

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



2023
Interim Report

* 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, 2023. 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)

		(Unaudited)	
		For the six months ended	
		30th June,	
		2023	2022
	Note	RMB'000	RMB'000
Revenue	4	507,855	557,527
Cost of sales		(365,540)	(457,922)
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Gross profit		142,315	99,605
Other income		19,588	119,548
Interest income		348,850	148,185
Selling expenses		(19,306)	(15,835)
General and administrative expenses		(201,533)	(226,757)
Net expected credit loss (“ECL”) allowance on loans and receivable		(25,683)	(420,570)
Finance costs	6	(1,041)	(11,455)
Share of results of:			
A joint venture		–	2,379,782
Associates		3,759,457	2,873,819
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		4,022,647	4,946,322
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Gain on disposal of partial equity interest in a joint venture		–	4,895,929
Other taxes related to the disposal		–	(7,287,093)
	13	<hr/>	<hr/>
		–	(2,391,164)
		<hr/>	<hr/>
Gain on deconsolidation of a subsidiary	5	–	621,518
		<hr/>	<hr/>
Profit before income tax (expense) credit	7	4,022,647	3,176,676
Income tax (expense) credit	9	(277,161)	3,812
		<hr/>	<hr/>
Profit for the period		3,745,486	3,180,488
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Attributable to:			
Equity holders of the Company		3,744,137	3,180,360
Non-controlling interests		1,349	128
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		3,745,486	3,180,488
		<hr/>	<hr/>
Earnings per share	10		
– Basic		RMB0.74211	RMB0.63039
– Diluted		RMB0.74211	RMB0.63039
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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited)	
	For the six months ended	
	30th June,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	3,745,486	3,180,488
Other comprehensive income (expense) that will be subsequently reclassified to consolidated statement of profit or loss, net of tax		
Share of other comprehensive income of a joint venture	–	747,009
Share of other comprehensive income (expense) of associates	988,483	(755,692)
Fair value (loss) gain on notes receivable at fair value through other comprehensive income (“FVOCI”)	(141)	52
	988,342	(8,631)
Other comprehensive income (expense) that will not be subsequently reclassified to consolidated statement of profit or loss, net of tax		
Change in fair value of equity investments	(2,320)	240
	986,022	(8,391)
Total comprehensive income for the period	4,731,508	3,172,097
Attributable to:		
Equity holders of the Company	4,730,159	3,171,969
Non-controlling interests	1,349	128
	4,731,508	3,172,097

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited)	(Audited)
		As at	As at
		30th June,	31st December,
		2023	2022
	Note	RMB'000	RMB'000
Non-current assets			
Intangible assets	12	35,951	37,935
Property, plant and equipment	12	394,579	416,151
Construction-in-progress	12	35,952	28,034
Land lease prepayments	12	74,970	76,029
Interests in associates	13	24,454,880	19,727,942
Equity investments	14	7,604	9,924
Long-term loans receivable	15	1,947,466	1,314,172
Other non-current assets		109,618	87,832
		<hr/>	<hr/>
Total non-current assets		27,061,020	21,698,019
Current assets			
Cash and cash equivalents	16	24,621,599	28,463,276
Statutory deposit reserves at central bank		32,500	32,500
Pledged and restricted short-term bank deposits	17	3,039,857	3,461,922
Inventories		143,396	185,201
Accounts receivable	18	270,835	282,075
Notes receivable	19	80,433	94,470
Short-term loans receivable	15	1,138,636	1,109,779
Other current assets	20	118,265	99,362
		<hr/>	<hr/>
Total current assets		29,445,521	33,728,585
Current liabilities			
Accounts payable	21	238,138	366,829
Notes payable		239,255	170,149
Other current liabilities	22	276,019	292,322
Short-term bank borrowings	23	968,000	350,000
Long-term bank borrowings due within one year	23	2,700	7,500
Income tax payable		3,667	10,337
Provision for loss on unauthorised guarantees	24	1,917,062	1,917,062
		<hr/>	<hr/>
Total current liabilities		3,644,841	3,114,199

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

		(Unaudited) As at 30th June, 2023 <i>RMB'000</i>	(Audited) As at 31st December, 2022 <i>RMB'000</i>
Net current assets		25,800,680	30,614,386
Total assets less current liabilities		52,861,700	52,312,405
Non-current liabilities			
Other non-current liabilities	22	91,817	95,578
Net assets		52,769,883	52,216,827
Capital and reserves			
Share capital	25	397,176	397,176
Reserves	26	51,599,785	51,048,078
Total equity attributable to equity holders of the Company		51,996,961	51,445,254
Non-controlling interests		772,922	771,573
Total equity		52,769,883	52,216,827

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30th June, 2022 (Unaudited)

	Attributable to the equity holders of the Company											
	Issued capital RMB'000	Hedging reserve RMB'000	Share premium RMB'000	Investment fair value reserve RMB'000	FVOCI reserve RMB'000	Cumulative transition adjustments reserve RMB'000	Difference arising from (acquisition) disposal of non-controlling interests 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, 2022	397,176	(2,155,713)	2,476,082	(6,170)	(673)	39,179	(2,350,481)	120,000	43,809,299	42,328,689	(1,154,360)	41,174,339
Transactions with equity holders of the Company												
Release on disposal of equity interests of a jointly controlled entity	-	704,352	-	-	-	-	-	-	-	704,352	-	704,352
Release of reserve upon deconsolidation of a subsidiary	-	-	-	-	-	-	2,350,481	-	(2,350,481)	-	1,925,998	1,925,998
Profit for the period	-	704,352	-	-	-	-	2,350,481	-	(2,350,481)	704,352	1,925,998	2,630,350
Other comprehensive expense												
Share of other comprehensive income of a joint venture	-	747,009	-	-	-	-	-	-	-	747,009	-	747,009
Share of other comprehensive expense of associates	-	(755,735)	-	-	43	-	-	-	-	(755,692)	-	(755,692)
Change in fair value of financial assets	-	-	-	240	52	-	-	-	-	292	-	292
Total other comprehensive expense	-	(8,726)	-	240	95	-	-	-	-	(8,391)	-	(8,391)
Total comprehensive income	-	(8,726)	-	240	95	-	-	-	3,180,360	3,171,969	128	3,172,097
As at 30th June, 2022	397,176	(1,460,087)	2,476,082	(5,930)	(578)	39,179	-	120,000	44,639,178	46,205,020	771,766	46,976,786

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

Six months ended 30th June, 2023 (Unaudited)

	Attributable to the equity holders of the Company							Total equity attributable to the equity holders of the Company RMB'000		
	Issued capital RMB'000	Hedging reserve RMB'000	Share premium RMB'000	Investment fair value reserve RMB'000	FVOCI reserve RMB'000	Cumulative translation adjustments reserve RMB'000	Capital reserve RMB'000		Retained earnings RMB'000	Non-controlling interests RMB'000
As at 1st January, 2023	397,176	(188,879)	2,476,082	(5,769)	(808)	39,179	120,000	48,605,713	771,573	52,216,827
Transactions with equity holders of the Company										
Dividends (note 11)	-	-	-	-	-	-	-	(4,178,452)	-	(4,178,452)
Profit for the period	-	-	-	-	-	-	-	3,744,137	1,349	3,745,486
Other comprehensive income										
Share of other comprehensive income of associates	-	988,476	-	-	7	-	-	-	-	988,483
Change in fair value of financial assets	-	-	-	(2,320)	(141)	-	-	-	-	(2,461)
Total other comprehensive income	-	988,476	-	(2,320)	(134)	-	-	-	-	986,022
Total comprehensive income	-	988,476	-	(2,320)	(134)	-	-	3,744,137	1,349	4,731,508
As at 30th June, 2023	397,176	801,597	2,476,082	(8,029)	(442)	39,179	120,000	48,171,888	772,922	51,996,961

CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited)	
	For the six months ended	
	30th June,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash (used in) generated from operating activities	(600,607)	850,172
Net cash generated from investing activities	409,107	17,252,758
Net cash used in financing activities	(3,650,177)	(1,212,075)
(Decrease) Increase in cash and cash equivalents	(3,841,677)	16,890,855
Cash and cash equivalents, as at 1st January	28,463,276	1,049,252
Cash and cash equivalents, as at 30th June	24,621,599	17,940,107

NOTES TO CONSOLIDATED INTERIM 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 "SEHK").

The principal activities of the Group are set out in note 4 to these condensed consolidated interim financial statements (or hereafter also referred to as the "consolidated interim financial statements").

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 SEHK (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 Standard(s) ("HKFRS(s)") issued by the Hong Kong Institute of Certified Public Accountants (the "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, 2022, except for the adoption of the new and revised HKFRSs (which include individual HKFRSs, HKASs and interpretations) as disclosed in note 3 to these consolidated interim financial statements.

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, 2022.

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, 2023.

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred tax related to Assets and Liabilities arising from a Single Transaction
HKFRS 17	Insurance Contracts with related amendments
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

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 and components in the People's Republic of China (the "PRC") through its major associate, BMW Brilliance Automotive Ltd. ("BBA"), the manufacture and sale of automotive components through its subsidiaries, Ningbo Yumin Machinery Industrial Co., Ltd ("Ningbo Yumin") and Mianyang Brilliance Ruian Automotive Components Co., Ltd. ("Mianyang Ruian"), and the provision of auto financing service through its subsidiary, Brilliance-BEA Auto Finance Co., Ltd. ("BBAFC").

