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Brilliance Auto

華 晨 汽 車

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, 2015

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, 2015. 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 dividends and per share amounts)

| | | (Unaudited) For the six months ended 30th June, | |
|-----------------------------------------|------|-------------------------------------------------------|--------------------|
| | Note | 2015 RMB'000 | 2014 RMB'000 |
| Revenue | 4 | 2,058,285 | 2,495,932 |
| Cost of sales | | <u>(1,946,758)</u> | <u>(2,278,195)</u> |
| Gross profit | | 111,527 | 217,737 |
| Other income | | 9,902 | 27,140 |
| Interest income | | 42,749 | 23,351 |
| Selling expenses | | (203,725) | (230,467) |
| General and administrative expenses | | (188,468) | (187,867) |
| Finance costs | | (74,464) | (76,689) |
| Share of results of: | | | |
| Joint ventures | | 2,047,257 | 3,689,247 |
| Associates | | <u>109,586</u> | <u>122,360</u> |
| Profit before income tax expense | 5 | 1,854,364 | 3,584,812 |
| Income tax expense | 6 | <u>(19,297)</u> | <u>(5,317)</u> |
| Profit for the period | | <u>1,835,067</u> | <u>3,579,495</u> |

* For identification purposes only

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

| | | (Unaudited) | |
|-------------------------------|-------------|---------------------------------|------------------------|
| | | For the six months ended | |
| | | 30th June, | |
| | | 2015 | 2014 |
| | <i>Note</i> | RMB'000 | RMB'000 |
| Attributable to: | | | |
| Equity holders of the Company | | 1,910,480 | 3,627,930 |
| Non-controlling interests | | (75,413) | (48,435) |
| | | <u>1,835,067</u> | <u>3,579,495</u> |
| Dividends | 7 | <u>HK\$552,835,000</u> | <u>HK\$552,835,000</u> |
| Earnings per share | | | |
| – Basic | 8 | RMB0.38014 | RMB0.72187 |
| – Diluted | | <u>RMB0.37861</u> | <u>RMB0.71897</u> |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | (Unaudited) | |
|-----------------------------------------------------------------------|---------------------------------|------------------|
| | For the six months ended | |
| | 30th June, | |
| | 2015 | 2014 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Profit for the period | <u>1,835,067</u> | <u>3,579,495</u> |
| Other comprehensive (expense) income, 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 | 48,944 | (1,180) |
| <i>Item which will not be reclassified to profit or loss:</i> | | |
| Share of comprehensive (expense) income of a joint venture | <u>(738,635)</u> | <u>22,180</u> |
| Other comprehensive (expense) income, net of tax | <u>(689,691)</u> | <u>21,000</u> |
| Total comprehensive income for the period | <u>1,145,376</u> | <u>3,600,495</u> |
| Attributable to: | | |
| Equity holders of the Company | 1,220,789 | 3,648,930 |
| Non-controlling interests | <u>(75,413)</u> | <u>(48,435)</u> |
| | <u>1,145,376</u> | <u>3,600,495</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | (Unaudited) | (Audited) |
|---------------------------------------|-------------------|---------------------|
| | As at | As at |
| | 30th June, 2015 | 31st December, 2014 |
| <i>Note</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Non-current assets | | |
| Intangible assets | 1,117,108 | 995,780 |
| Property, plant and equipment | 1,684,682 | 1,629,055 |
| Construction-in-progress | 300,601 | 331,100 |
| Land lease prepayments | 58,866 | 59,595 |
| Interests in joint ventures | 11,600,381 | 11,290,550 |
| Interests in associates | 1,531,990 | 1,473,546 |
| Prepayments for long-term investments | 600,000 | 1,040,000 |
| Available-for-sale financial assets | 80,932 | 31,988 |
| Other non-current assets | 19,000 | 10,522 |
| | 16,993,560 | 16,862,136 |
| Current assets | | |
| Cash and cash equivalents | 1,851,453 | 1,178,583 |
| Short-term bank deposits | 931,363 | 146,127 |
| Pledged short-term bank deposits | 1,479,532 | 1,201,122 |
| Inventories | 1,516,141 | 796,584 |
| Accounts receivable | 919,768 | 1,194,130 |
| Notes receivable | 722,959 | 769,674 |
| Other current assets | 1,100,874 | 1,058,573 |
| | 8,522,090 | 6,344,793 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

