

BRILLIANCE
CHINA AUTOMOTIVE
HOLDINGS LIMITED

(華晨中國汽車控股有限公司)*

(Incorporated in Bermuda with limited liability)

Stock Code : 1114

Brilliance Auto
華 晨 汽 車

Interim Report 2010



*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, 2010. 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,	
		2010	2009
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
			<i>(Restated)</i>
Continuing operations			
Turnover	4	5,119,368	2,775,533
Cost of sales		(4,516,923)	(2,381,133)
		<hr/>	
Gross profit		602,445	394,400
Other net income	4	73,727	34,217
Selling expenses		(207,355)	(116,559)
General and administrative expenses		(120,476)	(213,069)
Interest income	4	34,325	17,098
Finance costs, net	6	(90,266)	(64,577)
Share of results of:			
Associates		46,297	(906)
Jointly controlled entities		325,576	123,873
		<hr/>	
Profit before income tax expense from			
continuing operations	5	664,273	174,477
Income tax expense	8	(28,478)	(29,923)
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Profit for the period from continuing operations		635,795	144,554

CONDENSED CONSOLIDATED INCOME STATEMENT (Cont'd)

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

		(Unaudited)	
		For the six months	
		ended 30th June,	
		2010	2009
	Note	RMB'000	RMB'000
			(Restated)
Discontinued operations			
Loss for the period from discontinued operations	9	—	(931,694)
		<hr/>	<hr/>
Profit (Loss) for the period		635,795	(787,140)
		<hr/>	<hr/>
Attributable to:			
Equity holders of the Company		509,497	(386,008)
Non-controlling interests		126,298	(401,132)
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		635,795	(787,140)
		<hr/>	<hr/>
Dividends	10	—	—
		<hr/>	<hr/>
Earnings (Loss) per share			
	11		
Continuing and discontinued operations			
– Basic		0.10205	(0.09729)
– Diluted		0.10119	(0.09581)
		<hr/>	<hr/>
Continuing operations			
– Basic		0.10205	0.02250
– Diluted		0.10119	0.02216
		<hr/>	<hr/>
Discontinued operations			
– Basic		N/A	(0.11979)
– Diluted		N/A	(0.11796)
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited)	
	For the six months ended 30th June,	
	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
		(Restated)
Profit (Loss) for the period	635,795	(787,140)
Other comprehensive income (loss)		
Change in fair value of available-for-sale financial assets	4,798	15,093
Share of comprehensive (loss) income of a jointly controlled entity	(212,770)	61,220
Other comprehensive (loss) income, net of tax	(207,972)	76,313
Total comprehensive income (loss) for the period	427,823	(710,827)
Total comprehensive income (loss), net of tax, attributable to:		
Equity holders of the Company	301,525	(310,307)
Non-controlling interests	126,298	(400,520)
	427,823	(710,827)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) As at 30th June, 2010 RMB'000	(Audited) As at 31st December, 2009 RMB'000
	<i>Note</i>		
Non-current assets			
Intangible assets	12	175,429	163,743
Property, plant and equipment	12	1,232,270	1,263,040
Construction-in-progress	12	248,081	79,092
Land lease prepayments	12	67,775	69,044
Interests in associates	13	550,403	504,106
Interests in jointly controlled entities	14	1,662,722	1,751,854
Prepayments for a long-term investment	15	600,000	600,000
Available-for-sale financial assets	16	42,498	37,700
Receivable for disposal of discontinued operations	27(g)	427,457	415,183
Other non-current assets		10,777	10,415
Total non-current assets		5,017,412	4,894,177
Current assets			
Cash and cash equivalents	17	434,438	1,608,911
Short-term bank deposits		216,370	213,341
Pledged short-term bank deposits	18	2,111,303	1,056,071
Inventories		843,473	1,350,299
Accounts receivable	19	166,664	95,132
Accounts receivable from affiliated companies	27(c)	1,254,164	832,341
Notes receivable	20	340,445	305,511
Notes receivable from affiliated companies	27(d)	119,926	28,450
Other receivables	21	1,725,360	622,294
Dividends receivable from affiliated companies	27(e)	94,968	94,968
Prepayments and other current assets		257,564	241,665
Income tax recoverable		86	25
Other taxes recoverable		11,355	18,677
Advances to affiliated companies	27(f)	247,408	103,188
Total current assets		7,823,524	6,570,873

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

		(Unaudited) As at 30th June, 2010 RMB'000	(Audited) As at 31st December, 2009 RMB'000
	<i>Note</i>		
Current liabilities			
Accounts payable	22	1,729,804	1,486,750
Accounts payable to affiliated companies	27(h)	1,340,326	854,629
Notes payable		3,426,107	1,092,676
Notes payable to affiliated companies	27(i)	198,739	112,385
Customer advances		133,688	922,080
Other payables		830,240	815,453
Dividends payable		2,864	2,879
Accrued expenses and other current liabilities		40,456	131,955
Short-term bank borrowings	23	452,000	723,000
Income tax payable		35,521	37,822
Other taxes payable		125,995	41,971
Advances from affiliated companies	27(j)	163,867	1,090,181
Total current liabilities		8,479,607	7,311,781
Net current liabilities		(656,083)	(740,908)
Total assets less current liabilities		4,361,329	4,153,269
Non-current liabilities			
Deferred government grants		24,688	24,688
Advances and loans from affiliated companies	27(j)	200,000	400,000
Total non-current liabilities		224,688	424,688
Net assets		4,136,641	3,728,581
Capital and reserves			
Share capital	24	393,857	393,283
Reserves		4,933,185	4,628,730
Total equity attributable to equity holders of the Company		5,327,042	5,022,013
Non-controlling interests		(1,190,401)	(1,293,432)
Total equity		4,136,641	3,728,581

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30th June, 2009 (Unaudited)

	Attributable to 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 revaluation reserve RMB'000	Cumulative translation adjustments RMB'000	Dedicated capital RMB'000	Share options reserve RMB'000	Capital reserve RMB'000	Retained earnings RMB'000	Company RMB'000		Non-controlling interests RMB'000
As at 1st January, 2009	303,488	(64,032)	2,040,430	-	39,179	205,462	10,065	120,000	3,399,130	6,053,722	(186,467)	5,867,255
Cancellation of share options	-	-	-	-	-	-	(54)	-	54	-	-	-
Issue of new shares by subscription	89,671	-	404,238	-	-	-	-	-	-	483,909	-	483,909
Issue of new shares by exercise of share options	17	-	79	-	-	-	-	-	-	96	-	96
Transactions with equity holders of the Company	89,688	-	404,317	-	-	-	(54)	-	54	494,005	-	494,005
Transfer to dedicated capital	-	-	-	-	-	4,335	-	-	(4,335)	-	-	-
Loss for the period	-	-	-	-	-	-	-	-	(386,008)	(386,008)	(401,132)	(787,140)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Share of other comprehensive income of a jointly controlled entity	-	60,608	-	-	-	-	-	-	-	60,608	612	61,220
Change in fair value of available-for-sale financial assets	-	-	-	15,093	-	-	-	-	-	15,093	-	15,093
Total comprehensive income for the period	-	60,608	-	15,093	-	-	-	-	-	75,701	612	76,313
As at 30th June, 2009	393,176	(3,424)	2,444,747	15,093	39,179	209,797	10,011	120,000	3,008,841	6,237,420	(566,987)	5,650,433

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

Six months ended 30th June, 2010 (Unaudited)