Revenue earned during the period represents:

	(Unaudited)	
	For the six months ended	
	30th June,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Sale of automotive components, net of taxes, discounts and return	381,079	420,045
Interest and service charge income from provision of auto financing service, net of other indirect taxes	126,776	137,482
	507,855	557,527

The Group has identified the following reportable segments:

- the manufacture and sale of automotive components;
- the manufacture and sale of BMW vehicles and components; 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 (e.g. share of results of associates and a joint venture (as in previous periods), 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 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, 2023

(Unaudited)					
	Manufacture and sale of automotive components <i>RMB'000</i>	Manufacture and sale of BMW vehicles and components <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	381,079	120,213,518	126,776	(120,213,518)	507,855
Segment results	(5,180)	19,772,513	4,552	(19,758,227)	13,658
Unallocated costs net of unallocated revenue					(98,277)
Interest income					348,850
Finance costs					(1,041)
Share of results of associates	6,998	3,752,459	-	-	3,759,457
Profit before income tax expense					<u>4,022,647</u>

Revenue and results by reportable segments and reconciliation of segment results to profit before income tax credit for the period – for the six months ended 30th June, 2022

(Unaudited)					
	Manufacture and sale of automotive components <i>RMB'000</i>	Manufacture and sale of BMW vehicles and components <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	420,045	109,113,173	137,482	(109,113,173)	557,527
Segment results	(398,800)	21,297,632	434	(21,286,425)	(387,159)
Unallocated costs net of unallocated revenue					(56,850)
Gain on disposal of partial equity interest in a joint venture	-	4,895,929	-	-	4,895,929
Other taxes related to the disposal	-	(7,287,093)	-	-	(7,287,093)
Gain on deconsolidation of a subsidiary	621,518	-	-	-	621,518
Interest income					148,185
Finance costs					(11,455)
Share of results of:					
A joint venture	-	2,379,782	-	-	2,379,782
Associates	23,748	2,850,071	-	-	2,873,819
Profit before income tax credit					<u>3,176,676</u>

4. REVENUE AND SEGMENT INFORMATION (Cont'd)

The assets and liabilities by reportable segments as at 30th June, 2023

(Unaudited)					
	Manufacture and sale of automotive components <i>RMB'000</i>	Manufacture and sale of BMW vehicles and components <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	29,277,564	180,233,567	3,382,860	(180,885,106)	32,008,885
Interests in associates	923,005	23,531,875	-	-	24,454,880
Equity investments					7,604
Unallocated assets					35,172
Total assets					56,506,541
Segment liabilities	2,712,744	86,106,068	1,665,256	(86,757,607)	3,726,461
Unallocated liabilities					10,197
Total liabilities					3,736,658

The assets and liabilities by reportable segments as at 31st December, 2022

(Audited)					
	Manufacture and sale of automotive components <i>RMB'000</i>	Manufacture and sale of BMW vehicles and components <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	33,548,673	164,927,049	2,754,914	(165,578,702)	35,651,934
Interests in associates	937,002	18,790,940	-	-	19,727,942
Equity investments					9,924
Unallocated assets					36,804
Total assets					55,426,604
Segment liabilities	2,809,915	89,763,288	1,040,306	(90,414,941)	3,198,568
Unallocated liabilities					11,209
Total liabilities					3,209,777

5. GAIN ON DECONSOLIDATION OF A SUBSIDIARY

The Group no longer had control in Renault Brilliance Jinbei Automotive Company Limited (“**RBJAC**”), a subsidiary of the Company which manufactured minibuses and multi-purpose vehicles, upon the approval of its restructure by a court order issued on 12th January, 2022 as the Group’s rights and duty in the management of RBJAC is restricted after the appointment of the administrator of the restructuring of RBJAC in accordance with relevant laws in respect of restructuring in the PRC.

Accordingly, the financial statements of RBJAC were deconsolidated from the Group with a gain on deconsolidation of the following net liabilities of RBJAC on 12th January, 2022.

	(Audited) RMB ’000
Non-current assets	236,098
Current assets	596,248
Current liabilities	(4,716,036)
Non-current liabilities	(46,946)
	<hr/>
Total net liabilities deconsolidated	(3,930,636)
Non-controlling interests disposed of	1,925,998
Receivables from RBJAC	1,383,120
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Gain on deconsolidation	(621,518)
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Net cash and cash equivalents arising from deconsolidation of RBJAC	-
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On 17th May, 2023, a subsidiary of the Company, RBJAC and the administrator of the restructuring of RBJAC entered into a restructuring investment agreement (“**Restructuring Investment Agreement**”). Pursuant to the Restructuring Investment Agreement, as part of the restructuring of RBJAC and subject to the formal plan for RBJAC restructuring as approved by the Shenyang Intermediate People’s Court (the “**Formal Restructuring Plan**”),

- (i) the entire amount of the existing paid-up capital of RBJAC held by the Group and Renault SAS (“**Renault**”), another shareholder of RBJAC, is proposed to be reduced to nil;
- (ii) all the existing debt owed by RBJAC to the Group and Renault in the amount of approximately RMB1.668 billion and RMB711 million, respectively, are proposed to be capitalised into shareholders’ equity of RBJAC after the existing paid-up capital mentioned in (i) above is reduced to nil; and
- (iii) a cash capital contribution in the amount of up to RMB1.36 billion is proposed to be injected into RBJAC by the Group for the purpose of restructuring the indebtedness of RBJAC other than the debt owed by RBJAC to the Group and Renault within 12 months from the date the Formal Restructuring Plan is approved by the Shenyang Intermediate People’s Court.

If the Formal Restructuring Plan is executed and cash capital contribution of RMB1.36 billion is fully injected into RBJAC by the Group, the Group and Renault will effectively hold 80.98% and 19.02% equity interests in RBJAC, respectively. Once the restructuring of RBJAC is completed, the Group will regain control in RBJAC and it will become a subsidiary of the Group again.

The Formal Restructuring Plan was approved by Shenyang Intermediate People’s Court on 23rd May, 2023 and the Formal Restructuring Plan is underway. But none of the cash capital contribution of RMB1.36 billion has been injected by the Group as at 30th June, 2023 and up to the date of these consolidated interim financial statements.

6. FINANCE COSTS

	(Unaudited)	
	For the six months ended	
	30th June,	
	2023	2022
	RMB'000	RMB'000
Interest expense on:		
– bank borrowings	123	10,391
– discounted bank guaranteed notes/net loss arising on FVOCI	129	124
– finance charges on lease liabilities	789	940
	1,041	11,455

7. PROFIT BEFORE INCOME TAX (EXPENSE) CREDIT

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

	(Unaudited)	
	For the six months ended	
	30th June,	
	2023	2022
	RMB'000	RMB'000
Charging:		
ECL allowance for:		
– Loan receivables	24,830	10,675
– Other receivables	280	38,049
– Amounts due from affiliated companies	616	372,230
– Accounts receivable	730	–
Cost of inventories	339,229	397,369
Amortisation of intangible assets (a)	3,151	4,466
Amortisation of land lease prepayments	1,059	1,059
Depreciation of property, plant and equipment:		
– Owned assets	25,757	27,212
– Right-of-use assets	10,817	10,276
Staff costs (including directors' emoluments) (note 8)	112,832	163,191
Provision for inventories	150	1,832
Research and development costs (b)	5,356	17,252
Warranty provision (b)	1,183	1,109
Lease charges:		
– Short-term leases with lease term of 12 months or shorter	2,361	2,937
– Low value items	78	–
Loss on disposal of property, plant and equipment	4	259
Exchange loss, net (b)	74,365	–
	–	–
Crediting:		
Exchange gain, net (b)	–	2,638
Rental income from land and buildings	516	516
Reversal of ECL allowance for:		
– Accounts receivable	–	51
– Accounts receivable from affiliated companies	149	330
– Other receivables grouped under non-current assets	5	3
– Dividend receivable from an affiliated company	619	–
Write back of provision for inventories sold	337	–

(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.

8. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	(Unaudited)	
	For the six months ended	
	30th June,	
	2023	2022
	RMB'000	RMB'000
Wages, salaries and performance related bonus	84,282	107,523
Pension costs – defined contribution plans	6,791	10,987
Staff welfare costs	21,759	44,681
	<hr/>	<hr/>
	112,832	163,191

9. INCOME TAX (EXPENSE) CREDIT

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 (*Six months ended 30th June, 2022: income tax credit represents net over-provision of PRC corporate income tax in prior period in excess of PRC corporate income tax on the estimated taxable profits*).

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

10. 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, 2023 of approximately RMB3,744,137,000 (*Six months ended 30th June, 2022: approximately RMB3,180,360,000*) by the weighted average number of ordinary shares of 5,045,269,000 shares (*Six months ended 30th June, 2022: 5,045,269,000 shares*).

Diluted earnings per share is the same as basic earnings per share for the six months ended 30th June, 2023 as there was no potential dilutive ordinary share in issue during the period (*Six months ended 30th June, 2022: same*).

11. DIVIDENDS

On 13th January, 2023, the Company declared a special dividend of HK\$0.96 per share (*Six months ended 30th June 2022: nil*) totalling HK\$4,843,458,000.

On 18th July, 2023, the Company further declared another special dividend of HK\$0.96 per share (*Six months ended 30th June, 2022: nil*) totalling HK\$4,843,458,000.

The directors of the Company did not recommend any dividend payment at the board meeting held on 22nd August, 2023 in respect of the Group's interim results for the six months ended 30th June, 2023 (*Six months ended 30th June, 2022: nil*).

12. CAPITAL EXPENDITURES

	(Unaudited)			
	Intangible assets <i>RMB'000</i>	Property, plant and equipment <i>RMB'000</i>	Construction -in-progress <i>RMB'000</i>	Land lease prepayments <i>RMB'000</i>
Net book value as at 1st January, 2023	37,935	416,151	28,034	76,029
Additions	1,167	15,047	8,272	–
Transfer	–	354	(354)	–
Disposals/Write-off	–	(399)	–	–
Amortisation/Depreciation	(3,151)	(36,574)	–	(1,059)
Net book value as at 30th June, 2023	35,951	394,579	35,952	74,970

As at 30th June, 2023, included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

	Carrying amount		Depreciation	
	(Unaudited) As at 30th June, 2023 <i>RMB'000</i>	(Audited) As at 31st December, 2022 <i>RMB'000</i>	(Unaudited) For the six months ended 30th June, 2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Buildings	32,683	30,686	9,842	10,173
Machinery & equipment	5,096	6,052	955	73
Motor vehicles	–	20	20	30
	37,779	36,758	10,817	10,276

During the six months ended 30th June, 2023, the total additions to right-of-use assets as included in property, plant and equipment, amounted to approximately RMB11,838,000 including approximately RMB9,735,000 arising from modification of lease arrangement (Six months ended 30th June, 2022: approximately RMB13,154,000 with no modification of lease arrangement).

During the six months ended 30th June, 2022, net book value of right-of-use assets as included in property, plant and equipment of approximately RMB499,000 including RMB440,000 of lease arrangement was disposed.