| | | (Unaudited) As at 30th June, 2015 <i>RMB'000</i> | (Audited) As at 31st December, 2014 <i>RMB'000</i> |
|------------------------------------------------------------|-------------|--------------------------------------------------------------|----------------------------------------------------------------|
| | <i>Note</i> | | |
| Current liabilities | | | |
| Accounts payable | 10 | 3,248,857 | 2,963,353 |
| Notes payable | | 2,258,132 | 1,858,010 |
| Other current liabilities | | 810,988 | 916,176 |
| Short-term bank borrowings | | 1,603,500 | 1,365,000 |
| Income tax payable | | 16,061 | 31,454 |
| Total current liabilities | | 7,937,538 | 7,133,993 |
| Net current assets (liabilities) | | 584,552 | (789,200) |
| Total assets less current liabilities | | 17,578,112 | 16,072,936 |
| Non-current liabilities | | | |
| Deferred government grants | | 118,803 | 119,003 |
| Net assets | | 17,459,309 | 15,953,933 |
| Capital and reserves | | | |
| Share capital | | 395,877 | 395,877 |
| Reserves | | 17,756,245 | 16,535,456 |
| Total equity attributable to equity holders of the Company | | 18,152,122 | 16,931,333 |
| Non-controlling interests | | (692,813) | (977,400) |
| Total equity | | 17,459,309 | 15,953,933 |

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, 2014, 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, 2014.

3. ADOPTION OF NEW OR AMENDED HKFRSs

In the current period, the Group has applied for the first time the following new and revised standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and are effective for the Group's financial statements for the annual financial period beginning on 1st January, 2015.

| | |
|----------------------------------------|-----------------------------------------------|
| Amendments to HKAS 19 (2011) | Defined Benefit Plans: Employee Contributions |
| Annual Improvements to 2010-2012 Cycle | Amendments to a number of HKFRSs |
| Annual Improvements to 2011-2013 Cycle | Amendments to a number of HKFRSs |

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

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

4. SEGMENT INFORMATION

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

The Group has identified the following reportable segments:

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

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

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

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

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

Revenue and results by reportable segments and reconciliation of segment results to profit before income tax expense for the period – for the six months ended 30th June, 2015

| | (Unaudited) | | | |
|----------------------------------------------|-------------------------------------------------------------------------------------------|--------------------------------------------------------------|-----------------------------------------------------------------------------------------|-------------------------|
| | Manufacture and sale of minibuses and automotive components <i>RMB'000</i> | Manufacture and sale of BMW vehicles <i>RMB'000</i> | Reconciliation to the Group's condensed income statements <i>RMB'000</i> | Total <i>RMB'000</i> |
| Segment sales | <u>2,058,285</u> | <u>45,935,546</u> | <u>(45,935,546)</u> | <u>2,058,285</u> |
| Segment results | (247,471) | 5,493,848 | (5,493,848) | (247,471) |
| Impairment losses on assets | | | | (522) |
| Unallocated costs net of unallocated revenue | | | | (22,771) |
| Interest income | | | | 42,749 |
| Finance costs | | | | (74,464) |
| Share of results of: | | | | |
| Joint ventures | (2,710) | 2,049,967 | – | 2,047,257 |
| Associates | 109,586 | – | – | 109,586 |
| Profit before income tax expense | | | | <u>1,854,364</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, 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 income statements <i>RMB'000</i> | Total <i>RMB'000</i> |
| Segment sales | 2,495,932 | 48,243,415 | (48,243,415) | 2,495,932 |
| 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> |

