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Brilliance Auto

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BRILLIANCE CHINA AUTOMOTIVE HOLDINGS LIMITED

(華晨中國汽車控股有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1114)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2014

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, 2014. The unaudited consolidated interim financial statements have been reviewed by the audit committee of the Board.

CONDENSED CONSOLIDATED INCOME STATEMENT

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

		(Unaudited)	
		For the six months ended	
		30th June,	
		2014	2013
	Note	RMB'000	RMB'000
Revenue	4	2,495,932	2,572,057
Cost of sales		(2,278,195)	(2,296,071)
Gross profit		217,737	275,986
Other income		27,140	11,461
Interest income		23,351	23,902
Selling expenses		(230,467)	(246,141)
General and administrative expenses		(187,867)	(195,187)
Finance costs		(76,689)	(70,413)
Share of results of:			
Joint ventures		3,689,247	2,105,151
Associates		122,360	96,787
Profit before income tax expense	5	3,584,812	2,001,546
Income tax expense	6	(5,317)	(1,998)
Profit for the period		3,579,495	1,999,548

* For identification purposes only

CONDENSED CONSOLIDATED INCOME STATEMENT (Cont'd)*(Expressed in thousands of RMB except for per share amounts)*

		(Unaudited)	
		For the six months ended	
		30th June,	
	<i>Note</i>	2014	2013
		RMB'000	RMB'000
Attributable to:			
Equity holders of the Company		3,627,930	2,029,873
Non-controlling interests		(48,435)	(30,325)
		<u>3,579,495</u>	<u>1,999,548</u>
Dividends	7	<u>438,967</u>	<u>398,790</u>
Earnings per share			
– Basic	8	RMB0.72187	RMB0.40389
– Diluted		RMB0.71897	RMB0.40229

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		(Unaudited)	
		For the six months ended	
		30th June,	
		2014	2013
		RMB'000	RMB'000
Profit for the period		<u>3,579,495</u>	<u>1,999,548</u>
Other comprehensive income (loss), net of tax			
<i>Item which may be subsequently reclassified to profit or loss:</i>			
Change in fair value of available-for-sale financial assets		(1,180)	(3,185)
<i>Item which will not be reclassified to profit or loss:</i>			
Share of comprehensive income (loss) of a joint venture		<u>22,180</u>	<u>(392,482)</u>
Other comprehensive income (loss), net of tax		<u>21,000</u>	<u>(395,667)</u>
Total comprehensive income for the period		<u>3,600,495</u>	<u>1,603,881</u>
Attributable to:			
Equity holders of the Company		3,648,930	1,634,206
Non-controlling interests		(48,435)	(30,325)
		<u>3,600,495</u>	<u>1,603,881</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	(Unaudited)	(Audited)
	As at	As at
	30th June, 2014	31st December, 2013
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets		
Intangible assets	741,702	669,912
Property, plant and equipment	1,777,192	1,685,758
Land lease prepayments	60,324	61,053
Interests in joint ventures	10,528,200	8,066,556
Interests in associates	1,371,875	1,351,686
Prepayments for a long-term investment	600,000	600,000
Available-for-sale financial assets	18,500	19,680
Other non-current assets	12,073	11,616
	15,109,866	12,466,261
Current assets		
Cash and cash equivalents	2,429,898	903,263
Short-term bank deposits	145,463	173,934
Pledged short-term bank deposits	1,263,595	1,039,469
Inventories	993,347	769,435
Accounts receivable	1,142,788	834,460
Notes receivable	807,104	1,385,259
Other current assets	1,343,361	1,418,182
Income tax recoverable	961	–
	8,126,517	6,524,002