	Attributable to equity holders of the Company							Total equity attributable to the equity holders of the Company			
	Issued capital RMB'000	Hedging reserve RMB'000	Share premium RMB'000	Investment revaluation reserve RMB'000	Cumulative translation adjustments RMB'000	Dedicated capital RMB'000	Share options reserve RMB'000		Capital reserve RMB'000	Retained earnings RMB'000	Company interests RMB'000
As at 1st January, 2010	383,283	27,427	2,445,542	39,179	213,338	9,475	120,000	1,751,702	5,022,013	(1,293,432)	3,728,581
Cancellation of share options	-	-	-	-	-	(307)	307	-	-	-	-
Acquisition of additional interests in a subsidiary	-	277	-	-	-	-	-	-	277	(23,267)	(22,990)
Issue of new shares by exercise of share options	574	-	3,978	-	-	(1,325)	-	-	3,227	-	3,227
Transactions with equity holders of the Company	574	277	3,978	-	-	(1,632)	307	-	3,504	(23,267)	(19,763)
Transfer to dedicated capital	-	-	-	-	2,327	-	(2,327)	-	-	-	-
Profit for the period	-	-	-	-	-	-	509,497	-	509,497	126,298	635,795
Other comprehensive (loss) income	-	-	-	-	-	-	-	-	-	-	-
Share of other comprehensive loss of a jointly controlled entity	-	(212,770)	-	-	-	-	-	-	(212,770)	-	(212,770)
Change in fair value of available-for-sale financial assets	-	-	4,798	-	-	-	-	-	4,798	-	4,798
Total comprehensive (loss) income for the period	-	(212,770)	4,798	-	-	-	-	-	(207,972)	-	(207,972)
As at 30th June, 2010	383,857	(165,066)	2,449,520	39,179	215,665	7,843	120,000	2,259,179	5,327,042	(1,190,401)	4,136,641

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	(Unaudited)	
	For the six months	
	ended 30th June,	
	2010	2009
	RMB'000	RMB'000
Net cash generated from operating activities	655,711	1,035,123
Net cash used in investing activities	(1,376,339)	(1,343,467)
Net cash (used in) generated from financing activities	(453,845)	28,648
Decrease in cash and cash equivalents	(1,174,473)	(279,696)
Cash and cash equivalents as at 1st January	1,608,911	1,243,861
Cash and cash equivalents as at 30th June	434,438	964,165

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Organisation and operations

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

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

The directors consider that Huachen Automotive Group Holdings Company Limited ("Huachen") is the ultimate holding company of the Company during the whole period and as at 30th June, 2010.

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").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31st December, 2009, except for the adoption of the new and revised HKFRS (which include individual HKFRSs, HKASs and interpretations) as disclosed in note 3 to these condensed consolidated financial statements.

These interim financial statements are prepared on the basis that the Group is a going concern in view of the net current liabilities as at 30th June, 2010. As set out in note 9 to these condensed consolidated financial statements, the Group disposed of the loss-making Zhonghua sedan business in December 2009. After the disposal, the Group has recorded a profit after income tax expense of RMB635,795,000 and generated positive cash flows from operating activities for the six months ended 30th June, 2010. The management is confident that under the current market conditions, the Group will continue to generate profit and positive cash flows from its operating activities. Together with the continuing support from the Group's bankers, the Group will have sufficient funds for the needs of working capital, investing and financing activities. Accordingly, it is appropriate to prepare these financial statements on a going concern basis.

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, 2009.

3. Adoption of new or amended HKFRSs

In the current period, the Group has applied for the first time the following new and revised HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual financial period beginning on or after 1st January, 2010:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners

Other than as set out below, the adoption of these new and revised HKFRSs has had no material effect on these interim financial statements.

HKFRSs (Amendments) Improvements to HKFRSs 2009

The HKFRSs (Amendments) *Improvements to HKFRSs 2009* made several minor amendments to HKFRSs. The only amendment relevant to the Group relates to HKAS 17 *Leases*. The amendment requires that leases of land are classified as a finance or operating lease applying the general principles of HKAS 17. Prior to this amendment, HKAS 17 generally required a lease of land to be classified as an operating lease. The Group has reassessed the classification of the land elements of its unexpired leases as at 1st January, 2010 on the basis of information existing at the inception of those leases and has determined that none of its leases require reclassification.

The Group has not early adopted the following new/revised standards and interpretations that have been issued but not yet effective for the accounting period ended 30th June, 2010. The Group is in the process of assessing the impact of these new/revised standards and interpretations to the Group's results of operations and financial position in the period of initial application.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures ⁴
HKAS 32 (Amendment)	Classification of Rights Issues ²
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ³
HKFRS 9	Financial Instruments ⁵
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁴
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments ³

¹ Effective for annual periods beginning on or after 1st July, 2010 and 1st January, 2011, as appropriate

² Effective for annual periods beginning on or after 1st February, 2010

³ Effective for annual periods beginning on or after 1st July, 2010

⁴ Effective for annual periods beginning on or after 1st January, 2011

⁵ Effective for annual periods beginning on or after 1st January, 2013

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might not affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

4. Turnover, revenue and segment information

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacture and sale of minibuses and automotive components in the People's Republic of China (the "PRC") after the disposal of the Group's Zhonghua sedan business in 2009 as set out in note 9 to these condensed consolidated financial statements.

An analysis of the Group's turnover and revenue is as follows:

(Unaudited)					
For the six months ended 30th June,					
Continuing operations		Discontinued operations		Consolidated	
2010	2009	2010	2009	2010	2009
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover					
Sale of minibuses and automotive components					
5,119,368	2,775,533	–	–	5,119,368	2,775,533
Sale of sedans					
–	–	–	2,622,633	–	2,622,633
5,119,368	2,775,533	–	2,622,633	5,119,368	5,398,166
Other net income					
73,727	34,217	–	55,804	73,727	90,021
Interest income					
34,325	17,098	–	26,693	34,325	43,791
5,227,420	2,826,848	–	2,705,130	5,227,420	5,531,978

The Group has identified the following reportable segments:

- Manufacture and sale of minibuses and automotive components
- Manufacture and sale of BMW sedans through BMW Brilliance Automotive Ltd. ("**BMW Brilliance**"), a jointly controlled entity of the Group

Each of these operating segments is managed separately as each of these product lines requires different resources as well as marketing approaches. The adoption of HKFRS 8 has not changed the identified operating segments for the Group.

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

4. **Turnover, revenue and segment information (Cont'd)**

Segment assets include all assets except listed available-for-sale financial assets 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, profit by reportable segments and reconciliation of segment results to profit for the period – for the six months ended 30th June, 2010

	(Unaudited)			
	Manufacture and sale of minibuses and automotive components <i>RMB'000</i>	Manufacture and sale of BMW sedans <i>RMB'000</i>	Reconciliation to the Group's condensed income statements <i>RMB'000</i>	Total <i>RMB'000</i>
<i>Continuing operations</i>				
Segment sales	5,119,368	8,725,110	(8,725,110)	5,119,368
Segment results	367,619	653,648	(653,648)	367,619
Unallocated costs net of unallocated revenue				(19,278)
Interest income				34,325
Finance costs, net				(90,266)
Share of results of:				
Associates	46,297		–	46,297
Jointly controlled entities	38,680		286,896	325,576
Profit before income tax expense from continuing operations				664,273

4. Turnover, revenue and segment information (Cont'd)

Revenue, profit by reportable segments and reconciliation of segment results to profit for the period – for the six months ended 30th June, 2009

	(Unaudited)			Total RMB'000
	Manufacture and sale of minibuses and automotive components RMB'000	Manufacture and sale of BMW sedans RMB'000	Reconciliation to the Group's condensed income statements RMB'000	
<i>Continuing operations</i>				
Segment sales	2,775,533	6,789,604	(6,789,604)	2,775,533
Segment results	114,440	397,073	(397,073)	114,440
Unallocated costs net of unallocated revenue				(15,451)
Interest income				17,098
Finance costs, net				(64,577)
Share of results of:				
Associates	(906)		–	(906)
Jointly controlled entities	7,767		116,106	123,873
Profit before income tax expense from continuing operations				174,477

