019: approximately RMB3,280,290,000).

Prospects

China's GDP contracted by 6.8% in 1Q2020 from a year ago as the country took a huge hit from the coronavirus outbreak. The government's swift imposition of stringent measures had enabled second quarter growth of 3.2% year-on-year, as lockdowns eased and stimulus measures are rolled out to revive the economy. Consequently, China's GDP shrank by 1.6% during the first half of 2020. According to the China Association of Automobile Manufacturers, total Chinese vehicle sales decreased by 16.9% to 10.3 million units in the first six months of 2020. Of this figure, passenger vehicle sales accounted for 7.9 million units, a drop of 22.4% from the same period last year. Nevertheless, out of the passenger vehicle sales, the premium segment had shown strong resilience against the negative market development, registering a slighter decline in unit sales of approximately 4.6% during the period.

During the first six months of 2020, BBA continued to deliver decent results amidst an extremely challenging business environment. The year 2020 had opened to a great start in January for BBA against a declining market. However, February and March were hard hit by the coronavirus pandemic as the forced shutdown of dealerships essentially suspended BBA's deliveries for almost two months. In face of the adversity, the joint venture took rapid actions to identify major risk areas and to address all stakeholders. Tremendous efforts had been put into stabilization of the supply chain, sales network management, and cashflow monitoring. At the same time, the company also worked diligently to safeguard the scheduled timelines for its production capacity expansions (including the construction of its third production plant and the extension of the existing Dadong, Tiexi and battery facilities) and new model launches for the rest of the year.

Sales of BBA's vehicles started to rebound quickly in April and have since been showing a positive trend. BBA achieved sales of 262,012 units during 1H2020, representing a small decrease of approximately 0.8% compared to the same period last year. The new generation 3-series and newly localised X2 launched in 2H2019 brought additional volumes during the first half of 2020, and together with the X3 had contributed to uphold BBA's sales volume during this highly turbulent time.

Despite a drastic market turn in the first half of the year, BBA has continued to expand its dealer network which had reached 554 full service 4S shops nationwide as at 30th June, 2020. Immediately after the easing of lockdown in March, BBA quickly resumed the full spectrum of its sales program working 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, Herald International Financial Leasing Co. Ltd., and Ling Yue Digital Information Technology Co., Ltd., the wholly-owned independent digital company of BBA.

As for our minibus and MPV business under RBJAC, this joint venture has been struck by the adverse market impact caused by the coronavirus and saw a significant decrease in sales volume during 1H2020. The joint venture continued to transform and upgrade itself leveraging on the support of our partner Renault. RBJAC's management team has been strengthened, and concerted efforts have been put in place to upgrade existing products and develop new models to actively respond to the Chinese auto policy requirements.

Alternatively, BBAFC, our auto finance subsidiary in China, was able to extensively grow both its revenues and profits during the first six months of 2020. BBAFC actively engaged with its major customers Jaguar Land Rover, Tesla, BMW, RBJAC, and Huachen for business volume expansion. In addition, the company also diversified via capturing businesses of selected multi-brand and new NEV 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 during the period.

As for the remainder of 2020, despite the ongoing uncertainties amid the sprawling COVID-19 pandemic, BBA remains to be cautiously confident about the outlook for the rest of the year. With incoming orders gaining momentum and assuming the current positive trend continues, we see a chance for sales to continue to return to a normal level as market demand for premium auto remains 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.

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 look to further deepen its cooperation with Renault on vehicle engineering and production management, and to explore alternatives to augment its sales network. The focus is on the localization of Renault's Master and Traffic models to be introduced to the Chinese market. 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.

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 before us, and are hopeful that the second half of the year will bring further recovery to the Company's performance.

Liquidity and Financial Resources

As at 30th June, 2020, the Group had RMB3,454.5 million in cash and cash equivalents (*As at 31st December, 2019: RMB6,828.5 million*), RMB22.0 million in statutory deposit reserves at central bank (*As at 31st December, 2019: RMB23.3 million*), RMB3,630 million in short term bank deposits (*As at 31st December, 2019: RMB1,800 million*) and RMB2,264.7 million in pledged short-term bank deposits (*As at 31st December, 2019: RMB2,793.9 million*). As at 30th June, 2020, the Group had accounts payable in the amount of RMB1,388.2 million (*As at 31st December, 2019: RMB1,540.2 million*). As at 30th June, 2020, the Group had notes payable in the amount of RMB3,322.9 million (*As at 31st December, 2019: RMB4,959.3 million*).