The assets and liabilities by reportable segments as at 30th June, 2015

| | (Unaudited) | | | |
|---------------------------------------------|-------------------------------------------------------------------------------------------|--------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|--------------------------|
| | Manufacture and sale of minibuses and automotive components <i>RMB'000</i> | Manufacture and sale of BMW vehicles <i>RMB'000</i> | Reconciliation to the Group's condensed statements of financial position <i>RMB'000</i> | Total <i>RMB'000</i> |
| Segment assets | 11,303,643 | 60,104,897 | (60,104,897) | 11,303,643 |
| Interests in joint ventures | 11,466 | 11,588,915 | – | 11,600,381 |
| Interests in associates | 1,531,990 | – | – | 1,531,990 |
| Available-for-sale financial assets | | | | 80,932 |
| Prepayments for a long-term investment | | | | 600,000 |
| Advance to a shareholder of a related party | | | | 300,000 |
| Unallocated assets | | | | <u>98,704</u> |
| Total assets | | | | <u>25,515,650</u> |
| Segment liabilities | 8,047,965 | 36,927,069 | (36,927,069) | 8,047,965 |
| Unallocated liabilities | | | | 8,376 |
| Total liabilities | | | | <u>8,056,341</u> |

4. SEGMENT INFORMATION (Cont'd)

The assets and liabilities by reportable segments as at 31st December, 2014

| | (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 | 8,950,821 | 57,676,507 | (57,676,507) | 8,950,821 |
| Interests in joint ventures | 13,849 | 11,276,701 | – | 11,290,550 |
| Interests in associates | 1,473,546 | – | – | 1,473,546 |
| Available-for-sale financial assets | | | | 31,988 |
| Prepayments for long-term investments | | | | 1,040,000 |
| Advance to a shareholder of a related party | | | | 300,000 |
| Unallocated assets | | | | <u>120,024</u> |
| Total assets | | | | <u>23,206,929</u> |
| Segment liabilities | 7,243,438 | 35,123,105 | (35,123,105) | 7,243,438 |
| Unallocated liabilities | | | | <u>9,558</u> |
| Total liabilities | | | | <u>7,252,996</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, | |
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Charging: | | |
| Impairment losses on: | | |
| – Accounts receivable (b) | 348 | 355 |
| – Other receivables (b) | 174 | 2,844 |
| – Amount due from an affiliated company (b) | – | 36,173 |
| Cost of inventories | 1,950,427 | 2,321,109 |
| Amortisation of intangible assets (a) | 13,443 | 15,540 |
| Depreciation of property, plant and equipment | 61,767 | 48,273 |
| Amortisation of land lease prepayments | 729 | 729 |
| Staff costs (including directors' emoluments) | 394,302 | 363,777 |
| Research and development costs (b) | 3,303 | 2,478 |
| Provision for warranty | 10,994 | 13,570 |
| Operating lease charges for land and buildings | 11,262 | 12,156 |
| Loss on disposal of property, plant and equipment | 98 | – |
| | <u> </u> | <u> </u> |
| Crediting: | | |
| Gain on disposal of property, plant and equipment | – | 1,767 |
| Write back of provision for inventories sold | 3,669 | 43,223 |
| | <u> </u> | <u> </u> |

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

(b) Included in general and administrative expenses.

6. INCOME TAX EXPENSE

Income tax expense represents PRC 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 (2014: HK\$0.11 per share) at the board meeting held on 21st August, 2015.

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, | |
| | 2015 | 2014 |
| | '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 | 20,332 | 20,246 |
| Weighted average number of ordinary shares for calculating diluted earnings per share | 5,046,101 | 5,046,015 |

9. ACCOUNTS RECEIVABLE

| | (Unaudited) | (Audited) |
|-----------------------------------------------|--------------------|-----------------------|
| | As at | As at |
| | 30th June, | 31st December, |
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Accounts receivable | 599,239 | 839,171 |
| Accounts receivable from affiliated companies | 320,529 | 354,959 |
| | 919,768 | 1,194,130 |

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

| | (Unaudited) | (Audited) |
|----------------------------------------|--------------------|-----------------------|
| | As at | As at |
| | 30th June, | 31st December, |
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| Less than six months | 162,655 | 557,195 |
| Six months to one year | 323,780 | 196,499 |
| Above one year but less than two years | 97,862 | 81,899 |
| Two years or above | 36,571 | 24,859 |
| | 620,868 | 860,452 |
| Less: Provision for doubtful debts | (21,629) | (21,281) |
| | 599,239 | 839,171 |