13. INTERESTS IN ASSOCIATES

	(Unaudited) As at 30th June, 2023 RMB'000	(Audited) As at 31st December, 2022 RMB'000
Share of net assets by equity method and goodwill:		
Associates listed in Hong Kong	602,098	595,309
Less: impairment loss for interests in an associate listed in Hong Kong (<i>Note i</i>)	(72,799)	(72,799)
	529,299	522,510
Unlisted associates:		
BBA	23,531,875	18,790,940
Other unlisted associates	435,913	456,699
	23,967,788	19,247,639
Less: impairment loss for interests in an unlisted associate (<i>Note ii</i>)	(42,207)	(42,207)
	23,925,581	19,205,432
	24,454,880	19,727,942
Fair value of investment in associates listed in Hong Kong	94,313	136,677

Note i: Based on the projected cash flow forecast of Xinchen China Power Holdings Limited ("Power Xinchen").

Note ii: Based on the current situation of Shenyang Brilliance Power Train Machinery Co., Ltd. ("Brilliance Power") which is in the process of restructuring.

On 11th February, 2022, the Group disposed of 25% equity interests in BBA to the another shareholder of BBA for a cash consideration, net of all respective taxes, of RMB20,654,054,000 resulting a loss on disposal of RMB2,391,164,000. Since then BBA has become an associate of the Company and the Group still owns 25% equity interests in BBA.

13. INTERESTS IN ASSOCIATES (Cont'd)

BBA's assets and liabilities as at 30th June, 2023 and the respective net assets shared by the Group are as follows:

	(Unaudited) As at 30th June, 2023 RMB'000	(Audited) As at 31st December, 2022 RMB'000
Non-current assets	72,955,232	91,223,784
Current assets	107,278,335	73,703,265
Current liabilities	(66,015,689)	(72,215,242)
Non-current liabilities	(20,090,379)	(17,548,046)
	<hr/>	<hr/>
Net assets	94,127,499	75,163,761
	<hr/>	<hr/>
Proportion of the Group's ownership interest in BBA	25%	25%
	<hr/>	<hr/>
Carrying amount of the Group's interest in BBA	23,531,875	18,790,940
	<hr/>	<hr/>

BBA's revenue, profit and dividend received by the Group for the six months ended 30th June, 2023 are as follows:

	(Unaudited)	
	For the six months ended 30th June,	
	2023	2022
	RMB'000	RMB'000
Revenue	120,213,518	109,113,173
	<hr/>	<hr/>
Profit for the period	15,009,834	16,159,874
	<hr/>	<hr/>
Dividends	-	-
	<hr/>	<hr/>

Other associates are considered individually not material to the Group. The Group's share of aggregate financial information of these associates for the six months ended 30th June, 2023 is summarised as follows:

	(Unaudited)	
	For the six months ended 30th June,	
	2023	2022
	RMB'000	RMB'000
Net profit and other comprehensive income attributable to the Group	6,998	23,748
	<hr/>	<hr/>
Dividends	21,000	-
	<hr/>	<hr/>

14. EQUITY INVESTMENTS

	(Unaudited) As at 30th June, 2023 RMB '000	(Audited) As at 31st December, 2022 RMB '000
Financial assets of FVOCI (non-recycling)		
– Unlisted equity investment	4,138	4,138
– Listed equity investment in Hong Kong	3,466	5,786
	<hr/> 7,604	<hr/> 9,924

15. LOANS RECEIVABLE

	(Unaudited) As at 30th June, 2023 RMB '000	(Audited) As at 31st December, 2022 RMB '000
Loans receivable from customers	3,143,298	2,468,633
Less: ECL allowance	(57,196)	(44,682)
	<hr/> 3,086,102	<hr/> 2,423,951
Less: current portion	(1,138,636)	(1,109,779)
	<hr/> 1,947,466	<hr/> 1,314,172
Long-term loans receivable		
Gross loans receivable recoverable:		
– No later than one year	1,163,569	1,134,146
– Later than one year and no later than five years	1,979,729	1,334,487
	<hr/> 3,143,298	<hr/> 2,468,633

All the Group's loan receivables are retail loan receivables derived from the business of provision of auto financing by BBAFC. The retail loan receivables are denominated in Renminbi, which are fully secured by the motor vehicles of the borrowers. Out of the gross loan receivables which amounted to RMB3,143,298,000 (As at 31st December, 2022: RMB2,468,633,000), the gross loan receivables that will be repayable within 1 year amounted to RMB1,163,569,000 (As at 31st December, 2022: RMB1,134,146,000) bear fixed effective interest rates ranging from 6.4% to 14% (As at 31st December, 2022: 4.8% to 14%) per annum. The remaining gross loan receivables that will be repayable after 1 year but no later than 5 years amounted to RMB1,979,729,000 (As at 31st December, 2022: RMB1,334,487,000) bear fixed effective interest rates ranging from 6.54% to 14% (As at 31st December, 2022: from 7.42% to 14%) per annum. The actual interest rate offered to borrowers were determined with reference to the market rates from competitors at the material time, customer profiles and the brand of the motor vehicle which BBAFC is cooperating with.

15. LOANS RECEIVABLE (Cont'd)

The gross overdue loan receivables analysed by overdue period as at 30th June, 2023 is as follows:

	(Unaudited)	(Audited)
	As at	As at 31st
	30th June,	December,
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Overdue		
– 1 to 60 days	65,022	65,932
– 61 to 90 days	3,440	6,490
– 91 to 120 days	3,453	4,144
– more than 120 days	3,320	3,398
	<hr/>	<hr/>
	75,235	79,964
	<hr/>	<hr/>

Borrowers follow the terms and contractual repayment schedule to repay the outstanding loans. When any of the loan repayments is overdue in accordance with the contractual repayment schedule, the entire loan balance is classified as overdue loan. All amounts are shown as gross amounts of overdue loan receivables before any impairment losses under ECL model.

16. CASH AND CASH EQUIVALENTS

For 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 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.

17. PLEDGED AND RESTRICTED SHORT-TERM BANK DEPOSITS

Pledged short-term bank deposits are pledged for the following purposes:

	(Unaudited)	(Audited)
	As at	As at 31st
	30th June,	December,
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Restricted short-term deposits (<i>Note i</i>)	2,838,247	3,328,387
Pledged short-term bank deposits for bank guaranteed notes issued by the Group (<i>Note ii</i>)	201,610	133,535
	<hr/>	<hr/>
Total pledged and restricted short-term bank deposits	3,039,857	3,461,922
	<hr/>	<hr/>

Note i: All restricted short-term deposits at 30th June, 2023 (*As at 31st December, 2022: approximately RMB3,326,238,000*) are restricted by the courts in the PRC for potential amounts the Group may need to settle for the lawsuits underway in respect of the unauthorised guarantees as detailed in note 24. At 31st December, 2022, restricted short-term deposits also included approximately RMB900,000 restricted by the courts in the PRC for settlements of claims by creditors for procurements of goods and capital assets and was released upon settlement during the six months ended 30th June, 2023.

The provision for the unauthorised guarantee have been recognised and detailed in note 24.

Note ii: As at 30th June, 2023, in addition to short-term deposits pledged, the Group had also pledged bank guaranteed notes receivable from third parties and related parties of approximately RMB38.0 million (*As at 31st December, 2022: approximately RMB37.4 million*) to secure the issue of bank guaranteed notes.

18. ACCOUNTS RECEIVABLE

	(Unaudited) As at 30th June, 2023 RMB'000	(Audited) As at 31st December, 2022 RMB'000
Accounts receivable	269,213	279,469
Accounts receivable from affiliated companies (note 27(c))	1,622	2,606
	270,835	282,075

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

	(Unaudited) As at 30th June, 2023 RMB'000	(Audited) As at 31st December, 2022 RMB'000
Less than six months	273,341	284,736
Six months to one year	1,262	397
Above one year but less than two years	3,308	2,896
Above two years but less than five years	16,875	19,081
Five years or above	21,319	18,521
	316,105	325,631
Less: ECL allowance	(46,892)	(46,162)
	269,213	279,469

As at 30th June, 2023, accounts receivable from third parties of approximately RMB11.0 million (As at 31st December, 2022: approximately RMB10.0 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.

19. NOTES RECEIVABLE

	(Unaudited) As at 30th June, 2023 RMB'000	(Audited) As at 31st December, 2022 RMB'000
Notes receivable	59,433	88,634
Notes receivable from affiliated companies (note 27(d))	21,000	5,836
	80,433	94,470

All notes receivable are denominated in Renminbi and are primarily notes received from customers for settlement of accounts receivable balances. As at 30th June, 2023, all notes receivable were guaranteed by established banks in the PRC with maturities of less than six months from 30th June, 2023 (As at 31st December, 2022: same).

The Group does not hold the notes receivable until maturity but endorses or discounts these notes receivable before maturity for the settlement of the Group's creditors. Accordingly, these notes receivable are classified as financial assets at FVOCI (recycling) and are stated at fair value. The fair value is based on the net present value at 30th June, 2023 from expected timing of endorsements and discounting at the interest rates for the respective notes receivable (At 31st December, 2022: same). The fair value is within level 2 of the fair value hierarchy.

20. OTHER CURRENT ASSETS

		(Unaudited) As at 30th June, 2023	(Audited) As at 31st December, 2022
	Note	RMB'000	RMB'000
Other receivables	20(a)	46,545	22,640
Prepayments and other current assets		23,549	20,213
Other taxes recoverable		7,895	11,824
Amounts due from affiliated companies	27(e)	40,276	24,304
Dividend receivable from an affiliated company	27(f)	-	20,381
		118,265	99,362

(a) Other receivables

		(Unaudited) As at 30th June, 2023	(Audited) As at 31st December, 2022
		RMB'000	RMB'000
Amounts due from Shenyang Huayixin Automobile Sales Co., Ltd. ("Huayixin")		2,925,900	2,925,900
Amounts due from Chenbao (Liaoning) Automobile Manufacturing Co., Ltd. ("Chenbao")		1,148,400	1,148,400
		4,074,300	4,074,300
Others		189,391	165,206
		4,263,691	4,239,506
Less: ECL allowance		(4,217,146)	(4,216,866)
		46,545	22,640

ECL allowance of RMB4,074,300,000 were fully provided for the amount of RMB2,925,900,000 (As at 31st December, 2022: RMB2,925,900,000) due from loss of the unauthorised pledged short-term deposits of the Group for banking facilities granted to Huayixin when defaulted and advances of RMB1,148,400,000 (As at 31st December, 2022: RMB1,148,400,000) to Chenbao.