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

		(Unaudited) As at 30th June, 2014	(Audited) As at 31st December, 2013
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current liabilities			
Accounts payable	10	3,168,605	2,990,627
Notes payable		2,071,779	1,298,253
Other current liabilities		849,005	940,226
Short-term bank borrowings		1,290,000	1,528,200
Income tax payable		33,955	35,212
		<hr/>	<hr/>
Total current liabilities		7,413,344	6,792,518
		<hr/>	<hr/>
Net current assets (liabilities)		713,173	(268,516)
		<hr/>	<hr/>
Total assets less current liabilities		15,823,039	12,197,745
		<hr/>	<hr/>
Non-current liabilities			
Deferred government grants		81,199	56,400
		<hr/>	<hr/>
Net assets		15,741,840	12,141,345
		<hr/>	<hr/>
Capital and reserves			
Share capital		395,877	395,877
Reserves		16,268,333	12,619,403
		<hr/>	<hr/>
Total equity attributable to equity holders of the Company		16,664,210	13,015,280
Non-controlling interests		(922,370)	(873,935)
		<hr/>	<hr/>
Total equity		15,741,840	12,141,345
		<hr/>	<hr/>

NOTES:

1. ORGANISATION AND OPERATIONS

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

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

2. STATEMENT OF COMPLIANCE AND ACCOUNTING POLICIES

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

These interim financial statements have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31st December, 2013, except for the adoption of the new and revised HKFRSs (which include individual HKFRSs, HKASs and interpretations) as disclosed in note 3 to this results announcement.

These interim financial statements are unaudited and do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31st December, 2013.

3. ADOPTION OF NEW OR AMENDED HKFRSs

In the current period, the Group has applied for the first time the following new and revised standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual financial period beginning on 1st January, 2014.

HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments)	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities
HKAS 32 (Amendments)	Amendments to HKAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Amendments to HKAS 36 Impairment of Assets – Recoverable Amount Disclosure for Non-financial Assets
HKAS 39 (Amendments)	Amendments to HKAS 39 Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC) – Int 21	Levies

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

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

4. SEGMENT INFORMATION

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

The Group has identified the following reportable segments:

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

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

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

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

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

Revenue and results by reportable segments and reconciliation of segment results to profit before income tax expense for the period – for the six months ended 30th June, 2014

	(Unaudited)			Total RMB'000
	Manufacture and sale of minibuses and automotive components RMB'000	Manufacture and sale of BMW vehicles RMB'000	Reconciliation to the Group's condensed income statements RMB'000	
Segment sales	<u>2,495,932</u>	<u>48,243,415</u>	<u>(48,243,415)</u>	<u>2,495,932</u>
Segment results	(116,979)	9,886,571	(9,886,571)	(116,979)
Impairment losses on assets				(39,372)
Unallocated costs net of unallocated revenue				(17,106)
Interest income				23,351
Finance costs				(76,689)
Share of results of:				
Joint ventures	(1,897)	3,691,144	–	3,689,247
Associates	122,360	–	–	122,360
Profit before income tax expense				<u>3,584,812</u>

4. SEGMENT INFORMATION (Cont'd)

Revenue and results by reportable segments and reconciliation of segment results to profit before income tax expense for the period – for the six months ended 30th June, 2013

	(Unaudited)			
	Manufacture and sale of minibuses and automotive components <i>RMB'000</i>	Manufacture and sale of BMW vehicles <i>RMB'000</i>	Reconciliation to the Group's condensed income statements <i>RMB'000</i>	Total <i>RMB'000</i>
Segment sales	2,572,057	37,244,882	(37,244,882)	2,572,057
Segment results	(81,733)	5,661,709	(5,661,709)	(81,733)
Impairment losses on assets				(43,974)
Unallocated costs net of unallocated revenue				(28,174)
Interest income				23,902
Finance costs				(70,413)
Share of results of:				
Joint ventures	8,111	2,097,040	–	2,105,151
Associates	96,787	–	–	96,787
Profit before income tax expense				2,001,546

The assets and liabilities by reportable segments as at 30th June, 2014

	(Unaudited)			
	Manufacture and sale of minibuses and automotive components <i>RMB'000</i>	Manufacture and sale of BMW vehicles <i>RMB'000</i>	Reconciliation to the Group's condensed statements of financial position <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	10,291,182	49,145,562	(49,145,562)	10,291,182
Interests in joint ventures	11,635	10,516,565	–	10,528,200
Interests in associates	1,371,875	–	–	1,371,875
Available-for-sale financial assets				18,500
Prepayments for a long-term investment				600,000
Advance to a shareholder of a related party				300,000
Unallocated assets				126,626
Total assets				23,236,383
Segment liabilities	7,486,608	28,112,432	(28,112,432)	7,486,608
Unallocated liabilities				7,935
Total liabilities				7,494,543