4. Turnover, revenue and segment information (Cont'd)

The assets and liabilities by reportable segments as at 30th June, 2010

	(Unaudited)			
	Manufacture and sale of minibuses and automotive components <i>RMB'000</i>	Manufacture and sale of BMW sedans <i>RMB'000</i>	Reconciliation to the Group's condensed statements of financial position <i>RMB'000</i>	Total <i>RMB'000</i>
<i>Continuing operations</i>				
Segment assets	9,579,072	8,975,649	(8,975,649)	9,579,072
Interests in associates	550,403	–	–	550,403
Interests in jointly controlled entities	377,988	–	1,284,734	1,662,722
Unallocated assets				1,048,739
Total assets				<u>12,840,936</u>
Segment liabilities	8,694,827	6,406,182	(6,406,182)	8,694,827
Unallocated liabilities				<u>9,468</u>
Total liabilities				<u>8,704,295</u>

The assets and liabilities by reportable segments as at 31st December, 2009

	(Audited)			
	Manufacture and sale of minibuses and automotive components <i>RMB'000</i>	Manufacture and sale of BMW sedans <i>RMB'000</i>	Reconciliation to the Group's condensed statements of financial position <i>RMB'000</i>	Total <i>RMB'000</i>
<i>Continuing operations</i>				
Segment assets	7,197,328	9,153,754	(9,153,754)	7,197,328
Interests in associates	504,106	–	–	504,106
Interests in jointly controlled entities	341,246	–	1,410,608	1,751,854
Unallocated assets				2,011,762
Total assets				<u>11,465,050</u>
Segment liabilities	6,759,016	6,332,538	(6,332,538)	6,759,016
Unallocated liabilities				<u>977,453</u>
Total liabilities				<u>7,736,469</u>

5. **Profit (Loss) before income tax expense**

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

	(Unaudited)					
	For the six months ended 30th June,					
	Continuing operations		Discontinued operations		Consolidated	
	2010	2009	2010	2009	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Charging:						
Cost of inventories	4,523,036	2,382,590	–	2,965,939	4,523,036	5,348,529
Amortisation of intangible assets (<i>Note</i>)	13,485	9,152	–	70,964	13,485	80,116
Depreciation of property, plant and equipment	50,103	82,798	–	67,582	50,103	150,380
Amortisation of land lease prepayments	1,269	2,427	–	1,163	1,269	3,590
Provision for inventories	3,162	–	–	–	3,162	–
Staff costs (including directors' emoluments) (<i>Note 7</i>)	139,869	154,364	–	123,242	139,869	277,606
Provision for doubtful debts	2,948	85,592	–	–	2,948	85,592
Research and development costs (<i>Note</i>)	1,548	9,531	–	52,399	1,548	61,930
Provision for warranty	21,763	9,721	–	22,199	21,763	31,920
Operating lease charges in respect of:						
– land and buildings	11,019	4,074	–	1,677	11,019	5,751
– machinery and equipment	–	259	–	–	–	259
Loss on disposal of property, plant and equipment	–	516	–	–	–	516
Crediting:						
Gain on disposal of property, plant and equipment	468	–	–	–	468	–
Write back of provision for inventories sold	9,275	1,457	–	27,716	9,275	29,173
Write back of provision for doubtful debts	2,387	–	–	–	2,387	–

Note: included in general and administrative expenses

6. Finance costs, net

(Unaudited)						
For the six months ended 30th June,						
Continuing operations		Discontinued operations		Consolidated		
2010	2009	2010	2009	2010	2009	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Interest expenses on:						
Bank loans wholly repayable						
within one year						
22,965	10,716	–	10,098	22,965	20,814	
Discounted bank guaranteed notes						
57,327	23,793	–	55,024	57,327	78,817	
Amortised redemption premium on convertible bonds						
–	53,429	–	–	–	53,429	
An advance from a jointly controlled entity						
10,918	–	–	–	10,918	–	
Sale and lease back arrangement						
–	–	–	7,390	–	7,390	
<hr/>						
91,210	87,938	–	72,512	91,210	160,450	
Less: Interest expense capitalised in intangible assets and construction-in-progress at the rate of 3.3% (2009: 5.0%) per annum						
(944)	(1,169)	–	(8,158)	(944)	(9,327)	
<hr/>						
90,266	86,769	–	64,354	90,266	151,123	
Less: Exchange gain derived from convertible bonds						
–	(1,219)	–	–	–	(1,219)	
Gain on redemption of convertible bonds						
–	(20,973)	–	–	–	(20,973)	
<hr/>						
90,266	64,577	–	64,354	90,266	128,931	
<hr/>						

7. Staff costs (including directors' emoluments)

(Unaudited)						
For the six months ended 30th June,						
Continuing operations		Discontinued operations		Consolidated		
2010	2009	2010	2009	2010	2009	
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Wages, salaries and performance						
related bonuses	115,294	118,278	–	92,127	115,294	210,405
Pension costs – defined						
contribution plans	7,919	14,241	–	12,261	7,919	26,502
Staff welfare costs	16,656	21,845	–	18,854	16,656	40,699
	139,869	154,364	–	123,242	139,869	277,606

8. Income tax expense

Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the jurisdictions in which the Group operates.

The amount of taxation charged to the condensed consolidated income statement represents PRC enterprise income tax.

9. Loss from discontinued operations

The Group had disposed of its Zhonghua sedan business to Huachen in December 2009.

These condensed consolidated income statement and the respective notes for the six months ended 30th June, 2009 have been restated to present the results of the related discontinued operations. The details of the loss of the discontinued operations for the period are as follows:

	(Unaudited)	
	For the six months ended 30th June,	
	2010	2009
	RMB'000	RMB'000
Turnover	–	2,622,633
Cost of sales	–	(2,938,223)
		<hr/>
Gross loss	–	(315,590)
Interest income	–	26,693
Other net income	–	55,804
Selling expenses	–	(192,715)
General and administrative expenses	–	(139,082)
Impairment losses on assets	–	(302,450)
Finance costs, net	–	(64,354)
		<hr/>
Loss before income tax expense	–	(931,694)
Income tax expense	–	–
		<hr/>
	–	(931,694)
		<hr/>
Attributable to:		
Equity holders of the Company	–	(475,274)
Non-controlling interests	–	(456,420)
		<hr/>
	–	(931,694)
		<hr/>

10. Dividends

The directors do not recommend the payment of an interim dividend at the board meeting held on 26th August, 2010 (2009: *No interim dividend declared*).

11. Earnings (Loss) per share

The weighted average number of ordinary shares for calculating the basic and diluted earnings (loss) per share for continuing and discontinued operations, continuing operations and discontinued operations are calculated by dividing the respective profits or losses by the weighted average number of shares as calculated below:

	(Unaudited)	
	For the six months ended 30th June,	
	Number of shares	
	2010	2009
	'000	'000
<i>Weighted average number of shares</i>		
Issued shares outstanding	4,985,519	3,669,766
Effect of share options exercised	7,190	104
Effect of allotment of shares	–	297,636
	<hr/>	<hr/>
Weighted average number of ordinary shares for calculating basic earnings per share	4,992,709	3,967,506
Weighted average number of ordinary shares deemed issued under the Company's share option scheme	42,316	61,441
	<hr/>	<hr/>
Weighted average number of ordinary shares for calculating diluted earnings per share	5,035,025	4,028,947

12. Capital expenditures

	(Unaudited)			
	Intangible assets	Property, plant and equipment	Construction -in-progress	Land lease prepayments
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net book value as at 1st January, 2010	163,743	1,263,040	79,092	69,044
Additions	25,171	9,595	180,990	–
Transfer and reclassification	–	12,001	(12,001)	–
Disposals	–	(2,263)	–	–
Amortisation/Depreciation	(13,485)	(50,103)	–	(1,269)
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value as at 30th June, 2010	175,429	1,232,270	248,081	67,775