All other receivables are denominated in Renminbi. The directors consider that the fair values of other receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods.

21. ACCOUNTS PAYABLE

	(Unaudited) As at 30th June, 2023 RMB'000	(Audited) As at 31st December, 2022 RMB'000
Accounts payable	224,480	344,178
Accounts payable to affiliated companies (note 27(g))	13,658	22,651
	238,138	366,829

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

	(Unaudited) As at 30th June, 2023 RMB'000	(Audited) As at 31st December, 2022 RMB'000
Less than six months	147,766	262,352
Six months to one year	15,201	10,937
Above one year but less than two years	17,780	45,484
Two years or above	43,733	25,405
	224,480	344,178

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

22. OTHER CURRENT LIABILITIES

	(Unaudited) As at 30th June, 2023 RMB'000	(Audited) As at 31st December, 2022 RMB'000
Contract liabilities	1,704	1,717
Other payables and accrued expenses	172,384	185,828
Deferred income	-	2,909
Other taxes payable	6,808	8,463
Deferred government grants	22(a) 82,007	84,447
Lease liabilities	22(b) 34,484	34,615
Amounts due to affiliated companies	27(h) 70,449	69,921
	367,836	387,900
Less: non-current portion	(91,817)	(95,578)
Current portion	276,019	292,322

22. OTHER CURRENT LIABILITIES (Cont'd)

(a) Deferred government grants

	(Unaudited) As at 30th June, 2023 RMB'000	(Audited) As at 31st December, 2022 RMB'000
Government grants to be recognised as income		
– within one year	4,879	4,879
– over one year	77,128	79,568
	82,007	84,447

(b) Lease liabilities

	(Unaudited) As at 30th June, 2023 RMB'000	(Audited) As at 31st December, 2022 RMB'000
Total minimum lease payments		
– due within one year	20,876	19,665
– due in the second to fifth years	15,248	16,475
	36,124	36,140
Less: future finance charges on lease liabilities	(1,640)	(1,525)
Present value of lease liabilities	34,484	34,615
Present value of minimum lease payments		
– due within one year	19,795	18,605
– due in the second to fifth years	14,689	16,010
	34,484	34,615
Less: portion due within one year included under current liabilities	(19,795)	(18,605)
Portion due after one year included under non-current liabilities	14,689	16,010

As at 30th June, 2023 and 31st December, 2022, all lease liabilities are effectively secured by the related underlying assets as the right-to-use assets would be reverted to the lessors in the event of default of repayment by the Group.

23. BANK BORROWINGS

	(Unaudited) As at 30th June, 2023 RMB'000	(Audited) As at 31st December, 2022 RMB'000
<i>Short-term bank borrowings:</i>		
Secured bank borrowings	133,000	200,000
Unsecured bank borrowings	835,000	150,000
	968,000	350,000
<i>Secured long-term bank borrowings:</i>		
Due within one year	2,700	7,500
	970,700	357,500

Short-term bank borrowings of approximately RMB733 million (*As at 31st December, 2022: RMB350 million*) were from The Bank of East Asia (China) Limited ("**BEAC**"), an affiliated company of a non-controlling interest of BBAFC. Short-term bank borrowings at 30th June, 2023 are interest-bearing at rates ranging from 3.80% to 5.50% per annum (*As at 31st December, 2022: 5.50% to 5.65% per annum*) and repayable from 13th July, 2023 to 12th June, 2024 (*As at 31st December, 2022: repayable from 6th January, 2023 to 20th December, 2023*).

As at 30th June, 2023, secured short-term bank borrowings are secured by the Group's loan receivables of approximately RMB167.6 million (*As at 31st December, 2022: secured by the Group's loan receivables of approximately RMB249.5 million*).

All long-term bank borrowings as at 30th June, 2023 were interest-bearing at rates from 4.30% to 4.60% per annum (*As at 31st December, 2022: from 4.30% to 4.60% per annum*), repayable from 20th July, 2023 to 20th October, 2023 (*As at 31st December, 2022: from 20th January, 2023 to 20th October, 2023*). The secured long-term bank borrowings are secured by the Group's land lease prepayments with a net book value of approximately RMB27.8 million (*As at 31st December, 2022: approximately RMB28.1 million*) and buildings, plant and equipment with an aggregate net book value of approximately RMB31.1 million (*As at 31st December, 2022: approximately RMB35.4 million*).

24. PROVISION FOR LOSS ON UNAUTHORISED GUARANTEES

Shenyang JinBei Automotive Industry Holdings Co., Ltd. ("**SJAI**") entered into some unauthorised guarantees for the repayment of bank borrowings by Huachen Automotive Group Holdings Company Limited ("**Huachen**") to four creditor banks in 2020 and 2021.

Due to the failure of repayment by Huachen, four creditor banks of Huachen commenced legal proceedings against Huachen as the borrower and SJAI as the guarantor. The court judgments to appeals by the creditor bank still ruled that SJAI shall only be held liable for 50% of such amount which cannot be discharged by the principal borrowers covered by the respective unauthorised guarantees.

Although it is still uncertain as to the losses in these unauthorised guarantees that SJAI will have to bear based on the appeal judgments as the restructuring of Huachen is still ongoing, the Group recognised the provision of RMB1,917,062,000 for 50% of the bank facilities utilised under these unauthorised guarantees plus the respective legal costs.

25. SHARE CAPITAL

	(Unaudited)		(Audited)	
	As at 30th June, 2023		As at 31st December, 2022	
	Number of shares '000	Amount US\$'000	Number of shares '000	Amount US\$'000
Authorised:				
Ordinary shares at par value of US\$0.01 each	8,000,000	80,000	8,000,000	80,000

	(Unaudited)		(Audited)	
	As at 30th June, 2023		As at 31st December, 2022	
	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000
Issued and fully paid:				
Ordinary shares at par value of US\$0.01 each				
At beginning of period/year and reporting date	5,045,269	397,176	5,045,269	397,176

The Company had no outstanding share option as at both 30th June, 2023 and 31st December, 2022.

26. RESERVES

(a) Hedging reserve

It represents the Group's share of the hedging reserve in the equity of an associate. 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) Capital reserve

In 2003, as approved by the board of directors of Shenyang XingYuanDong Automobile Component Co., Ltd. ("Xing Yuan Dong") 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) Retained earnings

The Group's retained earnings at 30th June, 2023 included an amount of approximately RMB1,735,849,000 (*As at 31st December, 2022: approximately RMB1,735,849,000*) reserved by the subsidiaries in the PRC in accordance with 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 these companies, to expand the production operations, or to increase the capital of these companies.

27. 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 HKAS 24 (Revised) "Related Party Disclosures" ("**HKAS 24**"), 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 consolidated interim 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.

Under the PRC law and regulations, the Company is still a shareholder of the deconsolidated subsidiary, RBJAC, as at 30th June, 2023 and 31st December, 2022. The transactions and balances with RBJAC are also included in this note.

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.

Name	Relationship
Huachen	Major shareholder of the Company
Liaoning Shenhua Holdings Co., Ltd. (" Shenhua Holdings ")	22.93% of its equity interest held by Huachen
Brilliance Holdings Limited (" BHL ")	Common directorship of a director of the Company
BEAC	An affiliated company of Bank of East Asia and CaixaBank S.A., collectively holding 45% of BBAFC

Huachen is a PRC government-related entity, and is a connected person of the Company under the Listing Rules, with which the Group has material transactions.

- (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,	
	2023	2022
	RMB'000	RMB'000
Service fee to an affiliated company of Huachen	203	44
Comprehensive services provided to an affiliated company of Huachen	-	268
Service fee from BEAC	19,142	7,851

27. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

- (b) In addition to the above or as disclosed elsewhere in these consolidated interim financial statements, the Group also had the following material related party transactions:

	(Unaudited)	
	For the six months ended	
	30th June,	
	2023	2022
	RMB'000	RMB'000
Sales of goods:		
– A joint venture	–	3,541
– Associates	3,795	2,081
Other transactions:		
Interest to BEAC	10,472	25,175
Service fee to BEAC	572	–
Lease rent to an associate	100	–
Lease payments rent to Shenhua Holdings	343	296
	<hr/>	<hr/>

The above 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.

- (c) As at 30th June, 2023, the Group's accounts receivable from affiliated companies consisted of the following:

	(Unaudited)	(Audited)
	As at	As at 31st
	30th June,	December,
	2023	2022
	RMB'000	RMB'000
Accounts receivable from related parties:		
– Shenhua Holdings and its affiliated companies	10,416	10,416
– Huachen and its affiliated companies	88,160	88,160
– Associates	1,683	2,816
	<hr/>	<hr/>
Less: ECL allowance	100,259	101,392
	(98,637)	(98,786)
	<hr/>	<hr/>
	1,622	2,606
	<hr/>	<hr/>

The Group's credit policy is to offer credit to affiliated companies following financial assessment and established payment track record. These affiliated companies are generally required to settle 25% to 33% of the previous month's ending balances.

The directors consider that the fair values of accounts receivable from affiliated companies which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception. The fair values are within level 2 of the fair value hierarchy.

The aging analysis of accounts receivable due from affiliated companies based on invoice date is as follows:

	(Unaudited)	(Audited)
	As at	As at 31st
	30th June,	December,
	2023	2022
	RMB'000	RMB'000
Less than six months	1,657	2,698
Six months to one year	–	92
Above one year but less than two years	379	894
Above two years but less than five years	66,367	77,339
Five years or above	31,856	20,369
	<hr/>	<hr/>
	100,259	101,392
	<hr/>	<hr/>

27. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

- (d) As at 30th June, 2023, the Group's notes receivable of approximately RMB21,000,000 was from an associate for the payment of its dividend to the Group (see note 27(f)) (As at 31st December, 2022: approximately RMB5,836,000 from trading activities with associates of the Group).

All notes receivable from affiliated companies are guaranteed by established banks in the PRC and have maturities of six months or less from 30th June, 2023 (As at 31st December, 2022: same).

For the same reason as stated in note 19, the notes receivable from affiliated companies are classified as financial assets at FVOCI (recycling) and stated at fair value. The fair value is within level 2 of the fair value hierarchy.