4. SEGMENT INFORMATION (Cont'd)

The assets and liabilities by reportable segments as at 31st December, 2013

	(Audited)			
	Manufacture and sale of minibuses and automotive components <i>RMB'000</i>	Manufacture and sale of BMW vehicles <i>RMB'000</i>	Reconciliation to the Group's condensed statements of financial position <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	8,504,915	46,138,315	(46,138,315)	8,504,915
Interests in joint ventures	13,315	8,053,241	–	8,066,556
Interests in associates	1,351,686	–	–	1,351,686
Available-for-sale financial assets				19,680
Prepayments for a long-term investment				600,000
Advance to a shareholder of a related party				300,000
Unallocated assets				<u>147,426</u>
Total assets				<u>18,990,263</u>
Segment liabilities	6,839,010	30,031,833	(30,031,833)	6,839,010
Unallocated liabilities				<u>9,908</u>
Total liabilities				<u>6,848,918</u>

5. PROFIT BEFORE INCOME TAX EXPENSE

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

	(Unaudited)	
	For the six months ended	
	30th June,	
	2014	2013
	RMB'000	RMB'000
Charging:		
Impairment losses on:		
– Intangible assets (a)	–	1,129
– Accounts receivable (b)	355	–
– Other receivables (b)	2,844	2,845
– Amount due from an affiliated company (b)	36,173	40,000
Cost of inventories	2,321,109	2,255,536
Amortisation of intangible assets (a)	15,540	19,257
Depreciation of property, plant and equipment	48,273	49,185
Amortisation of land lease prepayments	729	729
Staff costs (including directors' emoluments)	363,777	325,357
Research and development costs (b)	2,478	128
Provision for inventories	–	42,296
Provision for warranty	13,570	14,315
Operating lease charges for land and buildings	12,156	20,324
Operating lease charges for machinery and equipment	–	869
	<u> </u>	<u> </u>
Crediting:		
Gain on disposal of property, plant and equipment	1,767	2,434
Gain on deemed disposal of interest in a joint venture	–	9,961
Write back of provision for inventories sold	43,223	1,761
	<u> </u>	<u> </u>

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

(b) included in general and administrative expenses.

6. INCOME TAX EXPENSE

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

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

7. DIVIDENDS

The directors declared a dividend of HK\$0.11 per share (2013: HK\$0.10 per share) at the board meeting held on 19th August, 2014.

8. EARNINGS PER SHARE

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

	(Unaudited)	
	For the six months ended	
	30th June,	
	2014	2013
	'000	'000
Issued ordinary shares during the whole period	5,025,769	5,025,769
Weighted average number of ordinary shares for calculating basic earnings per share	5,025,769	5,025,769
Weighted average number of ordinary shares deemed issued under the Company's share option scheme	20,246	20,057
Weighted average number of ordinary shares for calculating diluted earnings per share	5,046,015	5,045,826

9. ACCOUNTS RECEIVABLE

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2014	2013
	RMB'000	RMB'000
Accounts receivable	737,685	507,625
Accounts receivable from affiliated companies	405,103	326,835
	1,142,788	834,460

An aging analysis of accounts receivable from third parties is set out below:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2014	2013
	RMB'000	RMB'000
Less than six months	430,155	464,541
Six months to one year	291,477	39,093
Above one year but less than two years	12,379	133
Two years or above	24,636	24,465
	758,647	528,232
Less: Provision for doubtful debts	(20,962)	(20,607)
	737,685	507,625

9. ACCOUNTS RECEIVABLE (Cont'd)

At 30th June, 2014, accounts receivable of RMB564 million (*At 31st December, 2013: RMB401 million*) are mainly denominated in U.S. Dollar and the rest are denominated in Renminbi. The Group's credit policy is to offer credit to customers following a financial assessment and an established payment record. In order to minimise credit risk, credit history and background of new customers and debtors are checked and security deposits are usually obtained from major customers. Credit limits with credit terms of 30 days to 90 days are set for customers and designated staffs monitor accounts receivable and follow up collection with customers. Customers considered to be high risk are traded on cash basis or when bank guaranteed notes are received.