9. ACCOUNTS RECEIVABLE (Cont'd)

As at 30th June, 2015, accounts receivable from third parties of RMB435.9 million (*As at 31st December, 2014: RMB667.5 million*) were mainly denominated in U.S. Dollar and the rest were denominated in Renminbi. The Group's credit policy is to offer credit to customers following a financial assessment and an established payment record. In order to minimise credit risk, credit history and background of new customers and debtors are checked and security deposits or letters of credit are usually obtained from major customers. Credit limits with credit terms of 30 days to 90 days are set for PRC customers and customers considered to be high risk are traded on cash basis or when bank guaranteed notes or letters of credit are received. For overseas customers, since generally settlements must be made by letters of credit, credit periods up to one year are granted. Designated staff monitors accounts receivable and follow up collection with customers.

10. ACCOUNTS PAYABLE

| | (Unaudited) As at 30th June, 2015 RMB'000 | (Audited) As at 31st December, 2014 RMB'000 |
|------------------------------------------|-------------------------------------------------------|---------------------------------------------------------|
| Accounts payable | 1,934,703 | 1,708,665 |
| Accounts payable to affiliated companies | 1,314,154 | 1,254,688 |
| | <u>3,248,857</u> | <u>2,963,353</u> |

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

| | (Unaudited) As at 30th June, 2015 RMB'000 | (Audited) As at 31st December, 2014 RMB'000 |
|----------------------------------------|-------------------------------------------------------|---------------------------------------------------------|
| Less than six months | 1,452,984 | 1,392,626 |
| Six months to one year | 301,999 | 138,875 |
| Above one year but less than two years | 55,025 | 108,980 |
| Two years or above | 124,695 | 68,184 |
| | <u>1,934,703</u> | <u>1,708,665</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 up to a maximum amount of RMB600 million for each party (*As at 31st December, 2014: RMB600 million*) for the period from 1st January, 2015 to 31st December, 2015. As at 30th June, 2015, under this agreement, JinBei and its subsidiaries had outstanding bank loans and other banking facilities totalling RMB580 million (*As at 31st December, 2014: RMB586.5 million*) of which RMB200 million (*As at 31st December, 2014: RMB200 million*) and RMB380 million (*As at 31st December, 2014: RMB386.5 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 up to a maximum amount of RMB60 million (*As at 31st December, 2014: RMB100 million*) for the period from 1st January, 2015 to 31st December, 2015 for revolving bank loans and bank guaranteed notes to Shanghai Shenhua Holdings Co., Ltd. ("**Shanghai Shenhua**"). As at 30th June, 2015, RMB60 million (*As at 31st December, 2014: 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 net sales of the minibus business carried out by our major operating subsidiaries such as Shenyang Brilliance JinBei Automobile Co., Ltd. (“**Shenyang Automotive**”) and Shenyang XingYuanDong Automobile Component Co., Ltd.) for the first six months of 2015 was RMB2,058.3 million, representing a decrease of 17.5% from the RMB2,495.9 million generated during the same period in 2014. The decrease in revenue was primarily due to a decrease in the sales volume of minibuses during the period.

Shenyang Automotive sold 30,051 minibuses in the first half of 2015, representing a 15.8% decrease from the 35,675 units sold during the same period in 2014. Of these, 27,046 units were Haise minibuses, representing a decrease of 17.1% from 32,644 units sold during the first six months of 2014. Sales of the Granse products have been more resilient, with unit sales decreasing slightly by 0.9% from 3,031 units for the first half of 2014 to 3,005 units for the corresponding period in 2015. The decrease in the sales volume of minibuses during the first half of 2015 was primarily caused by the overall economic slowdown in China leading to lower market demand. In addition to the minibus products, Shenyang Automotive also launched the new Huasong 7 MPV in March 2015, which recorded sales of 139 units during the period.

Unaudited cost of sales decreased by 14.5% from RMB2,278.2 million in the first six months of 2014 to RMB1,946.8 million for the same period in 2015. The percentage decrease in cost of sales was smaller than the percentage decrease in revenue during the first half of 2015 due to higher staff costs incurred in preparation for the roll out of the new Huasong MPV. As a result, the unaudited gross profit margin of the Group dropped to 5.4% in the first half of 2015 from 8.7% in the same period in 2014.