13. Interests in associates

Details of interests in associates are as follows:

	(Unaudited) As at 30th June, 2010 RMB'000	(Audited) As at 31st December, 2009 RMB'000
Share of net assets other than goodwill	523,749	477,452
Goodwill, net of accumulated amortisation	26,654	26,654
	<hr/> 550,403	<hr/> 504,106

14. Interests in jointly controlled entities

Details of interests in jointly controlled entities are as follows:

	(Unaudited) As at 30th June, 2010 RMB'000	(Audited) As at 31st December, 2009 RMB'000
Share of net assets other than goodwill	1,588,451	1,677,583
Goodwill, net of accumulated amortisation	326,644	326,644
Accumulated impairment loss	(252,373)	(252,373)
	<hr/> 74,271	<hr/> 74,271
	<hr/> 1,662,722	<hr/> 1,751,854

15. Prepayments for a long-term investment

On 29th December, 2003, Shenyang JinBei Automotive Industry Holdings Co., Ltd. ("SJAI") (currently an indirectly wholly-owned subsidiary of the Company) and Shenyang XinJinBei Investment and Development Co., Ltd. ("SXID") (currently an indirectly wholly-owned subsidiary of the Company) entered into agreements with the sellers in relation to the acquisition of the entire equity interests of Shenyang Automobile Industry Asset Management Company Limited ("SAIAM") and Shenyang XinJinBei Investment Co., Ltd. ("SXI"), respectively (the "Acquisitions"). SAIAM owns 24.38% while SXI owns 8.97% of the equity interest in Shenyang JinBei Automotive Company Limited ("JinBei"), a company listed on the Shanghai Stock Exchange. The consideration for the Acquisitions was RMB600 million, which was determined after arm's length negotiations between the parties by taking into account the respective financial positions of SAIAM and SXI.

Although the Acquisitions have been approved by State-owned Assets Supervision and Administration Commission of Liaoning Provincial Government and the State-Owned Assets Supervision and Administration Commission of the State Council, the transfer of the entire interest of SAIAM and SXI is subject to the granting of a waiver to SXID and SJAI from making an offer for all of the shares of JinBei under Regulation on Acquisitions of Listed Companies by the China Securities Regulatory Commission. Upon completion of the Acquisitions, the Group will be effectively interested in an aggregate of approximately 33.35% of the issued share capital of JinBei.

15. **Prepayments for a long-term investment (Cont'd)**

As at 30th June, 2010 and 31st December, 2009, the consideration of RMB600 million paid to the shareholders of SAIAM and SXI was recorded as prepayments for a long-term investment. The directors have assessed the fair value of the underlying shares of JinBei and are satisfied that the recoverability of the prepayments is supported by the underlying shares of JinBei.

16. **Available-for-sale financial assets**

	(Unaudited)	(Audited)
	As at	As at
	30th June, 2010	31st December, 2009
	RMB'000	RMB'000
Equity investments:		
Unlisted, at cost	4,138	4,138
Listed in Hong Kong, at fair value	38,360	33,562
	<hr/>	<hr/>
	42,498	37,700
	<hr/>	<hr/>

17. **Cash and cash equivalents**

For condensed consolidated statement of financial position classification, cash and cash equivalents represent assets similar in nature to cash, which are not restricted as to use. For the purposes of condensed consolidated cash flow statement, 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 original maturities less than 3 months.

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

Short-term bank deposits were pledged for the following purposes:

	(Unaudited)	(Audited)
	As at	As at
	30th June, 2010	31st December, 2009
	RMB'000	RMB'000
Issue of bank guaranteed notes to trade creditors (<i>Note</i>)	1,897,623	626,617
Bank loans granted to JinBei (<i>Note 25</i>)	213,680	213,680
Bank loans granted	–	215,774
	<hr/>	<hr/>
	2,111,303	1,056,071
	<hr/>	<hr/>

Note : In addition to pledged short-term bank deposits, as at 30th June, 2010, the Group also pledged bank guaranteed notes receivable from third parties and affiliated companies of approximately RMB115 million (*As at 31st December, 2009: RMB128 million*) for issue of bank guaranteed notes.

19. Accounts receivable

An aging analysis of accounts receivable is set out below:

	(Unaudited)	(Audited)
	As at	As at
	30th June, 2010	31st December, 2009
	RMB'000	RMB'000
Less than six months	160,688	82,413
Between six months to one year	3,132	10,159
Above one year to two years	4,098	3,583
Above two years	13,874	20,354
	<hr/>	<hr/>
	181,792	116,509
Less : Provision for doubtful debts	(15,128)	(21,377)
	<hr/>	<hr/>
	166,664	95,132
	<hr/>	<hr/>

The Group's credit policy is to offer credit to customers following a financial assessment and an established payment record. 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 staff monitors accounts receivable and follows up collection with customers. Customers considered to be high risk are traded on cash basis or when bank guaranteed notes are received.

20. Notes receivable

All notes receivable are denominated in Renminbi and are primarily notes received from customers for settlement of accounts receivable balances. As at 30th June, 2010, all notes receivable were guaranteed by established banks in the PRC with maturities of less than six months from 30th June, 2010 (*As at 31st December, 2009: Same*). As at 30th June, 2010, notes receivable from third parties and affiliated companies of approximately RMB115 million have been pledged for the issue of notes payable (*As at 31st December, 2009: RMB128 million*).

21. Other receivables

	(Unaudited)	(Audited)
	As at	As at
	30th June, 2010	31st December, 2009
	RMB'000	RMB'000
Advance to SAIAM (<i>Note</i>)	300,000	300,000
Others	1,482,869	419,477
	<hr/>	<hr/>
	1,782,869	719,477
Less : Provision for doubtful debts	(57,509)	(97,183)
	<hr/>	<hr/>
	1,725,360	622,294
	<hr/>	<hr/>

21. **Other receivables (Cont'd)**

Note: As at 30th June, 2010, an amount of RMB300 million (*As at 31st December, 2009: RMB300 million*) was advanced to SAIAM which will become a subsidiary of the Group after the completion of the Acquisitions as detailed in note 15 to these condensed consolidated financial statements. The amount will be settled upon the completion of the acquisition. In view of the substantial assets in JinBei possessed by SAIAM, the management considers the credit risk in recovering the amount is minimal.

22. **Accounts payable**

An aging analysis of accounts payable is set out below:

	(Unaudited)	(Audited)
	As at	As at
	30th June, 2010	31st December, 2009
	RMB'000	RMB'000
Less than six months	1,629,530	1,415,850
Between six months to one year	64,378	28,766
Above one year to two years	12,881	10,564
Above two years	23,015	31,570
	<hr/>	<hr/>
	1,729,804	1,486,750
	<hr/>	<hr/>

23. **Short-term bank borrowings**

All short-term bank borrowings as at 30th June, 2010 are unsecured (*As at 31st December, 2009: Same*), interest-bearing at rates ranging from 4.86% to 5.84% per annum (*As at 31st December, 2009: 4.86% to 5.84% per annum*) and repayable from 20th July, 2010 to 29th June, 2011 (*As at 31st December, 2009: repayable from 15th January, 2010 to 11th October, 2010*).

24. **Share capital**

	(Unaudited)	
	As at 30th June, 2010	
	Number of shares	Amount
	'000	US\$'000
Authorised:		
Ordinary shares at par value of US\$0.01 each	8,000,000	80,000
	<hr/>	<hr/>

24. Share capital (Cont'd)

	(Unaudited)	
	As at 30th June, 2010	
	Number of shares	Amount
	'000	RMB'000
Issued and fully paid:		
Ordinary shares at par value of US\$0.01 each		
As at 1st January, 2010	4,985,519	393,283
Issue of new shares by exercising share options	8,450	574
	<hr/>	<hr/>
As at 30th June, 2010	4,993,969	393,857
	<hr/>	<hr/>

On 1st February, 2010, 8,450,000 ordinary shares with a par value of US\$0.01 each were issued as a result of an exercise of share options on 28th January, 2010 at a consideration of approximately RMB3,227,000 (equivalent to approximately HK\$3,701,000) of which RMB3,978,000 was credited to the share premium account and RMB1,325,000 debited to the share options reserve.