10. ACCOUNTS PAYABLE

	(Unaudited) As at 30th June, 2014 RMB'000	(Audited) As at 31st December, 2013 RMB'000
Accounts payable	1,841,647	1,650,088
Accounts payable to affiliated companies	1,326,958	1,340,539
	<u>3,168,605</u>	<u>2,990,627</u>

An aging analysis of accounts payable to third parties is set out below:

	(Unaudited) As at 30th June, 2014 RMB'000	(Audited) As at 31st December, 2013 RMB'000
Less than six months	1,476,842	1,413,042
Six months to one year	214,506	135,882
Above one year but less than two years	86,440	34,024
Two years or above	63,859	67,140
	<u>1,841,647</u>	<u>1,650,088</u>

11. CONTINGENCIES

Pursuant to an agreement entered into between a member of the Group and Shenyang JinBei Automotive Co., Ltd. ("**JinBei**"), both parties agreed to provide cross guarantees to support each other in obtaining banking facilities in the maximum amount of RMB600 million for each (*As at 31st December, 2013: RMB600 million*). As at 30th June, 2014, under the agreement, JinBei and its subsidiaries had outstanding bank loans and other banking facilities in the total amount of RMB536 million (*As at 31st December, 2013: RMB526.5 million*) of which RMB200 million (*As at 31st December, 2013: RMB200 million*) and RMB336 million (*As at 31st December, 2013: RMB326.5 million*) were supported by the Group's bank deposits pledged to and corporate guarantee provided to the banks, respectively.

In addition, the Group had provided a corporate guarantee in the maximum amount of RMB100 million (*As at 31st December, 2013: RMB100 million*) for revolving bank loans and bank guaranteed notes to Shanghai Shenhua Holdings Co., Ltd. ("**Shanghai Shenhua**"). As at 30th June, 2014, RMB100 million (*As at 31st December, 2013: RMB60 million*) of this corporate guarantee was utilised by Shanghai Shenhua.

MANAGEMENT'S DISCUSSION & ANALYSIS

Business Review

The unaudited consolidated net sales of the Group (which comprised primarily those derived from the minibus business operated by our major operating subsidiaries such as Shenyang Automotive and Xing Yuan Dong) for the first six months of 2014 was RMB2,495.9 million, representing a decrease of 3.0% from the RMB2,572.1 million generated during the same period in 2013. The decrease in revenue was primarily due to a change in the minibuses sales mix during the period, as well as a slight drop in the Haise minibus average selling prices.

Shenyang Automotive sold 35,675 minibuses in the first half of 2014, representing a 2.3% increase from the 34,888 units sold during the same period in 2013. Of these minibuses sold, 32,644 units were Haise minibuses, representing an increase of 11.1% from 29,382 units sold during the first six months of 2013. On the other hand, unit sales of the Granse MPV decreased by 45.0% from 5,506 units for the first half of 2013 to 3,031 units for the corresponding period in 2014. The decrease in the sales volume of the Granse products during the first half of 2014 was due to periodic plant closures for equipment and machinery overhaul in preparation for the production of new models in the future.

Unaudited cost of sales decreased by 0.8% from RMB2,296.1 million in the first six months of 2013 to RMB2,278.2 million for the same period in 2014. During the first six months of 2014, the Group's cost of sales had increased by 2.9% as a result of increases in production costs including staff costs. This increase was however partially offset by the write-back of a RMB43 million provision of impairment for inventories. As a result, the unaudited gross profit margin of the Group dropped to 8.7% in the first half of 2014 from 10.7% in the same period in 2013.

Unaudited other income increased by 136.8% from RMB11.5 million in the first six months of 2013 to RMB27.1 million for the same period in 2014. The increase was primarily led by increased sales of scrap materials in 2014.