- (e) As at 30th June, 2023, the amounts due from affiliated companies consisted of:

	(Unaudited) As at 30th June, 2023 RMB'000	(Audited) As at 31st December, 2022 RMB'000
Amounts due from related parties:		
– Associates (Note i)	1,588,470	1,586,830
– An affiliated company of Shenhua Holdings	62	62
– Huachen and its affiliated companies	498,560	498,655
– Xinhua Investment Holdings Limited ("Xinhua Investment") (Note ii)	364,924	364,924
– Non-controlling interest of a subsidiary	38,054	23,011
– A company with a common management personnel of a subsidiary of the Group (Note iii)	404,000	404,000
	2,894,070	2,877,482
Less: ECL allowance	(2,853,794)	(2,853,178)
	40,276	24,304

Note i: Included in amounts due from associates are unsecured advances to Shenyang ChenFa Automobile Component Co., Ltd. totalling RMB858,000,000 (As at 31st December, 2022: RMB858,000,000) and RMB640,000,000 (As at 31st December, 2022: RMB640,000,000) due from Brilliance Power for the Group's loss of pledged short-term deposits for the bank guaranteed notes issued by Brilliance Power as a result of its failure to repay in 2021. Full ECL allowance of RMB1,498,000,000 (As at 31st December, 2022: RMB1,498,000,000) is provided for these amounts due.

Note ii: As Xinhua Investment, a shareholder of Power Xincheng, defaulted on the repayment, when due in August 2021, to the Group of the amount which is secured by all its assets, full ECL allowance of RMB364,924,000 (As at 31st December, 2022: RMB364,924,000) is provided.

Note iii: RMB404,000,000 was advanced to a related company with a common management personnel of a subsidiary of the Group in 2021. Full ECL allowance of RMB404,000,000 (As at 31st December, 2022: RMB404,000,000) is provided for this advance.

Saved for the above, the amounts due from other affiliated companies are unsecured, interest-free and repayable on demand.

27. CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)

(f) As at 30th June, 2023, the details of dividend receivable from an affiliated company are as follows:

	(Unaudited)	(Audited)
	As at	As at 31st
	30th June,	December,
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Dividend receivable from an associate	-	21,000
Less: ECL allowance	-	(619)
	<hr/>	<hr/>
	-	20,381
	<hr/>	<hr/>

(g) As at 30th June, 2023, accounts payable to affiliated companies arising from trading activities consisted of the following:

	(Unaudited)	(Audited)
	As at	As at 31st
	30th June,	December,
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Accounts payable to related parties:		
– Associates	2,486	11,479
– Huachen and its affiliated companies	6,048	6,048
– An affiliated company of BHL	10	10
	<hr/>	<hr/>
	8,544	17,537
– RBJAC	5,114	5,114
	<hr/>	<hr/>
	13,658	22,651
	<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 31st
	30th June,	December,
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Less than six months	914	-
Six months to one year	-	2,600
Above one year but less than two years	10,379	17,277
Two years or above	2,365	2,774
	<hr/>	<hr/>
	13,658	22,651
	<hr/>	<hr/>

27. **CONNECTED AND RELATED PARTY TRANSACTIONS (Cont'd)**

(h) As at 30th June, 2023, amounts due to affiliated companies consisted of the following:

	(Unaudited) As at 30th June, 2023 RMB'000	(Audited) As at 31st December, 2022 RMB'000
Amounts due to related parties:		
– Affiliated companies of BHL	28,542	28,290
– Non-controlling interests of subsidiaries	1,897	1,621
	<hr/>	<hr/>
– RBJAC	30,439	29,911
	40,010	40,010
	<hr/>	<hr/>
	70,449	69,921

Amounts due to affiliated companies are unsecured, non-interest bearing and repayable on demand.

(i) As at 30th June, 2023 and 31st December, 2022, there was no lease liability due to Huachen.

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

	(Unaudited) For the six months ended 30th June, 2023		2022 RMB'000
Short-term employee benefits	10,557	12,313	<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 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 established pricing policies for its 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. The directors are of the opinion that such transactions were conducted in the ordinary course of business and in accordance with normal commercial terms.

28. COMMITMENTS

(a) Capital commitments

	(Unaudited)	(Audited)
	As at	As at 31st
	30th June,	December,
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted but not provided for:		
– Acquisition of plant and machinery	3,913	4,048
	<hr/>	<hr/>

(b) Operating lease commitments

As lessee:

As at 30th June, 2023, the lease commitments for short-term leases are as follows:

	(Unaudited)	(Audited)
	As at	As at 31st
	30th June,	December,
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	351	355
In the second to fifth years inclusive	15	–
	<hr/>	<hr/>
	366	355
	<hr/>	<hr/>

As lessor:

As at 30th June, 2023, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of land use rights as follows:

	(Unaudited)	(Audited)
	As at	As at 31st
	30th June,	December,
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	–	388
In the second to fifth years inclusive	–	1,550
Over five years	–	656
	<hr/>	<hr/>
	–	2,594
	<hr/>	<hr/>

MANAGEMENT'S DISCUSSION & ANALYSIS

Business Discussion and Analysis

The unaudited consolidated revenue of the Group (which comprised primarily net sales derived from the businesses operated by our major operating subsidiaries including BBAFC, Ningbo Yumin and Mianyang Ruian) for the six months ended 30th June, 2023 was RMB507.9 million, representing a decrease of 8.9% from RMB557.5 million generated during the same period in 2022. The main reason for the decrease in revenue was due to a fall in demand for the Group's motor vehicle components as a result of the shift from traditional fossil-fueled motor vehicles to electric and hybrid motor vehicles in the market. In reaction to this, the Group started providing motor vehicle components to electric motor vehicle manufacturers in the first half of 2023 that offset part of the decrease in the sale to traditional motor vehicle manufacturers. Apart from that, despite the substantial growth in new business volume, the revenue contribution from BBAFC decreased during the first half of 2023 as a result of decreasing interest rates in the market.

Unaudited cost of sales decreased by 20.2% from RMB457.9 million for the first six months of 2022 to RMB365.5 million for the same period in 2023. The unaudited gross profit of the Group increased by 42.9% from RMB99.6 million for the first six months of 2022 to RMB142.3 million for the same period in 2023. As a result of the above changes, the unaudited gross profit margin of the Group improved to 28.0% for the first half of 2023 compared to 17.9% for the same period last year. The improvement was mainly due to the decrease in the market price of the major raw materials aluminum in the first half of 2023. In addition, the borrowing cost for BBAFC also decreased as a result of lowering interest rates for borrowing and less borrowings used for financing the auto financing service business during the first six months of 2023.

Unaudited other income decreased by 83.6% from RMB119.5 million for the first six months of 2022 to RMB19.6 million for the same period in 2023. The decrease was mainly due to the recognition of compensation income from the local government for the relocation of certain premises of a subsidiary in the first half of 2022 which did not occur in the same period in 2023.

Unaudited interest income increased by 135.4% from RMB148.2 million for the first six months of 2022 to RMB348.9 million for the same period in 2023. In addition to the proceed from disposal of 25% equity interest in BBA in February 2022, the dividend income from BBA received in the second half of 2022 further increased the Group's average short-term deposits and cash and cash equivalents in the first six months of 2023, which led to the increase in interest income.

Unaudited selling expenses increased by 21.9% from RMB15.8 million for the first half of 2022 to RMB19.3 million for the same period in 2023. The increase in selling expenses was mainly due to increase in costs to solicit and recruit new business. As a result, selling expenses as a percentage of revenue has increased from 2.8% for the first half of 2022 to 3.8% for the same period in 2023.

Unaudited general and administrative expenses decreased by 11.1% from RMB226.8 million for the first six months of 2022 to RMB201.5 million for the same period in 2023. As a result, the unaudited general and administrative expenses as a percentage of revenue decreased from 40.7% for the first half of 2022 to 39.7% for the same period in 2023. The decrease was mainly due to professional fees incurred in the first half of 2022 in relation to the investigation of the Group's unauthorised pledged deposits and guarantees and other transactions and resumption of trading of the Company's shares; legal costs incurred in the first half of 2022 for lawsuits regarding the claims of banks in respect of unauthorised guarantees; and one-off employee compensation expenses incurred in the first half of 2022 for resizing the operations of certain subsidiaries. The decrease was partly offset by the exchange loss arising from the depreciation of Renminbi in the period between the date on which special dividends were declared and the date of distribution during the first half of 2023.

Unaudited net ECL allowance on loans and receivables recognised in the first half of 2023 amounted to RMB25.7 million, a decrease of 93.9% from RMB420.6 million for the same period of 2022. The ECL allowance for the first half of 2022 was mainly provided for RBJAC after its deconsolidation from the Group whereas the ECL allowance for the same period of 2023 was mainly for loan receivables in respect of BBAFC.

Unaudited finance costs decreased by 90.9% from RMB11.5 million for the first six months of 2022 to RMB1.0 million for the same period in 2023, mainly due to the decrease in interest on bank borrowings and the decrease in average bank borrowings which caused lower finance cost for the first six months of 2023.

The Group did not recognise any share of results of joint venture in the first half of 2023 due to reclassification of BBA from a joint venture to an associate since February 2022 when the sale of 25% BBA equity interest to BMW Holding B.V. ("**BMW**") became effective. Starting from 11th February, 2022, BBA was treated as an associate of the Company. As a result, the Group's unaudited share of results of associates included the recognition of BBA contribution as the Group's associate over the first full six months period in 2023 as compared to approximately 4.5 months period in 2022, which led to an increase of the Group's unaudited share of results of associates by 30.8% from RMB2,873.8 million for the first half of 2022 to RMB3,759.5 million for the same period in 2023, with BBA's contribution no longer being recognised in any share of results of joint venture in the first half of 2023.

The BMW joint venture achieved local sales of 334,076 units in the first six months of 2023, an increase of 6.1% as compared to 314,777 BMW vehicles sold in the same period in 2022, with strong growth in the battery electric vehicles (“BEV”) segment benefitting from the rapid industry growth of new energy vehicles (“NEV”) in China. The local sales volumes of BBA by models are listed in the table below:

BBA BMW Models	1H2023 (Units)	1H2022 (Units)	Change
1-series	10,673	10,997	-2.9%
3-series	94,624	82,386	14.9%
5-series	62,672	98,213	-36.2%
X1	35,590	33,185	7.2%
X2	10,110	8,322	21.5%
X3	74,351	71,947	3.3%
X5	46,056	9,727	373.5%
Total BMW vehicles	334,076	314,777	6.1%
Of which BEVs	41,547	12,777	225.2%

In addition, the BMW joint venture exported 16,595 units, mainly X3 BEV models, to overseas in the first half of 2023, an increase by 48.7% from 11,162 units sold overseas for the same period of 2022.