25. Contingencies

	(Unaudited)	(Audited)
	As at	As at
	30th June, 2010	31st December, 2009
	RMB'000	RMB'000
Corporate guarantees for revolving bank loans and bank guaranteed notes drawn by affiliated companies of Shanghai Shenhua (<i>Note</i>)	60,000	60,000
Corporate guarantees for revolving bank loans and bank guaranteed notes drawn by the ultimate holding company	531,000	750,000
Corporate guarantees for revolving bank loans and bank guaranteed notes drawn by Shenyang Xinguang Brilliance Automobile Engine Co., Ltd. (" Xinguang Brilliance ")	15,000	–
Corporate guarantees for bank loans drawn by JinBei. Bank deposits of RMB214 million (<i>As at 31st December, 2009: RMB214 million</i>) was pledged as a collateral for the corporate guarantee (<i>Note 18</i>)	306,500	200,000
	<hr/>	<hr/>

Note: Shanghai Shenhua is defined in note 27(a) to the condensed consolidated financial statements.

26. Commitments

(a) Capital commitments

	(Unaudited)	(Audited)
	As at	As at
	30th June, 2010	31st December, 2009
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted but not provided for:		
– Construction projects	–	76
– Acquisition of plant and machinery	135,421	67,067
– Others	52,009	39,954
	<hr/>	<hr/>
	187,430	107,097
	<hr/>	<hr/>
Authorised but not contracted for:		
– Construction projects and acquisition of plant and machinery	446,789	470,123
	<hr/>	<hr/>

(b) Operating lease commitments

As at 30th June, 2010, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of leased properties as follows:

	(Unaudited)	(Audited)
	As at	As at
	30th June, 2010	31st December, 2009
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	13,845	17,112
In the second to fifth years inclusive	10,688	32,097
Over five years	–	34,009
	<hr/>	<hr/>
	24,533	83,218
	<hr/>	<hr/>

(c) Future operating lease arrangement

As at 30th June, 2010, the Group had future aggregate minimum lease receivable of RMB1,150,000 within one year (As at 31st December, 2009: Nil) under non-cancellable operating leases.

27. **Related party transactions**

(a) Name and relationship

Name	Relationship
JinBei	A shareholder of Shenyang Brilliance JinBei Automobile Co., Ltd. (" Shenyang Automotive "), a subsidiary of the Company
Shanghai Shenhua Holdings Co., Ltd. (" Shanghai Shenhua ")	Common directorship of certain directors of the Company
Brilliance Holdings Limited (" BHL ")	Common directorship of certain directors of the Company
Huachen	Ultimate holding company of the Company

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. Parties are also considered to be affiliated if they are subject to common control or common significant influence.

Save as disclosed elsewhere in these condensed consolidated financial statements, significant transactions and balances with affiliated parties (these affiliated companies and the Company have certain directors in common and/or other relationships as specified) are detailed as follows.

27. Related party transactions (Cont'd)

- (b) Particulars of significant transactions between the companies comprising the Group and affiliated companies in the ordinary course of business during the period are summarised below:

	(Unaudited)	
	For the six months ended 30th June,	
	2010	2009
	RMB'000	RMB'000
Sales of goods:		
– Affiliated companies of JinBei	1,167	62,895
– Shanghai Shenhua and its affiliated companies	672,272	372,555
– An affiliated company of BHL	–	3,213
– Jointly controlled entities	21,741	33,495
– Associates	110,351	46,354
– Huachen and its affiliates	1,679,244	348,851
Purchases of goods:		
– Affiliated companies of JinBei	269,394	504,992
– Huachen	458,178	–
– Affiliated companies of BHL	76,176	63,889
– Jointly controlled entities	605,220	326,642
– Associates	220,002	66,153
– An affiliated company of a joint venture partner of Xinguang Brilliance	30	30
– A shareholder of Shenyang Aerospace Mitsubishi Motors Engine Manufacturing Co., Ltd. (“Shenyang Aerospace”)	2,079	9,337
Operating lease rental on land and buildings charged by a jointly controlled entity	–	1,430
Operating lease rental on land and buildings charged by Huachen	1,000	–
Operating lease rental on land and buildings charged by Shanghai Shenhua	296	296
Operating lease rental from a jointly controlled entity	–	7,087
Operating lease income from Huachen for rental on land and buildings	1,150	–
Subcontracting charge to a jointly controlled entity	–	60,152
Interest to a jointly controlled entity for finance lease arrangement	–	7,390
Interest to a jointly controlled entity for advance to the Group	10,918	–
Imputed interest income from Huachen for receivable of disposal of discontinued operations	12,274	–
Service income from affiliated companies of Shanghai Shenhua	–	1,686
Service income from Huachen	93,252	–

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

27. Related party transactions (Cont'd)

(c) As at 30th June, 2010, accounts receivable from affiliated companies consisted of the following:

	(Unaudited) As at 30th June, 2010 RMB'000	(Audited) As at 31st December, 2009 RMB'000
Accounts receivable from related parties:		
– Shanghai Shenhua and its affiliated companies	145,008	10,416
– Affiliated companies of JinBei	22,432	26,510
– Huachen	1,102,481	816,660
– A shareholder of Shenyang Aerospace	2,559	–
– Associates	7,318	6,167
– Jointly controlled entities	2,043	265
	<hr/>	
	1,281,841	860,018
Less : Provision for doubtful debts	(27,677)	(27,677)
	<hr/>	
	1,254,164	832,341
	<hr/>	

(i) The amounts due from affiliated companies are unsecured, non-interest bearing and with no fixed repayment term.

(ii) The Group's credit policy is that credit is offered to affiliated companies following financial assessment and an established payment record. These affiliated companies are generally required to settle 25% to 33% of the previous month's ending balances. The aging analysis of amounts due from affiliated companies is as follows:

	(Unaudited) As at 30th June, 2010 RMB'000	(Audited) As at 31st December, 2009 RMB'000
Less than six months	1,218,719	833,758
Between six months to one year	36,049	746
Above one year to two years	1,622	1,921
Above two years	25,451	23,593
	<hr/>	
	1,281,841	860,018
	<hr/>	

27. **Related party transactions (Cont'd)**

(d) As at 30th June, 2010, notes receivable from affiliated companies arising from trading activities consisted of the following:

	(Unaudited)	(Audited)
	As at	As at
	30th June, 2010	31st December, 2009
	<i>RMB'000</i>	<i>RMB'000</i>
Notes receivable from related parties:		
– An affiliated company of JinBei	1,139	79
– Shanghai Shenhua and its affiliates	91,626	1,400
– Huachen	27,161	–
– An associate	–	26,971
	<hr/>	<hr/>
	119,926	28,450
	<hr/>	<hr/>

All notes receivable from affiliated companies are guaranteed by banks in the PRC and have maturities of six months or less from 30th June, 2010 (As at 31st December, 2009: Same).