Unaudited interest income decreased slightly by 2.3% from RMB23.9 million in the first six months of 2013 to RMB23.4 million for the same period in 2014 due to cash management reasons, as more cash was utilized resulting in less cash being placed in interest-bearing bank accounts during the first six months of 2014.

Unaudited selling expenses decreased by 6.4% from RMB246.1 million in the first half of 2013 to RMB230.5 million for the same period in 2014. Selling expense as a percentage of revenue also decreased from 9.6% to 9.2% between the two periods. The decrease was driven mainly by a decrease in advertising expenses on the promotion of existing minibus models during the period in 2014.

Unaudited general and administrative expenses decreased by 3.8% from RMB195.2 million in the first six months of 2013 to RMB187.9 million for the same period in 2014. The decrease was primarily due to a reduction in the impairment for doubtful debts to RMB39 million in the first half of 2014 from RMB44 million during the same period in 2013.

Unaudited finance costs increased by 8.9% from RMB70.4 million in the first six months of 2013 to RMB76.7 million for the same period in 2014, as a result of the relatively higher average borrowing level during the first half of 2014.

The Group's unaudited share of results of joint ventures increased by 75.2% from RMB2,105.2 million in the first half of 2013 to RMB3,689.2 million for the same period in 2014. This was primarily attributable to the increased profits contributed by BMW Brilliance, the Group's 50% indirectly-owned joint venture.

Unaudited net profit contributed to the Group by BMW Brilliance increased by 76.0% from RMB2,097.0 million in the first half of 2013 to RMB3,691.1 million for the same period this year. The BMW joint venture achieved sales of 140,012 BMW vehicles in the first six months of 2014, an increase of 32.5% as compared to 105,692 BMW vehicles sold in the same period in 2013. The sales volumes of the locally produced 3-series, 5-series and X1 achieved in the first six months of 2014 were 46,292 units, 71,702 units and 22,018 units, respectively, compared to 32,126 units, 63,536 units and 10,030 units, respectively, for the same period in 2013.

The Group's unaudited share of results of associates increased by 26.4% from RMB96.8 million in the first half of 2013 to RMB122.4 million in the corresponding period in 2014. This was primarily attributable to a 28.9% increase in the contribution from Shenyang Aerospace.

The Group's unaudited profit before income tax expense increased by 79.1% from RMB2,001.5 million in the first half of 2013 to RMB3,584.8 million for the same period in 2014. Unaudited income tax expense has increased by 166.1% from RMB2.0 million in the first half of 2013 to RMB5.3 million for the first half of 2014, due to the higher taxable profits of certain subsidiaries in the first half of 2014 when compared with the same period in 2013.

As a result of the above, the Group recorded an unaudited profit attributable to equity holders of the Company of RMB3,627.9 million for the first half of 2014, representing an increase of 78.7% from the RMB2,029.9 million realized for the same period in 2013. Unaudited basic earnings per share for the six months ended 30th June, 2014 amounted to RMB0.72187 compared to RMB0.40389 for the same period in 2013.

The Company has declared a dividend of HK\$0.11 per share (2013: HK\$0.10), amounting to a total of about HK\$552.9 million (2013: HK\$502.6 million).

Prospects

During the first six months of 2014, despite the slight slowdown of economic growth, China's automobile sector continued to grow steadily, realising total sales of 11.7 million units or an increase of 8.4% over the same period last year, according to the China Association of Automobile Manufacturers. Of these, 9.6 million units were passenger vehicles, representing a growth rate of 11.2% over the same period last year. The luxury passenger vehicle segment in China has maintained its growth momentum and continued to outperform the overall market, registering volume growth of over 20% during this period.