The Group did not recognise any unaudited gain on disposal of partial equity interest in a joint venture or the related tax on disposal in the first half of 2023, both of which resulted from the disposal of the 25% equity interest in BBA by the Group to BMW which became effective on 11th February, 2022.

The Group did not recognise any unaudited gain on deconsolidation of a subsidiary in the first half of 2023 which arose from the deconsolidation of RBJAC from the Group’s accounts in the first half of 2022.

The Group’s unaudited profit before income tax increased by 26.6% from RMB3,176.7 million for the first half of 2022 to RMB4,022.6 million for the same period in 2023. Unaudited income tax expense was RMB277.2 million for the first half of 2023 as compared to an income tax credit of RMB3.8 million for the first half of 2022 which was mainly due to the withholding tax on dividends of the subsidiaries in the period.

As a result of the above, the Group recorded an unaudited profit attributable to equity holders of the Company of RMB3,744.1 million for the first half of 2023, compared to RMB3,180.4 million for the same period in 2022. Unaudited basic earnings per share for the six months ended 30th June, 2023 amounted to RMB0.74211 compared to RMB0.63039 for the same period in 2022.

Prospects

In the first six months of 2023, China's economy showed a robust recovery since the lifting of most COVID-19 restrictions at the start of 2023 with GDP increasing by 5.5% year on year at constant price, exceeding China's annual GDP target. By quarter, the GDP grew by 4.5% year on year in the first quarter and 6.3% in the second quarter. The second quarter saw a significant recovery in areas, such as services and consumption, while the growth of industrial and manufacturing output accelerated in June from the previous month.

According to the China Association of Automobile Manufacturers, total Chinese vehicle sales increased by 9.8% to 13.2 million units in the first six months of 2023, out of which, passenger vehicle sales accounted for 11.3 million units, an increase of 8.8% from the same period last year. Sales of NEVs reached 3.7 million units, an increase of 44.1% from the same period last year, whereas sales of NEVs passenger vehicles accounted for 3.6 million units, an increase of 44% from the same period last year, out of which BEVs accounted for 2.6 million units, an increase of 31.1% from the same period last year.

In July 2023, the Chinese government issued a new measure to promote auto consumption (《關於促進汽車消費的若干措施》) (the "Measures"). The Measures specifically listed out 10 points, some of which are directly related to support for the NEV sector, including the strengthening of NEV infrastructure, lowering the cost of using NEVs and increasing NEV procurement in the public sector. With such policy support against the overall backdrop of China's commitment to carbon gas emissions, the Company expects a huge market potential for the NEV market.

In spite of the challenging operating environment, BBA delivered strong results on sales volumes during the first half of 2023. It achieved a local sales and exports volume of 334,076 units and 16,595 units, respectively, for the first half of 2023, comprising BEV local sales and exports volume of 41,547 units and 16,584 units, respectively. BBA is committed to ride on the industry growth and capture market share of the rapid growing BEV market, at the same time managing and controlling the cost in connection with its BEV development with constant monitoring and assessment of the market reception of its various BEV models. In the Auto Shanghai show 2023, a number of new BMW electrified car models were exhibited, show casing its firm electrification and digitalisation strategy, one of which is the pure electrically powered BMW iX1 that has been developed exclusively for Chinese customers.

Against an overall commitment to a future e-mobility that is "Electric, Digital and Circular", on 20th February, 2023, an All New Fully Electric BMW i3 40L rolled off the production line of Plant Tiexi Lydia, marking the cumulative production of 5 million cars at BBA Shenyang production base and the beginning of a new chapter in the group's electrification journey, both in terms of its marketing strategy and digital production capability. Digitalisation plays an essential role in BBA's advanced production system. The BMW iFactory production strategy is being implemented in BBA's Shenyang production base. It applies data science, artificial intelligence and virtualisation technologies to improve production efficiency and quality, as well as save energy and reduce emissions.

Furthermore, BBA's sales activities also continue to be supported by the BMW auto finance company as well as Herald International Financial Leasing Co., Ltd.

As for RBJAC, as part of its restructuring (the "**RBJAC Restructuring**"), RBJAC, SJAI and the administrator of the RBJAC Restructuring entered into a restructuring investment agreement on 17th May, 2023 pursuant to which, (i) the entire amount of the existing paid-up capital of RBJAC held by SJAI and Renault, respectively is proposed to be reduced to nil; (ii) all the existing debt owed by RBJAC to Xing Yuan Dong and Renault (the "**Shareholders Debt**") in the amount of approximately RMB1.668 billion and RMB711 million, respectively, are proposed to be capitalised into shareholders' equity of RBJAC after the existing paid up capital is reduced to nil; and (iii) a capital contribution in the amount of up to RMB1.36 billion in cash (the "**Capital Contribution**") is proposed to be injected into RBJAC by SJAI for the purpose of restructuring the indebtedness of RBJAC within 12 months from the date the Formal Restructuring Plan is approved by the Shenyang Intermediate People's Court. Following completion of the Capital Contribution, taking into account the capitalisation of the Shareholders Debt, RBJAC will be effectively owned as to approximately 36.37% by SJAI, 44.61% by Xing Yuan Dong and 19.02% by Renault, subject to adjustments. On 23rd May, 2023, the Formal Restructuring Plan was approved by the Shenyang Intermediate People's Court. Please refer to (i) the announcements of the Company dated 30th December, 2021, 12th January, 2022 and 24th May, 2022 in relation to, among other things, the RBJAC Restructuring; and (ii) the announcements of the Company dated 11th April, 2023, 17th May, 2023 and 25th May, 2023 in relation to the Capital Contribution for further details.

Given the Capital Contribution has yet been injected into RBJAC, the Group continues to have no control over RBJAC which continues to be deconsolidated from the Group as at the date of the Company's 2023 consolidated interim financial statements.

BBAFC, our auto finance subsidiary in China, has significantly increased new business volumes through recently engaged NEV brand partners consistent with the overall industry focus on NEV sales, as well as further enhanced existing business partnerships with core brand partners, which further secures its reputation as a leading NEV financier within the China automotive finance segment. From a risk perspective, the credit risk has been well managed with a substantially reduced non-performing loan proportion, which has been further aided by the improved customer repayment capabilities post COVID-19. The company profitability is also on an improving trend, through the utilisation of diversified funding channels, increased retail co-lending with banking partners, as well as the increasing new business volumes from its existing and new business partnerships.

In the first half of 2023, Ningbo Yumin undertook the development of 13 new products and took on three new customers in the period. In addition, Ningbo Yumin has expanded its assembly products co-operation with BYD. After having developed certain sunroof guide rail assembly products for BYD, Ningbo Yumin further took up the order for new products such as impact beams, rocker rail and front cabin stabilising rod for several BYD car models. The company plans to gradually commence mass production for these products in the coming year.

As a result of Mianyang Ruian's intentional shift in developing products for the NEV segment starting from 2021, the company's component sales to NEV manufacturers steadily increased in the first half of 2023. As Li Auto's exclusive supplier of its second-generation range extended EV camshaft, the company's product sales increased as a result of Li Auto's strong sales volume for the first half of 2023. Mianyang Ruian completed the delivery of 330,000 camshafts in the first half of 2023 and will continue to allocate its resources for the development and manufacturing of NEV component products in the second half of 2023.

Liquidity and Financial Resources

As at 30th June, 2023, the Group had RMB24,621.6 million in cash and cash equivalents (*As at 31st December, 2022: RMB28,463.3 million*), RMB32.5 million in statutory deposit reserves at central bank (*As at 31st December, 2022: RMB32.5 million*) and RMB3,039.9 million in pledged and restricted short-term bank deposits (*As at 31st December, 2022: RMB3,461.9 million*).

As at 30th June, 2023, the Group had accounts payable in the amount of RMB238.1 million (*As at 31st December, 2022: RMB366.8 million*). As at 30th June, 2023, the Group had notes payable in the amount of RMB239.3 million (*As at 31st December, 2022: RMB170.1 million*).

As at 30th June, 2023, the Group had outstanding short-term bank borrowings of RMB968.0 million (*As at 31st December, 2022: RMB350.0 million*), and long-term bank borrowings due within one year of RMB2.7 million (*As at 31st December, 2022: RMB7.5 million*).

All short-term bank borrowings as at 30th June, 2023 were due within one year, being repayable from 13th July, 2023 to 12th June, 2024 (*As at 31st December, 2022: repayable from 6th January, 2023 to 20th December, 2023*). As at 30th June, 2023, all short-term bank borrowings were interest-bearing at rates ranging from 3.80% to 5.50% per annum (*As at 31st December, 2022: from 5.50% to 5.65% per annum*), and were denominated in Renminbi (*As at 31st December, 2022: Renminbi*).

Included in short-term bank borrowings were bank borrowings of RMB733.0 million (*As at 31st December, 2022: RMB350.0 million*) from The Bank of East Asia (China) Limited. The interest incurred on the respective bank borrowings for the six months ended 30th June, 2023 amounted to approximately RMB10.5 million (*Six months ended 30th June, 2022: approximately RMB25.2 million*).

All long-term bank borrowings as at 30th June, 2023 were due within one year, being repayable from 20th July, 2023 to 20th October, 2023 (*As at 31st December, 2022: repayable from 20th January, 2023 to 20th October, 2023*). As at 30th June, 2023, these long-term bank borrowings were interest-bearing at rates ranging from 4.30% to 4.60% per annum (*As at 31st December, 2022: from 4.30% to 4.60% per annum*), and were denominated in Renminbi (*As at 31st December, 2022: 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, 2023, the Group's accounts receivable turnover days was approximately 98 days, compared to approximately 94 days for the year ended 31st December, 2022. Inventory turnover days was approximately 87 days for the six months ended 30th June, 2023, compared to approximately 88 days for the year ended 31st December, 2022.