(e) As at 30th June, 2010, the dividends receivable from affiliated companies consisted of:

	(Unaudited)	(Audited)
	As at	As at
	30th June, 2010	31st December, 2009
	<i>RMB'000</i>	<i>RMB'000</i>
Dividend receivable from related parties:		
– A jointly controlled entity	76,173	76,173
– An associate	18,795	18,795
	<hr/>	<hr/>
	94,968	94,968
	<hr/>	<hr/>

27. Related party transactions (Cont'd)

(f) As at 30th June, 2010, advances to affiliated companies consisted of:

	(Unaudited)	(Audited)
	As at	As at
	30th June, 2010	31st December, 2009
	RMB'000	RMB'000
Advances to related parties:		
– Jointly controlled entities	26,365	26,378
– Affiliated companies of BHL	285,074	287,462
– Shanghai Shenhua	14,046	14,046
– Huachen	147,091	17
– JinBei and its affiliated companies	68,508	71,348
	<hr/>	<hr/>
	541,084	399,251
Less: provision for doubtful debts	(293,676)	(296,063)
	<hr/>	<hr/>
	247,408	103,188
	<hr/>	<hr/>

Advances to affiliated companies are unsecured, interest-free and with no fixed repayment terms.

(g) Receivable for disposal of discontinued operations represents the present value as at 30th June, 2010 of the consideration payable by Huachen in 2013 for the purchase of Zhonghua sedan business as set out in note 9 to these condensed consolidated financial statements.

(h) As at 30th June, 2010, accounts payable to affiliated companies consisted of the following:

	(Unaudited)	(Audited)
	As at	As at
	30th June, 2010	31st December, 2009
	RMB'000	RMB'000
Accounts payable to related parties:		
– Associates	115,527	61,053
– Jointly controlled entities	597,913	487,338
– Huachen	297,228	564
– An affiliated company of BHL	78,112	79,323
– Affiliated companies of Shanghai Shenhua	2,014	29,694
– Affiliated companies of JinBei	249,491	196,645
– Other affiliated companies	41	12
	<hr/>	<hr/>
	1,340,326	854,629
	<hr/>	<hr/>

27. Related party transactions (Cont'd)

(h) (Cont'd)

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 amounts due to affiliated companies is as follows:

	(Unaudited)	(Audited)
	As at	As at
	30th June, 2010	31st December, 2009
	<i>RMB'000</i>	<i>RMB'000</i>
Less than six months	1,299,568	808,092
Between six months to one year	17,118	20,041
Above one year to two years	1,529	1,387
Above two years	22,111	25,109
	<hr/>	<hr/>
	1,340,326	854,629
	<hr/>	<hr/>

(i) As at 30th June, 2010, notes payable to affiliated companies arising from trading activities consisted of the following:

	(Unaudited)	(Audited)
	As at	As at
	30th June, 2010	31st December, 2009
	<i>RMB'000</i>	<i>RMB'000</i>
Notes payable to related parties:		
– An affiliated company of BHL	138,784	51,253
– Affiliated companies of JinBei	10,555	52,250
– An associate	–	6,882
– Jointly controlled entities	49,400	2,000
	<hr/>	<hr/>
	198,739	112,385
	<hr/>	<hr/>

27. **Related party transactions (Cont'd)**

(j) As at 30th June, 2010, advances and loans from affiliated companies consisted of the following:

	(Unaudited) As at 30th June, 2010 RMB'000	(Audited) As at 31st December, 2009 RMB'000
Advances from related parties classified under current liabilities:		
– Associates	108,684	108,576
– A jointly controlled entity	3,690	3,690
– Huachen	36,255	964,253
– Affiliated companies of BHL	11,162	11,192
– Affiliated companies of Shanghai Shenhua	2,797	1,720
– JinBei and its affiliated companies	1,279	750
	<hr/>	
	163,867	1,090,181
Advances from related parties classified under non-current liabilities:		
– BMW Brilliance	200,000	400,000
Total advances from affiliated companies	<hr/>	
	363,867	1,490,181

Except for advance from BMW Brilliance of RMB200 million (As at 31st December, 2009, RMB400 million) which is unsecured, interest-bearing at 5.4% per annum and expected to be repayable in more than one year from 30th June, 2010, the other advances from affiliated companies are all interest-free, unsecured and have no fixed repayment terms.

Out of RMB400 million of the advance from BMW Brilliance as at 31st December, 2009, RMB200 million was offset to the dividend receivable from BMW Brilliance during the six months ended 30th June, 2010.

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

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

	(Unaudited) For the six months ended 30th June, 2010 RMB'000	2009 RMB'000
Short-term employee benefits	10,986	7,993

28. **Comparative figures**

The comparative figures of other revenue and other operating expenses have been net off as other net income to conform with the current presentation as the other revenue and other operating expenses are in relation to the Group's miscellaneous income and respective expenses.

MANAGEMENT'S DISCUSSION & ANALYSIS

Business Review

As mentioned in our 2009 annual report, in an effort to improve the overall performance of the Company and its subsidiaries (the "Group"), the Group had disposed of its Zhonghua sedan business on 31st December, 2009. Accordingly, the comparable figures for the first six months of 2009 contained in the condensed consolidated income statement have been revised to reflect both the continuing and the now discontinued operations of the Group.

The unaudited consolidated net sales from continuing operations of the Group, including Shenyang Brilliance JinBei Automobile Co., Ltd. ("**Shenyang Automotive**"), Shenyang XingYuanDong Automobile Component Co., Ltd., Ningbo Yuming Machinery Industrial Co., Ltd., Ningbo Brilliance Ruixing Auto Components Co., Ltd., Mianyang Brilliance Ruian Automotive Components Co., Ltd., Shenyang Brilliance Dongxing Automotive Component Co., Ltd., Shenyang ChenFa Automobile Component Co., Ltd., Shenyang Jindong Development Co., Ltd. and Shanghai Hidea Auto Design Co., Ltd. for the first six months of 2010 were RMB5,119.4 million, representing an increase of 84.4% from RMB2,775.5 million for the same period in 2009. The increase in turnover was primarily due to an increase in the unit sales of Shenyang Automotive's minibuses during the period, as well as component sales to Huachen which have been accounted for as the Group's sales starting 1st January, 2010 following the Zhonghua disposal.

Shenyang Automotive sold 48,688 minibuses in the first half of 2010, representing a 35.7% increase from the 35,873 units sold during the same period in 2009. Of these minibuses sold, 39,152 were mid-price minibuses, representing a 30.9% increase from 29,914 units sold during the first six months of 2009. Similarly, unit sales of deluxe minibuses also increased by 60.0% from 5,959 units for the first half of 2009 to 9,536 units for the corresponding period in 2010.

The turnover figure for the first six months of 2010 also included sales of Zhonghua components to Huachen Automotive Group Holdings Company Limited ("**Huachen**") by the Group. The sales of such components were eliminated upon consolidation for the six months ended 30th June, 2009, as such sales were intragroup transactions at the time. Starting from 1st January, 2010, all such Zhonghua component sales have become third party in nature, and are recorded in the Group's consolidated turnover.

Unaudited cost of sales from continuing operations increased by 89.7% from RMB2,381.1 million in the first six months of 2009 to RMB4,516.9 million for the same period in 2010. The increase was primarily due to the increase in unit sales of minibuses and the inclusion of the cost of Zhonghua components sold to Huachen.

The unaudited gross profit margin from continuing operations of the Group decreased to 11.8% for the first half of 2010 from 14.2% in the same period in 2009. The drop in margin was primarily caused by the sale of Zhonghua components to Huachen after the disposal of the Zhonghua sedan business, when such transactions were eliminated upon consolidation previously. The lower margin for these components sale led to a lower overall gross margin for the Group in the first half of 2010.

Unaudited other net income from continuing operations increased by 115.5% from RMB34.2 million in the first six months of 2009 to RMB73.7 million for the same period in 2010. The increase was primarily due to profit generated from paint shop services provided to Huachen for the Zhonghua sedans after the disposal of the Zhonghua sedan business.

Unaudited selling expenses from continuing operations increased by 77.9% from RMB116.6 million in the first half of 2009 to RMB207.4 million for the same period in 2010. The increase was mainly due to the increase of transportation cost as a result of an increase in the sales volume of minibuses. Selling expenses as a percentage of turnover had remained relatively stable at 4.1% during the first half of 2010 as compared to 4.2% for the same period last year.