Unaudited other income decreased by 63.5% from RMB27.1 million in the first six months of 2014 to RMB9.9 million for the same period in 2015. The decrease was primarily led by decreased sales of scrap materials.

Unaudited interest income increased by 83.1% from RMB23.4 million in the first six months of 2014 to RMB42.7 million for the same period in 2015 due to an increase in cash and cash equivalents and bank deposits as a result of dividends received from BMW Brilliance, and the share capital contributed by shareholders of Brilliance-BEA Auto Finance Co., Ltd for the establishment of the company, during the first half of 2015.

Unaudited selling expenses decreased by 11.6% from RMB230.5 million in the first half of 2014 to RMB203.7 million for the same period in 2015. The decrease in selling expenses was driven mainly by the decrease in sales turnover which led to lower transportation volume, and reduced advertising spending. However, selling expense as a percentage of revenue increased from 9.2% to 9.9% between the two periods due to higher average costs of transportation during the first half of 2015.

Unaudited general and administrative expenses have remained relatively stable, with a minor increase of 0.3% from RMB187.9 million in the first six months of 2014 to RMB188.5 million for the same period in 2015.

Unaudited finance costs decreased by 2.9% from RMB76.7 million in the first six months of 2014 to RMB74.5 million for the same period in 2015, as a result of lower average short-term bank borrowings during the first six months of 2015.

The Group's unaudited share of results of joint ventures decreased by 44.5% from RMB3,689.2 million in the first half of 2014 to RMB2,047.3 million for the same period in 2015. This was primarily attributable to decreased profits contributed by BMW Brilliance, the Group's 50% indirectly-owned joint venture.

Unaudited net profit contributed to the Group by BMW Brilliance decreased by 44.5% from RMB3,691.1 million in the first half of 2014 to RMB2,050 million for the same period this year. The BMW joint venture achieved sales of 139,775 BMW vehicles in the first six months of 2015, a drop of 0.2% as compared to 140,012 BMW vehicles sold in the same period in 2014. The locally produced 3-series, 5-series and X1 recorded sales volumes of 48,009 units, 72,421 units and 19,345 units, respectively, in the first six months of 2015, compared to 46,292 units, 71,702 units and 22,018 units, respectively, for the same period in 2014. The decrease in BMW Brilliance's profit during the first six months of 2015 was caused by higher selling costs incurred as a result of the slowdown in the growth of the Chinese economy and the automotive industry, as well as project related costs in preparation for the launch of new models and new production facilities in the near future.

The Group's unaudited share of results of associates decreased by 10.4% from RMB122.4 million in the first half of 2014 to RMB109.6 million in the corresponding period in 2015. This was primarily attributable to a decrease in the contribution from Shenyang Aerospace Mitsubishi Motors Engine Manufacturing Co., Ltd. during the first six months of 2015.

The Group's unaudited profit before income tax expense decreased by 48.3% from RMB3,584.8 million in the first half of 2014 to RMB1,854.4 million for the same period in 2015. Unaudited income tax expense has increased by 262.9% from RMB5.3 million in the first half of 2014 to RMB19.3 million for the corresponding period in 2015, due to an increase in enterprise income tax payable by one of the subsidiaries of the Company.

As a result of the above, the Group recorded an unaudited profit attributable to equity holders of the Company of RMB1,910.5 million for the first half of 2015, representing a decrease of 47.3% from the RMB3,627.9 million realized for the same period in 2014. Unaudited basic earnings per share for the six months ended 30th June, 2015 amounted to RMB0.38014 compared to RMB0.72187 for the same period in 2014.

The Company has declared a dividend of HK\$0.11 per share (2014: *Same*), amounting to a total of about HK\$552.8 million (2014: *Same*).