As at 30th June, 2020, the Group had outstanding short-term bank borrowings of RMB6,648 million (*As at 31st December, 2019: RMB6,292 million*), and long-term bank borrowings due within one year and over one year of RMB665 million (*As at 31st December, 2019: RMB40 million*).

All short-term bank borrowings as at 30th June, 2020 were due within one year, and being repayable from 1st July, 2020 to 29th June, 2021 (*As at 31st December, 2019: repayable from 7th January, 2020 to 23rd December, 2020*). As at 30th June, 2020, all short-term bank borrowings were interest-bearing at rates ranging from 3.50% to 8.00% per annum (*As at 31st December, 2019: 3.95% to 6.00% per annum*), and were denominated in Renminbi (*As at 31st December, 2019: Renminbi*).

As at 30th June, 2020, RMB147 million of the long-term bank borrowings were due within one year, being repayable from 20th September, 2020 to 20th June, 2021 (*As at 31st December, 2019: repayable from 20th March, 2020 to 20th December, 2020*); and RMB518 million were due over one year, being repayable from 1st December, 2021 to 15th May, 2022 (*As at 31st December, 2019: repayable from 20th March, 2021 to 1st December, 2021*). As at 30th June, 2020, all long-term bank borrowings were interest-bearing at rates ranging from 4.1% to 5.23% per annum (*As at 31st December, 2019: 5.23% per annum*), and were denominated in Renminbi (*As at 31st December, 2019: Renminbi*).

With an aim to improve its liquidity, the Group regularly monitors its accounts receivable turnover and inventory turnover. For the six months ended 30th June, 2020, the Group's accounts receivable turnover days was approximately 137 days, compared to approximately 98 days for the year ended 31st December, 2019. Inventory turnover days was approximately 102 days for the six months ended 30th June, 2020, compared to approximately 87 days for the year ended 31st December, 2019.

Capital Structure and Funding Policies

As at 30th June, 2020, the Group's total assets was approximately RMB53,561.3 million (*As at 31st December, 2019: approximately RMB49,470.0 million*), which was funded by the following: (a) share capital of RMB397.2 million (*As at 31st December, 2019: RMB397.2 million*), (b) reserves of RMB38,311.9 million (*As at 31st December, 2019: RMB33,528.4 million*), (c) total liabilities of RMB14,108.3 million (*As at 31st December, 2019: RMB14,994.6 million*) and (d) contribution from non-controlling interests of RMB743.9 million (*As at 31st December, 2019: RMB549.9 million*).

As at 30th June, 2020, 90.1% (*As at 31st December, 2019: 94.8%*) 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 5.1% (*As at 31st December, 2019: 2.6%*) were denominated in U.S. Dollar. The remaining balance of 4.8% (*As at 31st December, 2019: 2.6%*) were denominated in other currencies. Apart from the borrowings, banking facilities were in place for contingency purposes. As at 30th June, 2020, the Group's total available banking facilities for its daily operations amounted to RMB604.1 million (*As at 31st December, 2019: RMB712.7 million*) without any committed banking facilities.

The Group funds its short-term working capital requirement mainly through its own operational cash flow, short-term bank borrowings, issue of bank guaranteed notes and payment credit from its suppliers. The Group monitors and maintains a level of cash and cash equivalents considered adequate by the management to finance the Group's operations, expected expansion and product developments. Management also monitors the utilisation of bank borrowings and ensures compliance with loan covenants. For long-term capital expenditures, the Group's strategy is to fund these long-term capital commitments by a combination of operational cash flow, bank borrowings, dividends from joint ventures and associates, if any, and fund raising exercises in the capital market, if and when necessary.

Capital Expenditures and Commitments

For the first six months of 2020, the Group incurred capital expenditures of RMB299.0 million (*Six months ended 30th June, 2019: RMB518.9 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 30th June, 2020, the Group's contracted capital commitments amounted to RMB1,168.8 million (*As at 31st December, 2019: RMB1,043.9 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 six months ended 30th June, 2020.