Unaudited general and administrative expenses from continuing operations decreased by 43.5% from RMB213.1 million in the first six months of 2009 to RMB120.5 million for the same period in 2010, mainly due to a significant drop in the provisions for doubtful debts from RMB85.6 million for the first half of 2009 to RMB2.9 million for the first half of 2010.

Unaudited interest income from continuing operations increased by 100.6% from RMB17.1 million in the first six months of 2009 to RMB34.3 million for the same period in 2010 due to an increase in short-term bank deposits during the period.

Unaudited net finance costs from continuing operations increased by 39.8% from RMB64.6 million in the first six months of 2009 to RMB90.3 million for the same period in 2010, resulting mainly from an increase in the discounting of notes payable.

The Group's unaudited share of operating results of associates and jointly controlled entities increased by 202.4% from RMB123.0 million in the first half of 2009 to RMB371.9 million for the same period in 2010. This was primarily attributable to the increase in contribution by BMW Brilliance Automotive Ltd. ("**BMW Brilliance**"), the Group's 50% indirectly-owned jointly controlled entity, in the first half of 2010.

Unaudited net profit contributed to the Group by BMW Brilliance increased by 147.1% from RMB116.1 million in the first half of 2009 to RMB286.9 million for the same period this year. The BMW joint venture achieved sales of 32,594 BMW sedans in the first six months of 2010, an increase of 57.0% as compared to 20,758 BMW sedans for the same period in 2009. The increased net profit contributed to the Group in the first half of 2010 was a result of the increase in units sold and the achievement of cost reduction from local suppliers during the period.

The Group's unaudited profit before income tax expense from continuing operations increased by 280.7% from RMB174.5 million in the first half of 2009 to RMB664.3 million for the same period in 2010. Unaudited income tax expense from continuing operations, however, remains at a similar level from RMB29.9 million for the first half of 2009 to RMB28.5 million for the first half of 2010 as the losses incurred from the Zhonghua sedan business in the past has remained within Shenyang Automotive post disposal of the Zhonghua sedan business, and were applied to offset income tax chargeable to Shenyang Automotive for the period.

As a result, the Group recorded an unaudited profit attributable to equity holders of the Company of RMB509.5 million for the first half of 2010 as compared to an unaudited loss of RMB386.0 million for the same period in 2009. Unaudited basic earnings per share for the six months ended 30th June, 2010 amounted to RMB0.10205 against an unaudited basic loss per share of RMB0.09729 for the same period in 2009.

Prospects

Benefitting from the strong industry rebound which started from the second half of 2009, the Chinese auto sector had continued to show impressive performance during the first half of 2010. Total auto sales in China reached almost 7.2 million units during the period, a 30.5% increase year-on-year, even as most other global markets had remained depressed.

After years of close cooperation between the Group and BMW AG, we believe our BMW joint venture has developed a sound understanding of the Chinese premium auto market and correspondingly a business model which specifically caters to the demands of the Chinese customer. We have introduced a China-only model of the 5-series long version which has been well received by the market. We have put a solid management team in place, and we are continuously extending our sales network coverage while at the same time working relentlessly to further localize our component sourcing and seek cost cutting opportunities. We have also developed various campaigns for marketing and brand building to increase market share. We believe our business model has been working well and will continue to reap rewards for the joint venture.

The recent launch of our brand new 5-series long version sedan in August has been a successful one. We have received excellent market feedback which trumped those of our competitors on similar products, and with sales starting in September and the order book being filled at the moment, we expect this product to bring good volume commencing the last quarter of the year. Furthermore, the joint venture is also expected to commence its auto finance operation in the third quarter once regulatory approval is received.

Over the years we have also established an amicable working relationship with our joint venture partner, and the joint venture is now more committed to China than ever before. In addition to a major capacity expansion plan which will bring our production capability up to 300,000 units in the next few years, we are also reviewing our long range strategic plan to take into account developments in the global markets, and to assess our product strategy so as to lay a strong foundation for the joint venture's future development. Current plans include new models and potential exports, domestic production of engines, and local development and production of new energy BMW vehicles.

As for the minibus business, with its established track record and strong brand recognition, we expect it to continue as a stable profit contributor to the Group. We continue to work on improving product quality while at the same time develop new product variations and new models (such as the new H2L) based on our existing platforms. Our goal is to increase sales and market share, and reduce costs via further streamlining of our minibus operation. Furthermore, the Group will continue to evaluate our operational and strategic alternatives for the minibus business, primarily through teaming up with existing and global strategic partners to strengthen our research and development and product development capabilities, so as to maintain our competitiveness and market leading position in this market segment.

Liquidity and Financial Resources

As at 30th June, 2010, the Group had RMB434.4 million in cash and cash equivalents, RMB216.4 million in short-term bank deposits and RMB2,111.3 million in pledged short-term bank deposits. The Group had notes payable of RMB3,624.8 million and outstanding short-term bank borrowings of RMB452.0 million, but had no long-term bank borrowings outstanding as at 30th June, 2010.

Contingent Liabilities

Details of the contingent liabilities are set out in note 25 to the condensed consolidated financial statements.

Gearing Ratio

As at 30th June, 2010, the gearing ratio, computed by dividing total liabilities by total equity attributable to equity holders of the Company, was approximately 1.63 (*31st December, 2009: 1.54*). The increase in the gearing ratio was primarily due to the increase in accounts payable and notes payable as at 30th June, 2010.

Foreign Exchange Risks

The Group considers that exchange rate fluctuations may have a material effect on the overall financial performance of the Group in the future, and 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, 2010.

Employees and Remuneration Policy

The Group employed approximately 6,200 employees for its operations as at 30th June, 2010 (*30th June, 2009: approximately 11,800 for its operations including the Zhonghua sedan business prior to the disposal of the same on 31st December, 2009*). Employee costs for its operations amounted to approximately RMB139.9 million for the six months ended 30th June, 2010 (*six months ended 30th June, 2009: approximately RMB277.6 million for its operations including the Zhonghua sedan business prior to the disposal of the same on 31st December, 2009*). 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.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30th June, 2010 (*six months ended 30th June, 2009: nil*).

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

As at 30th June, 2010, 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	Number of shares held/Approximate shareholding percentage (Note 1)					
	Long		Short		Lending	
	Position	%	Position	%	Pool	%
Huachen (Note 2)	2,260,074,988	45.26	–	–	–	–
Templeton Asset Management Ltd. (Note 3)	800,995,632	16.04	–	–	–	–
Cheah Cheng Hye (Note 4)	266,122,000	5.33	–	–	–	–
To Hau Yin (Note 4)	266,122,000	5.33	–	–	–	–
Hang Seng Bank Trustee International Limited (Note 4)	266,122,000	5.33	–	–	–	–
Cheah Company Limited (Note 4)	266,122,000	5.33	–	–	–	–
Cheah Capital Management Limited (Note 4)	266,122,000	5.33	–	–	–	–
Value Partners Group Limited (Note 4)	266,122,000	5.33	–	–	–	–
Value Partners Limited (Note 4)	266,122,000	5.33	–	–	–	–

Notes:

1. The percentage of shareholding is calculated on the basis of 4,993,969,388 shares of the Company in issue as at 30th June, 2010.
2. The 2,260,074,988 shares in long position were held in the capacity as beneficial owner.
3. The 800,995,632 shares in long position were held in the capacity as investment manager.
4. The 266,122,000 shares in long position were held by Value Partners Limited in the capacity as investment manager. These shares were interests of a discretionary trust of which Mr. Cheah Cheng Hye is the founder. The trustee of the trust was Hang Seng Bank Trustee International Limited, which held the interests in the Company through its indirect control over Value Partners Limited. Value Partners Limited is 100% controlled by Value Partners Group Limited, which in turn is 31.19% controlled by Cheah Capital Management Limited. Cheah Capital Management Limited is 100% controlled by Cheah Company Limited, which in turn is 100% controlled by Hang Seng Bank Trustee International Limited. Accordingly, Mr. Cheah Cheng Hye, Ms. To Hau Yin (spouse of Mr. Cheah Cheng Hye), Hang Seng Bank Trustee International Limited, Cheah Company Limited, Cheah Capital Management Limited and Value Partners Group Limited were deemed to have interests in the 266,122,000 shares in the Company.