Capital Structure and Funding Policies

As at 30th June, 2023, the Group's total assets was approximately RMB56,506.5 million (*As at 31st December, 2022: approximately RMB55,426.6 million*), which was funded by the following: (a) share capital of RMB397.2 million (*As at 31st December, 2022: RMB397.2 million*), (b) reserves of RMB51,599.8 million (*As at 31st December, 2022: RMB51,048.1 million*), (c) total liabilities of RMB3,736.7 million (*As at 31st December, 2022: RMB3,209.8 million*) and (d) contribution from non-controlling interests of RMB772.9 million (*As at 31st December, 2022: RMB771.6 million*).

As at 30th June, 2023, 99.9% (*As at 31st December, 2022: 99.9%*) 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 0.1% (*As at 31st December, 2022: 0.1%*) were denominated in other currencies. Apart from the bank borrowings mentioned above, as at 30th June, 2023, the Group did not have any committed banking facilities (*As at 31st December, 2022: same*).

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 2023, the Group incurred capital expenditures of RMB24.5 million (*Six months ended 30th June, 2022: RMB26.7 million*) mainly for acquisition of both owned and right-of-use assets of building, plant and equipment, and construction-in-progress as well as specialised software.

As at 30th June, 2023, the Group's contracted capital commitments amounted to RMB3.9 million (*As at 31st December, 2022: RMB4.0 million*), which were related to the capital expenditures in respect of acquisition of plant and machinery.

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

As announced by the Company on 11th April, 2023 and 17th May, 2023, as part of the RBJAC Restructuring, the Capital Contribution is proposed to be injected into RBJAC by SJAI for the purpose of restructuring certain indebtedness of RBJAC. Following completion of the RBJAC Restructuring, RBJAC will be effectively owned as to approximately 80.98% by the Group and 19.02% by Renault, subject to the actual amount of the Capital Contribution.

Saved as aforesaid, 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, 2023.

New Business and New Products

The Company is devoted to capture valuable investment opportunities in order to enhance the Company's profitability and create value for its shareholders. The Company is in the course of studying and exploring various investment opportunities, including but not limited to cooperation with BMW with respect to supply of components for BMW vehicles, possible expansion into NEV manufacturing, components supply and digitalisation business, spanning across the entire value chain of the automotive industry.

BBA will continue to introduce new BMW models of both internal combustion engine and BEVs in the Chinese market over the next few years. With firm focus on the BEV market, BBA is coordinating with BMW Group to prepare for the development and arrival of a completely new technological platform for electric vehicles for the "Neue Klasse" model generation over the next few years, which is going to redefine standards for digitalisation, circular economy and design.

As for RBJAC, with the approval of the Formal Restructuring Plan, the Company believes that the Group will be able to leverage on the capability and resources of RBJAC and its existing qualification to maintain it as the Group's automobile manufacturing platform to seek future cooperation with international and domestic automobile companies and to further strengthen the Group's position in the automobile market. Feasibility studies have been undertaken on the business prospect of RBJAC and the potential business opportunities of co-operation with strategic partners, especially in the NEV business segment.

The BBAFC new business strategy is firmly focused on NEV, where it sees significant opportunity in the segment. BBAFC carefully selected top performing local and international NEV brands as its business partners, who have contributed to year-on-year increase in its new business volume by +145% for the first half of 2023. This strong performance has been actively supported by innovative funding solutions, as well as enhanced retail co-lending platform with banking partners. From an operational perspective, the company has fully embraced the online strategy which introduces customers into the digital journey, with improved customer and retailer conveniences. BBAFC prides itself on its creative and bespoke auto finance product offerings, that are carefully aligned to strategic OEM requirements as well as the real customer demands. This valuable combination resulted in continuing new business growth trends along with the highest customer satisfaction feedback, as accredited by a key OEM partner survey.

In June 2023, Mianyang Ruian completed the supplier acceptance procedures of BYD, eagerly looking forward to entering into the supply system of the largest Chinese NEV enterprise. As of result of the rapid growth of the BEV market, Mianyang Ruian planned to increase its product portfolio to cater for the development of the BEV market. Pursuant to the company's market analysis taking into consideration of its technical abilities and production conditions, Mianyang Ruian decided to develop resin balance shaft as its future product and launched the development project in the first quarter of 2023. Mianyang Ruian formed a R&D team with a new material technology institution and an university and completed the technical solution for resin gear in the first half of 2023.

Employees, Remuneration Policy and Training Programmes

The Group employed approximately 1,160 employees as at 30th June, 2023 (*As at 30th June, 2022: 1,427*). Employee costs amounted to RMB112.8 million for the six months ended 30th June, 2023 (*Six months ended 30th June, 2022: RMB163.2 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 order to improve the overall quality and professional technical level of all employees, Ningbo Yumin and Mianyang Ruian provide training for employees from time to time. Both companies have formulated and implemented administrative measures for education and training, and have established a set of training systems and workflows including new employee induction training, special post personnel training, management training, professional technical training and quality training. The course contents are extensive, covering basic/middle-level management, new product development, quality management, financial management, lean production, teamwork, and professionalism. Training demand research are conducted and training plans are formulated on an annual basis. BBAFC has specifically arranged compliance training, business training, new hire training, paired with online courses, meeting the learning needs of the employees. BBAFC has also developed a succession plan in 2022 which lays a solid foundation of talent for its long-term development.

Charge on Assets

As at 30th June, 2023, short-term bank borrowings of RMB133.0 million (*As at 31st December, 2022: RMB200.0 million*) were secured by the Group's loan receivables of approximately RMB167.6 million (*As at 31st December, 2022: RMB249.5 million*).

As at 30th June, 2023, all long-term bank borrowings due within one year of RMB2.7 million (*As at 31st December, 2022: RMB7.5 million*) were secured by the Group's land lease prepayments with a net book value of approximately RMB27.8 million (*As at 31st December, 2022: approximately RMB28.1 million*), and buildings, plant and equipment with an aggregate net book value of approximately RMB31.1 million (*As at 31st December, 2022: approximately RMB35.4 million*).

In addition, as at 30th June, 2023, the Group pledged short-term bank deposits in an aggregate amount of RMB201.6 million (*As at 31st December, 2022: RMB133.5 million*), and pledged bank guaranteed notes receivable from third parties and related parties of approximately RMB38.0 million (*As at 31st December, 2022: approximately RMB37.4 million*) to secure the issue of bank guaranteed notes.

As at 30th June, 2023, the Group had restricted short-term bank deposits of approximately RMB2,838.2 million (*As at 31st December, 2022: RMB3,328.4 million*), all of which were restricted by the courts in the PRC for potential amounts the Group may need to settle for the lawsuits underway in respect of the unauthorised guarantees (*As at 31st December, 2022: RMB3,326.2 million*) as detailed in note 24 to this report.

The directors of the Company have assessed the respective liabilities and adequate provision and liabilities have been recognised in the unaudited consolidated interim financial statements. The directors of the Company considered the respective provision and liabilities are adequate.

Future Plans for Material Investments or Additions of Capital Assets

As announced by the Company on 11th April, 2023, 17th May, 2023 and 25th May, 2023, the Capital Contribution is proposed to be injected into RBJAC by SJAI for the purpose of restructuring certain indebtedness of RBJAC within 12 months from 23rd May, 2023 (i.e. the date on which the Formal Restructuring Plan of RBJAC was approved by the Shenyang Intermediate People's Court). The Capital Contribution will be funded by the internal resources of the Group.

Save as aforesaid, there was no plan authorised by the Board for material investments or additions of capital assets during the six months ended 30th June, 2023.

Gearing Ratio

As at 30th June, 2023, the gearing ratio, computed by dividing total liabilities by total equity attributable to equity holders of the Company, was approximately 0.07 (*As at 31st December, 2022: approximately 0.06*). The increase in the gearing ratio was primarily due to an increase in short-term bank borrowings at 30th June, 2023.

Foreign Exchange Risks

The Group considers that exchange rate fluctuations do not have significant effect on the overall financial performance of the Group as substantial transactions during the period were denominated in Renminbi. The Group will continue to monitor transactions and monetary assets and liabilities denominated in foreign currencies to minimise foreign exchange risks. There were no outstanding hedging transactions as at 30th June, 2023 (*As at 31st December, 2022: nil*).

Contingent Liabilities

The Group did not have any contingent liabilities as at 30th June, 2023.

DIVIDENDS

As announced by the Company, special dividends of HK\$0.96 per ordinary share of the Company were declared by the directors of the Company on 13th January, 2023 and 18th July, 2023, respectively. The respective special dividends were paid/are payable to the shareholders on 27th February, 2023 and 31st August, 2023.

The directors of the Company did not recommend any dividend payment at the Board meeting held on 22nd August, 2023 in respect of the Group's 2023 interim results (*2022: nil*).

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 2022 annual report up to the date of this report is set out below:

- Mr. Zhang Wei was appointed as a director of BBAFC with effect from 20th January, 2023.