Prospects

The growth of the Chinese automotive industry during the first six months of 2015 was hampered by the overall weakening of the Chinese economy, a turbulent stock market situation, and the tightening of industry regulatory regime. According to the China Association of Automobile Manufacturers, during the period a total of 11.9 million vehicles were sold in China, representing an increase of 1.4% over the same period last year. Of these, 10.1 million units were passenger vehicles, representing a growth rate of 4.8% over the same period last

year. The luxury passenger vehicle segment in China had also realized a low single-digit growth rate during this period, which was significantly lower than the double-digit growth that it had experienced in previous years.

During the first half of 2015, normalisation of the China premium auto market growth was faster than originally forecasted. As a result, our BMW Brilliance joint venture (the “**JV**”) recorded sales of 139,775 BMW vehicles during the period, representing a slight decrease of 0.2% when compared to the same period last year. The rapid change in market conditions has called for a comprehensive review of the JV’s product portfolio, investment plans, and long-term strategy, in order to ensure alignment of our business model to future challenges. The JV continues to be confident about the future growth prospects of the Chinese premium auto industry, and believes the new products to be introduced over the next few years will broaden and also better tailor our product portfolio to the Chinese consumers’ increasing preference for smaller and more fuel efficient vehicles, as well as alternative energy products. The capacity expansion projects that have been ongoing in our Tiexi and Dadong plants are on track to provide the JV with total annual production capacity of over 400,000 units in the near future. In addition, the new engine plant in Tiexi will soon commence operation to enable local production of the new 3 and 4-cylinder BMW engines. Completion of the increase in production capacities will coincide with the multiple product launches of the 3-series facelift, the new 2-series active tourer, and the next generation X1 in the next 12 months. The newly increased capacities of the JV’s facilities will also allow potential exports of vehicles and components from China, which is a topic that is currently under review.

The JV had continued to roll out its dealer network which had reached 465 outlets nationwide as at 30th June, 2015. During the first half of the year, the JV has implemented a range of measures across its sales organization in an effort to strengthen the profitability of both the JV and the dealers over time. In light of the rapid market slowdown, sales and production volume targets have been adjusted, and in addition to monetary support, intensive training was provided to dealers to enhance their knowledge in further diversifying their business models. The JV will continue to work with its dealer partners to expand its sales network via new and dynamic ways. In addition, extra efforts will be placed on heightening brand recognition with emphasis on technological advancements, and the introduction of new features to expand its sales channels. Furthermore, our JV’s sales activities will continue to be supported by the BMW auto finance company which has been contributing increasing profits to the JV so far.

As for the minibus business, the new premium MPV model under the new brand Huasong co-developed with our strategic partners and external consultants has commenced sales in March 2015. At the same time, the Group continues to upgrade its existing minibus and MPV models in order to provide better and improved products to the market. However, the year 2015 will remain challenging for this business, and it is likely that the minibus operation will continue to have a negative impact to the Group’s overall financial performance for the year.

Brilliance-BEA Auto Finance Co., Ltd, the Company’s new auto finance joint venture in China together with Bank of East Asia and CaixaBank, received final approval to commence business in April 2015. The company is currently building up its management team while formulating a business strategy and long-term plan. This new auto finance joint venture will initially focus on supporting the Group’s sales of its minibus and MPVs and our major shareholder Huachen’s sedan products, with potential to expand to other third party business over time.

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

Liquidity and Financial Resources

As at 30th June, 2015, the Group had RMB1,851.5 million in cash and cash equivalents (*As at 31st December, 2014: RMB1,178.6 million*), RMB931.4 million in short-term bank deposits (*As at 31st December, 2014: RMB146.1 million*) and RMB1,479.5 million in pledged short-term bank deposits (*As at 31st December, 2014: RMB1,201.1 million*). As at 30th June, 2015, the Group had notes payable in the amount of RMB2,258.1 million (*As at 31st December, 2014: RMB1,858 million*).

As at 30th June, 2015, the Group had outstanding short-term bank borrowings of RMB1,603.5 million (*As at 31st December, 2014: RMB1,365 million*) and did not have any long-term bank borrowings outstanding (*As at 31st December, 2014: Nil*).

All short-term bank borrowings as at 30th June, 2015 were due within 1 year, being repayable from 5th July, 2015 to 25th June, 2016 (*As at 31st December, 2014: repayable from 9th January, 2015 to 7th November, 2015*). As at 30th June, 2015, these borrowings were at fixed interest rates and were denominated in Renminbi (*As at 31st December, 2014: Same*).