In the first six months of 2014 our BMW Brilliance joint venture (the “JV”) again delivered remarkable results, showing a 76.0% increase in profit contribution in conjunction with a 32.5% increase in sales volume. The Group is proud of the milestones that the JV has achieved over the years, which was only made possible by the strong and successful cooperation between the shareholders BMW AG and Brilliance. In order to further crystalize this collaborative partnership over the long term, the shareholders had recently decided to extend, four years before the expiry of the original agreement, the term of the BMW Brilliance equity joint venture agreement by another ten years to 2028. The extension underscores the mutual trust and long-term commitment of both BMW AG and Brilliance in this Chinese joint venture. The extended tenure also served as the foundation for the decision to double the JV’s range of locally produced BMW models from the current three to six over time.

In order to cater to expected market demand and additional future new products, the JV is pushing forward with its capacity expansion projects to bring total annual production capacity up to 400,000 units over the next two years. In addition, the new engine plant in Tiexi is also undergoing construction to enable local production of the new 3 and 4-cylinder BMW engines commencing in 2016.

On the new energy front, in the first half of 2014 BMW Brilliance started the planned rental business of its Zinoro 1E model, which is the first zero-emission electric vehicle made by a premium car manufacturer in China. Furthermore, the planned launch of the BMW 5-series plug-in hybrid by the JV towards the end of the year will also mark the introduction of the first locally produced NEV under the BMW brand. Additional NEV derivatives for other locally produced BMW models are also under review at present. All these efforts underpin BMW Brilliance’s commitment to long-term success and to the future of local NEV R&D and sustainable mobility development in China.

The strong sales momentum of the JV’s products will continue to be supported by the rapid rollout of its dealer network, which had reached 431 outlets nationwide as at June 30, 2014. With such a vast distribution network, BMW Brilliance is redirecting additional resources and renewed focus on the cultivation of competencies in dealer network management and aftersale service provision. Our JV’s sales activities are also supported by the BMW auto finance company which is expected to continue to contribute profits to the JV.

Recent regulatory developments in the Chinese premium auto segment will pose challenges to participants in the market. In preparation for further competition in the premium segment, the JV continues to implement various operational and cost saving measures, while the shareholders are considering strategic measures and potential future opportunities to support further growth of BMW Brilliance, all in an effort to attain long-term sustainability and to properly position the JV to meet future market changes and challenges.

As for the minibus business, the new premium MPV model co-developed with our strategic partners and external consultants will be unveiled at the end of 2014. The year 2014 will remain challenging for this business, and it is likely that the minibus operation will continue to create a negative impact to the Group’s overall financial performance for the year. In addition to the new model being developed, the Group is concurrently upgrading its existing minibus and MPV models in order to provide better and improved products to the market.

Maintaining the high growth of BMW Brilliance remains the Group's business priority. Apart from that, the Group also continues to look for new business opportunities as well as ways to further streamline its existing operation and corporate structure as its business continues to grow.

Liquidity and Financial Resources

As at 30th June, 2014, the Group had RMB2,429.9 million in cash and cash equivalents (*As at 31st December, 2013: RMB903.3 million*), RMB145.5 million in short-term bank deposits (*As at 31st December, 2013: RMB173.9 million*) and RMB1,263.6 million in pledged short-term bank deposits (*As at 31st December, 2013: RMB1,039.5 million*). The Group had notes payable in the amount of RMB2,071.8 million (*As at 31st December, 2013: RMB1,298.3 million*) and outstanding short-term bank borrowings of RMB1,290.0 million (*As at 31st December, 2013: RMB1,528.2 million*), but had no long-term bank borrowings outstanding as at 30th June, 2014 (*As at 31st December, 2013: Nil*).

Capital Structure and Funding Policies

As at 30th June, 2014, the Group's total assets was RMB23,236.4 million (*As at 31st December, 2013: RMB18,990.3 million*), which was funded by the following: (a) share capital of RMB395.9 million (*As at 31st December, 2013: RMB395.9 million*), (b) reserves of RMB16,268.3 million (*As at 31st December, 2013: RMB12,619.4 million*), (c) total liabilities of RMB7,494.5 million (*As at 31st December, 2013: RMB6,848.9 million*) and (d) non-controlling interests of RMB922.4 million (*As at 31st December, 2013: RMB873.9 million*).