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

As at 30th June, 2023, so far as is known to the directors or chief executives of the Company, 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	Long position	%	Number and class of shares held/ Approximate shareholding percentage (Note 1)		Lending pool	%
			Short position	%		
Baillie Gifford & Co (Note 2)	305,285,000 ordinary	6.05	-	-	-	-
FIL Limited (Note 3)	304,172,000 ordinary	6.03	-	-	-	-
Huachen (Note 4)	1,535,074,988 ordinary	30.43	-	-	-	-
Liaoning Provincial Transportation Investment Group Co. Ltd. ("LPTI") (Note 5)	600,000,000 ordinary	11.89	-	-	-	-
Liaoning Transportation Investment Co., Ltd. ("LTI") (Note 5)	600,000,000 ordinary	11.89	-	-	-	-
Liaoning Xinrui Automotive Industry Development Co., Ltd. ("Liaoning Xinrui") (Note 4)	1,535,074,988 ordinary	30.43	-	-	-	-
Pandanus Associates Inc. (Note 3)	304,172,000 ordinary	6.03	-	-	-	-
Pandanus Partners L.P. (Note 3)	304,172,000 ordinary	6.03	-	-	-	-

Notes:

- (1) The percentage of shareholding is calculated on the basis of 5,045,269,388 shares in issue of the Company as at 30th June, 2023.
- (2) The 305,285,000 shares in long position were held as to 2,596,000 shares in the capacity as investment manager and as to 302,689,000 shares as corporate interest.
- (3) According to the disclosure of interest notice filed by Pandanus Associates Inc. on 16th May, 2023, FIL Limited was 38.71% controlled by Pandanus Partners L.P., which in turn was 100% controlled by Pandanus Associates Inc. Accordingly, Pandanus Associates Inc. and Pandanus Partners L.P. were deemed to be interested in the interest of FIL Limited in the Company by virtue of the SFO. The 304,172,000 shares in long position were held by FIL Limited, Pandanus Partners L.P. and Pandanus Associates Inc. as corporate interest.
- (4) According to the disclosure of interest notice filed by Huachen on 5th November, 2020, Liaoning Xinrui held direct interest in 1,535,074,988 shares in the Company and was a wholly-owned subsidiary of Huachen. Therefore, Huachen was deemed to be interested in the interest of Liaoning Xinrui in the Company by virtue of the SFO. The 1,535,074,988 shares in long position were held by Huachen in the capacity as corporate interest, and by Liaoning Xinrui in the capacity as beneficial owner.
- (5) According to the disclosure of interest notice filed by LPTI on 9th July, 2020, LTI held direct interest in 600,000,000 shares in the Company and was owned as to 83.68% by LPTI. Therefore, LPTI was deemed to be interested in the interest of LTI in the Company by virtue of the SFO. The 600,000,000 shares in long position were held by LPTI in the capacity as corporate interest, and by LTI in the capacity as beneficial owner.

Save as disclosed herein, as at 30th June, 2023, there was no other person so far as is 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, 2023, 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 SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she 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 SEHK, are set out below:

The Company

Name of director/ chief executive	Type of interests	Number and class of shares held/ Approximate shareholding percentage (Note)				Number of share options granted (Percentage of the Company's issued share capital)
		Long position	%	Short position	%	
Mr. Wu Xiao An (also known as Mr. Ng Siu On)	Personal	6,200,000 ordinary	0.12	-	-	-

Note: The percentage of shareholding is calculated on the basis of 5,045,269,388 shares in issue of the Company as at 30th June, 2023.

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 position	%	Short position	%
Mr. Wu Xiao An	Power Xinchen	Trustee and interest in a controlled corporation (Note 2)	33,993,385 ordinary	2.65	-	-
		Beneficial owner (in shares) (Note 3)	8,320,041 ordinary	0.65	-	-

Notes:

1. The percentage of shareholding is calculated on the basis of 1,282,211,794 shares in issue of Power Xinchen as at 30th June, 2023.
2. As at 30th June, 2023, Power Xinchen was indirectly held as to approximately 31.20% by the Company. The 33,993,385 shares in long position were interests of a discretionary trust. The said trust held 33,993,385 shares of Power Xinchen. Mr. Wu Xiao An was one of the trustees of the aforementioned trust. Mr. Wu also held 50% interests in Lead In Management Limited which was 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, 2023.
3. 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, 2023.

Save as disclosed above, as at 30th June, 2023, 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 SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she 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 into the register referred to therein; or were required pursuant to the Model Code to be notified to the Company and the SEHK.

SHARE OPTIONS

To provide appropriate incentives or rewards to eligible persons for their contributions or potential contributions to the Group or any entity in which the Group holds any equity interest (the “**Invested Entity**”), the Board considers that it is in the interests of the Company to adopt a share option scheme.

At the annual general meeting held on 4th June, 2019, shareholders of the Company adopted a share option scheme (the “**Share Option Scheme**”). Eligible persons under the Share Option Scheme include (i) any director of the Company, its subsidiaries, any Invested Entity or the holding company of the Company; (ii) any employee or proposed employee of the Company, its subsidiaries, any Invested Entity or the holding company of the Company; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of the Group or any Invested Entity; (v) any person or entity acting in their capacities as advisers or consultants that provides research, development or other technological support to the Group or any Invested Entity; (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and (vii) any company wholly owned by one or more persons belonging to any of the above classes of participants or any discretionary object of a participant which is a discretionary trust.

The Share Option Scheme came into effect on 5th June, 2019 (the “**Scheme Effective Date**”) and will remain in force for a period of 10 years till 4th June, 2029 (inclusive).

The period during which an option may be exercised will be determined by the directors of the Company at their absolute discretion, save that no option shall be exercised later than 10 years from the date of grant. A consideration of HK\$1 is payable on acceptance of the offer of grant of a share option.

The maximum number of shares which may be issued pursuant to the Share Option Scheme and any other option schemes (if any) is 504,526,938 shares, representing approximately 10% of the total number of issued shares as at the date of this report. The total number of shares issued and which may fall to be issued upon exercise of the share options granted under the Share Option Scheme and any other share option scheme of the Company (including both exercised or outstanding share options) to each participant in any 12-month period shall not exceed 1 per cent. of the issued share capital of the Company for the time being (the "Individual Limit"). Any further grant of share options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant, shall be subject to the issue of a circular to the shareholders and the shareholders' approval in general meeting of the Company with such participant and his or her close associates (or his or her associates if the participant is a connected person) abstaining from voting.

The subscription price per share under the Share Option Scheme shall be determined by the directors of the Company, but shall not be lower than the higher of (i) the closing price of shares as stated in the SEHK's daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing price of shares as stated in the SEHK's daily quotation sheets for the five (5) business days immediately preceding the date of grant; and (iii) the nominal value of a share.

As at 30th June, 2023, there was no outstanding share option under the Share Option Scheme.

For the period commencing from the Scheme Effective Date to 30th June, 2023:

- (a) no share options under the Share Option Scheme have been granted, exercised, lapsed or cancelled;
- (b) 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;
- (c) there is no participant with options granted in excess of the Individual Limit; and
- (d) 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 Invested Entity.

As no share options have been granted by the Company under the Share Option Scheme from the Scheme Effective Date up to 30th June, 2023, no expenses were recognised by the Group for the period under review (*Six months ended 30th June, 2022: 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, 2023.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieving and maintaining the highest standards of corporate governance consistent with the needs and requirements of the business and its shareholders, ensuring that its affairs are conducted in accordance with applicable laws and regulations and consistent with the “Corporate Governance Code” set out in Appendix 14 to the Listing Rules which was prevailing in 2023 (the “**CG Code**”). The Group has considered the principles of good corporate governance set out in the CG Code, and has put in place corporate governance practices to meet the code provisions. Throughout the six months ended 30th June, 2023, the Group has complied with all code provisions set out in Part 2 of Appendix 14 to the Listing Rules.

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, 2023.

At present, the audit committee comprises Mr. Jiang Bo, Mr. Song Jian and Mr. Dong Yang, all of whom are independent non-executive directors of the Company. Mr. Jiang Bo 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 four 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/she has complied with the required standard set out in the Model Code during the six months ended 30th June, 2023.

IMPORTANT EVENTS AFFECTING THE GROUP THAT HAVE OCCURRED SINCE 30TH JUNE, 2023

Save as disclosed below, to the knowledge of the directors of the Company, there is no other important events affecting the Group since 30th June, 2023 and up to the date of this report:

(a) Declaration of Special Dividend

As announced on 18th July, 2023, the directors of the Company declared a special dividend of HK\$0.96 per ordinary share of the Company to its shareholders whose names appear on the register of members of the Company as at 17th August, 2023. Such special dividend will be paid in cash to the shareholders on or about 31st August, 2023. For further details, please refer to note 11 to this report.

(b) Restructuring of Huachen

References are made to the announcements of the Company dated 31st May, 2023, 1st August, 2023 and 8th August, 2023.

The Company has been informed by the administrator to Huachen that the restructuring investor selection review committee to the restructuring of Huachen (“**Huachen Restructuring**”) (華晨集團重整投資人遴選評審委員會) has selected Shenyang Automobile Co., Ltd.* (瀋陽汽車有限公司) (“**Shenyang Automobile**”) as the potential investor to the Huachen Restructuring. On 14th June, 2023, an investment agreement was signed among Huachen, Huachen related companies, the administrator to Huachen and Shenyang Automobile.

The Company has also been informed that the plan for the Huachen Restructuring has been approved by the creditors of Huachen and the Shenyang Intermediate People’s Court on 31st July, 2023 and 2nd August, 2023, respectively.

The Company will continue to closely monitor the development of the Huachen Restructuring and will keep the shareholders of the Company and the public informed of any major developments in relation to the Huachen Restructuring by issuing further announcement(s) as and when appropriate.

(c) Legal proceedings against the Group

References are made to the announcements issued by the Company dated 14th April, 2021, 10th June, 2021, 30th September, 2021, 15th December, 2021, 30th December, 2021, 14th February, 2022, 4th March, 2022, 30th March, 2022, 28th April, 2022, 30th June, 2022 and 30th September, 2022; and the annual reports of the Company for the years ended 31st December, 2021 and 2022 (the “**Annual Reports**”). Capitalised terms used below shall have the same meaning as those defined in the Annual Reports.

- (i) SJAI has received notices to responding to action (應訴通知書) dated 6th July, 2023 from the Supreme People’s Court of the People’s Republic of China (中華人民共和國最高人民法院) (the “**Supreme People’s Court**”) that China Everbright Bank has filed an appeal to the Supreme People’s Court in relation to each of the CEB RMB1,818 million Proceeding Trial Judgment, the CEB RMB30 million Proceeding Trial Judgment, the CEB RMB156 million Proceeding Trial Judgment, the CEB RMB208 million Proceeding Trial Judgment and the CEB RMB490 million Proceeding Trial Judgment; and
- (ii) On 12th July, 2023, Harbin Bank has filed an application to the Liaoning High People’s Court (遼寧省高級人民法院) for a retrial of the Harbin Bank RMB300 million Proceeding and for an enforcement order against the Harbin Bank RMB300 million Proceeding Trial Judgment.

The Company will inform the shareholders of the Company and potential investors of material progress of the legal proceedings when appropriate.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises four executive directors, Mr. Wu Xiao An (also known as Mr. Ng Siu On) (*Chairman*), Mr. Shen Tie Dong (*Chief Executive Officer*), Mr. Zhang Wei and Mr. Xu Daqing; and four independent non-executive directors, Mr. Song Jian, Mr. Jiang Bo, Mr. Dong Yang and Dr. Lam Kit Lan, Cynthia.

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

Hong Kong, 22nd August, 2023