Save as disclosed herein, as at 30th June, 2010, there was no other person so far known to the directors or chief executives of the Company, other than a director or chief executive of the Company as having an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30th June, 2010, the interests and short positions of each director, chief executive and their respective associates in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange, are set out below:

Name of directors	Type of interests	Number of shares held		Approximate shareholding percentage (Note 1)	Number of share options granted (Percentage of the Company's issued share capital) (Note 2)
		Long Position	Short Position		
Wu Xiao An (also known as Ng Siu On)	Personal	5,000,000	–	0.10%	7,800,000 (0.16%) (Note 3)
Qi Yumin	Personal	–	–	–	9,000,000 (0.18%) (Note 4)
He Guohua	Personal	–	–	–	3,000,000 (0.06%) (Note 4)
Wang Shiping	Personal	–	–	–	3,000,000 (0.06%) (Note 4)
Lei Xiaoyang	Personal	–	–	–	3,000,000 (0.06%) (Note 4)

Notes:

1. The percentage of shareholding is calculated on the basis of 4,993,969,388 shares of the Company in issue as at 30th June, 2010.
2. The percentage represents the number of shares which may fall to be allotted and issued upon exercise of any subscription rights attaching to the share options granted by the Company based on the 4,993,969,388 shares of the Company in issue as at 30th June, 2010.
3. Out of these share options, 2,800,000 share options are exercisable at any time during the 10-year period from 2nd June, 2001 at the subscription price of HK\$1.896 per share while 5,000,000 share options are exercisable at any time during the 10-year period from 22nd December, 2008 at the subscription price of HK\$0.438 per share.
4. These share options are exercisable at any time during the 10-year period from 22nd December, 2008 at the subscription price of HK\$0.438 per share.

Save as disclosed above, as at 30th June, 2010, none of the directors, chief executives of the Company or their respective associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

SHARE OPTIONS

1999 Share Option Scheme

With an aim to provide incentives and rewards to eligible participants who contribute to the success of the Group, the Company, with the approval of the shareholders at a general meeting, adopted a share option scheme on 18th September, 1999 (the “**1999 Share Option Scheme**”). The 1999 Share Option Scheme came into effect on 20th October, 1999.

On 28th June, 2002, the 1999 Share Option Scheme was terminated. Pursuant to clause 13.1 of the 1999 Share Option Scheme, all the share options granted and remained outstanding prior to such termination shall continue to be valid and exercisable in accordance with the terms of the grant and the 1999 Share Option Scheme.

A summary of movements of the share options of the Company under the 1999 Share Option Scheme during the six months ended 30th June, 2010 is set out below:

Category and name of participant	Date of grant	Number of share options					Outstanding as at 30th June, 2010	Option period	Subscription price per share (HK\$)
		Outstanding as at 1st January, 2010	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period			
Director									
Wu Xiao An	2nd June, 2001 (Note 1)	2,800,000	-	-	-	-	2,800,000	2nd June, 2001 – 1st June, 2011	1.896
Total		2,800,000	-	-	-	-	2,800,000		

Notes:

1. The share options were granted on 2nd June, 2001 and vested immediately upon the grant and are exercisable within a period of 10 years.
2. As none of the share options had been exercised during the six months ended 30th June, 2010, the weighted average closing price of the shares immediately before the dates on which the share options were exercised is not disclosed herein.

New Share Option Scheme

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

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

A summary of movements of the share options of the Company under the New Share Option Scheme during the six months ended 30th June, 2010 is set out below:

Category and name of participants	Date of grant	Number of share options					Outstanding as at 30th June, 2010	Option period	Subscription price per share (HK\$)
		Outstanding as at 1st January, 2010	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period			
Directors									
Wu Xiao An	22nd December, 2008 (Note 1)	10,000,000	-	5,000,000	-	-	5,000,000	22nd December, 2008 – 21st December, 2018	0.438
Qi Yumin	22nd December, 2008 (Note 1)	9,000,000	-	-	-	-	9,000,000	22nd December, 2008 – 21st December, 2018	0.438
He Guohua	22nd December, 2008 (Note 1)	3,000,000	-	-	-	-	3,000,000	22nd December, 2008 – 21st December, 2018	0.438
Wang Shiping	22nd December, 2008 (Note 1)	3,000,000	-	-	-	-	3,000,000	22nd December, 2008 – 21st December, 2018	0.438
Lei Xiaoyang	22nd December, 2008 (Note 1)	3,000,000	-	-	-	-	3,000,000	22nd December, 2008 – 21st December, 2018	0.438
Employees (in aggregate)	22nd December, 2008 (Note 1)	28,950,000	-	2,950,000	2,000,000	-	24,000,000	22nd December, 2008 – 21st December, 2018	0.438
Others (in aggregate)	22nd December, 2008 (Note 1)	3,500,000	-	500,000	-	-	3,000,000	22nd December, 2008 – 21st December, 2018	0.438
Total		60,450,000	-	8,450,000	2,000,000	-	50,000,000		
				(Note 2)					

Notes:

- The share options were granted on 22nd December, 2008 and vested immediately upon the grant and are exercisable within a period of 10 years.
- The closing price of the shares immediately before the date on which the share options were exercised was HK\$2.04 per share.

As no share options have been granted by the Company under the New Share Option Scheme for the six months ended 30th June, 2010, no expenses were recognised by the Group for the period under review (*six months ended 30th June, 2009: nil*).

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June, 2010.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Maintaining an effective corporate governance framework is one of the top priorities of the Company. The Company has complied with the code provisions of the "Code on Corporate Governance Practices" (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the six months ended 30th June, 2010, except for deviations from code provision A.4.1 that are described below.

Deviation

Under code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. At present, all the non-executive directors (including the independent non-executive directors) of the Company do not have a specific term of appointment. As the appointment of non-executive directors is subject to the retirement by rotation provisions in the bye-laws of the Company, the Board considers that it is not necessary to appoint the non-executive directors for a specific term. At every annual general meeting, one-third of the directors for the time being, or if their number is not three or in a multiple of three, the number nearest to but not greater than one-third, shall retire from office by rotation according to the bye-laws of the Company. All directors, including those appointed for a fixed term, are subject to the retirement by rotation provision in the bye-laws of the Company.

Major update

There have been no material changes to the information disclosed in the Company's 2009 annual report in respect of our corporate governance practices. Major update since the 2009 annual report is summarised below.

Retirement of directors

Code provision A.4.2 states that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. To comply with this code provision and in accordance with bye-law 99, Mr. He Guohua and Mr. Wang Shiping retired by rotation at the annual general meeting of the Company held on 28th May, 2010. At the same meeting, shareholders of the Company approved the re-election of Mr. He Guohua and Mr. Wang Shiping as directors 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, 2010. At present, the Audit Committee comprises Mr. Xu Bingjin, Mr. Song Jian and Mr. Jiang Bo, all of whom are independent non-executive directors. Mr. Xu Bingjin is the chairman of the Audit Committee.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”). Having made specific enquiry of all directors, each director of the Company has confirmed that he has complied with the standards set out in the Model Code during the six months ended 30th June, 2010.

By Order of the Board
Wu Xiao An
(also known as Ng Siu On)
Chairman

Hong Kong, 26th August, 2010