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

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

New Business and New Products

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

The Group is currently in the process of developing a new premium MPV model and certain upgrades of existing minibus products.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries and Associated Companies

There were no significant investments held, nor were there any material acquisitions or disposals of subsidiaries and associated companies during the six months ended 30th June, 2014.

Employees and Remuneration Policy

The Group employed approximately 7,000 employees as at 30th June, 2014 (*30th June, 2013: Approximately 6,400*). Employee costs amounted to RMB363.8 million for the six months ended 30th June, 2014 (*Six months ended 30th June, 2013: RMB325.4 million*). The Group will endeavour to ensure that the salary levels of its employees are in line with industry practices and prevailing market conditions, and that employees' remuneration is based on performance. In addition, employees are eligible for share options under the share option scheme adopted by the Company.

Charge on Assets

As at 30th June, 2014, bank borrowings of RMB70 million (*At at 31st December, 2013: RMB88.2 million*) are secured by the Group's buildings with net book values of approximately RMB46.6 million (*As at 31st December, 2013: RMB47.9 million*). As at 31st December, 2013, notes receivable of RMB60 million were also pledged for the bank borrowings.

In addition, as at 30th June, 2014, the Group pledged short-term bank deposits of RMB1,053.1 million (*As at 31st December, 2013: RMB828.9 million*) for issue of bank guaranteed notes to trade creditors and of RMB210.5 million (*As at 31st December, 2013: RMB210.5 million*) to secure bank loans granted to a related party of the Group.

As at 30th June, 2014, the Group had also pledged bank guaranteed notes receivable from third parties and affiliated companies of approximately RMB75 million (*As at 31st December, 2013: Approximately RMB191 million*) for issue of bank guaranteed notes.

Future Plans for Material Investments or Capital Assets

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

Gearing Ratio

As at 30th June, 2014, the gearing ratio, computed by dividing total liabilities by total equity attributable to equity holders of the Company, was approximately 0.45 (*As at 31st December, 2013: 0.53*). The decrease in the gearing ratio was primarily due to the increase in total equity attributable to equity holders of the Company as a result of an increase in profit attributable to equity holders of the Company during the period under review.

Foreign Exchange Risks

As the overseas sales of the Group increases, the Group considers that exchange rate fluctuations may have started to have some effect on the overall financial performance of the Group, but it is at a manageable level. In the future, the Group may consider entering into hedging transactions through exchange contracts in order to minimise foreign exchange risks, if and when necessary. There were no outstanding hedging transactions as at 30th June, 2014 (*As at 30th June, 2013: Nil*).

Contingent Liabilities

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

DIVIDEND

The Board is pleased to declare a dividend of HK\$0.11 per ordinary share of the Company to shareholders whose names appear on the register of members of the Company as at 17th October, 2014 (*2013: HK\$0.10*). The dividend is expected to be paid on or about 28th October, 2014.

CLOSURE OF REGISTER OF MEMBERS

The Hong Kong branch register of members of the Company will be closed from Wednesday, 15th October, 2014 to Friday, 17th October, 2014, both dates inclusive, during which period no transfer of shares will be registered. The record date for the dividend is Friday, 17th October, 2014. In order to qualify for the dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 14th October, 2014.

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, 2014.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Maintaining an effective corporate governance framework is one of the priorities of the Company. The Company has complied with the code provisions set out in Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the six months ended 30th June, 2014.

There have not been material changes to the information disclosed in the Company's 2013 annual report in respect of our corporate governance practices. Major updates since the 2013 annual report are summarised in the 2014 interim report to be sent to shareholders of the Company.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the unaudited consolidated interim financial statements of the Group for the six months ended 30th June, 2014.

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

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises four executive directors, Mr. Wu Xiao An (also known as Mr. Ng Siu On) (*Chairman*), Mr. Qi Yumin (*Chief Executive Officer*), Mr. Wang Shiping and Mr. Tan Chengxu; one non-executive director, Mr. Lei Xiaoyang; and three independent non-executive directors, Mr. Xu Bingjin, Mr. Song Jian and Mr. Jiang Bo.

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

Hong Kong, 19th August, 2014