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 the second half of 2020 for both local sales and exports to the rest of the world.

RBJAC is pushing forward with the localization of new potential products such as the Renault Master and Trafic models.

Employees, Remuneration Policy and Training Programmes

The Group employed approximately 5,390 employees as at 30th June, 2020 (*As at 30th June, 2019: 5,980*). Employee costs amounted to RMB320.0 million for the six months ended 30th June, 2020 (*Six months ended 30th June, 2019: RMB405.7 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 30th June, 2020, short-term bank borrowings of RMB74 million (*As at 31st December, 2019: RMB91 million*) were secured by the Group's land lease prepayments with a net book value of approximately RMB2.1 million (*As at 31st December, 2019: approximately RMB2.1 million*), buildings, tools and moulds, machinery and equipment and construction-in-progress with an aggregate net book values of approximately RMB197.1 million (*As at 31st December, 2019, approximately RMB208.0 million*).

As at 30th June, 2020, long-term bank borrowings of RMB30 million (*As at 31st December, 2019: RMB40 million*) were secured by the Group's land lease prepayments with a net book value of approximately RMB29.7 million (*As at 31st December, 2019: approximately RMB30.0 million*) and buildings, plant and equipment with an aggregate net book value of approximately RMB52.6 million (*As at 31st December, 2019: approximately RMB33.6 million*).

In addition, as at 30th June, 2020, the Group pledged short-term bank deposits of RMB2,054.2 million (*As at 31st December, 2019: RMB2,583.3 million*) for issue of bank guaranteed notes to trade creditors, RMB210.5 million (*As at 31st December, 2019: RMB210.5 million*) to secure bank loans granted to a related party of the Group, and RMB60,000 (*As at 31st December, 2019: RMB60,000*) for joint auto financing arrangement.

As at 30th June, 2020, the Group had also pledged bank guaranteed notes receivable from third parties and related parties in the amount of approximately RMB47.9 million (*As at 31st December, 2019: approximately RMB31.3 million*) to secure the issue of bank guaranteed notes.

Future Plans for Material Investments or Additions of Capital Assets

There was no plan authorised by the Board for material investments or additions of capital assets during the six months ended 30th June, 2020.

Gearing Ratio

As at 30th June, 2020, the gearing ratio, computed by dividing total liabilities by total equity attributable to equity holders of the Company, was approximately 0.36 (*As at 31st December, 2019: approximately 0.44*). The decrease in the gearing ratio was primarily due to decrease in accounts payable, notes payable and income tax payable during the six months ended 30th June, 2020.

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 an insignificant level. The Group will continue to monitor 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, 2020 (*As at 30th June, 2019: nil*).

Contingent Liabilities

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

DIVIDENDS

On 13th July, 2020, the Board declared (a) a special dividend of HK\$0.30 per ordinary share of the Company; and (b) a dividend of HK\$0.11 per ordinary share of the Company in relation to the financial year 2020 (collectively, the “**Dividends**”), to the shareholders of the Company whose names appear on the register of members of the Company as at 27th July, 2020 (*2019 special dividend: HK\$0.74, and 2019 dividend: HK\$0.11*). The Dividends were paid on 6th August, 2020.

The directors of the Company resolved not to declare any dividend payment at the Board meeting held on 21st August, 2020 (*2019: HK\$0.11 per ordinary share*). As disclosed above, a dividend of HK\$0.11 per ordinary share in relation to the financial year 2020 has already been declared on 13th July, 2020 and was paid on 6th August, 2020.

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, 2020.

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, 2020.

There have not been material changes to the information disclosed in the Company's 2019 annual report in respect of our corporate governance practices. Major updates since the 2019 annual report are summarised in the 2020 interim report to be sent to shareholders of the Company.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the unaudited consolidated interim financial statements of the Group for the six months ended 30th June, 2020.

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

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises five executive directors, Mr. Wu Xiao An (also known as Mr. Ng Siu On) (*Chairman*), Mr. Yan Bingzhe (*Chief Executive Officer*), Mr. Zhang Wei, Mr. Sun Baowei and Ms. Ma Nina; 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, 21st August, 2020