Capital Structure and Funding Policies

As at 30th June, 2015, the Group's total assets was RMB25,515.7 million (*As at 31st December, 2014: RMB23,206.9 million*), which was funded by the following: (a) share capital of RMB395.9 million (*As at 31st December, 2014: RMB395.9 million*), (b) reserves of RMB17,756.2 million (*As at 31st December, 2014: RMB16,535.5 million*), (c) total liabilities of RMB8,056.4 million (*As at 31st December, 2014: RMB7,252.9 million*) and (d) negative contribution from non-controlling interests of RMB692.8 million (*As at 31st December, 2014: RMB977.4 million*).

As at 30th June, 2015, 92.51% (*As at 31st December, 2014: 74.04%*) of the Group's cash and cash equivalents (comprising cash on hand, bank balances and demand deposits within 3 months of maturity when acquired) were denominated in Renminbi, whereas 6.71% (*As at 31st December, 2014: 24.48%*) were denominated in U.S. Dollar. The remaining balance of 0.78% (*As at 31st December, 2014: 1.48%*) were denominated in other currencies.

Apart from the borrowings, banking facilities have been put in place for contingency purposes. As at 30th June, 2015, the Group's total available banking facilities for its daily operations amounted to RMB362.9 million (*As at 31st December, 2014: RMB862.9 million*) without any committed banking facilities.

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

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

Capital Expenditure and Commitments

For the first six months of 2015, the Group incurred capital expenditure of RMB222.3 million (*Six months ended 30th June, 2014: RMB283.4 million*) mainly for acquisition of tools and moulds, machinery and equipment, and development of minibus.

As at 30th June, 2015, the Group's capital commitments, including those authorised but not yet contracted for, amounted to RMB817.2 million (*As at 31st December, 2014: RMB875.1 million*). Among such, contracted capital commitments amounted to RMB432.1 million (*As at 31st December, 2014: RMB528.5 million*), which was primarily related to the capital expenditure in respect of construction projects and acquisition of plant and machinery.

New Business and New Products

To meet the changing customer demands and to strengthen our market position in the PRC, 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 new premium MPV model, under the new brand Huasong which was co-developed with our strategic partners and external consultants, was launched to the market at the end of 2014 and commenced sales in March 2015.

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

There were no significant investments held, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30th June, 2015.

Employees and Remuneration Policy

The Group employed approximately 6,940 employees as at 30th June, 2015 (*As at 30th June, 2014: Approximately 7,050*). Employee costs amounted to RMB394.3 million for the six months ended 30th June, 2015 (*Six months ended 30th June, 2014: RMB363.8 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, 2015, bank borrowings of RMB88.5 million (*As at 31st December, 2014: RMB65 million*) were secured by the Group's buildings with net book values of approximately RMB52.9 million (*As at 31st December, 2014: RMB54.5 million*) and bank guaranteed note receivable of RMB50 million (*As at 31st December, 2014: Nil*).

In addition, as at 30th June, 2015, the Group pledged short-term bank deposits of RMB1,269 million (*As at 31st December, 2014: RMB990.6 million*) for issue of bank guaranteed notes to trade creditors, and RMB210.5 million (*As at 31st December, 2014: RMB210.5 million*) to secure bank loans granted to a related party of the Group.

As at 30th June, 2015, the Group had also pledged bank guaranteed notes receivable from third parties and affiliated companies of approximately RMB66.5 million (*As at 31st December, 2014: Approximately RMB115.3 million*) for issue of bank guaranteed notes.

Future Plans for Material Investments or Additions of Capital Assets

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

Gearing Ratio

As at 30th June, 2015, the gearing ratio, computed by dividing total liabilities by total equity attributable to equity holders of the Company, was approximately 0.44 (*As at 31st December, 2014: 0.43*). The increase in the gearing ratio was primarily due to the increase of financing from bank borrowings and the increase in accounts payable and notes payable during the six months ended 30th June, 2015.

Foreign Exchange Risks

Despite a decrease in the overseas sales of the Group, the Group considers that exchange rate fluctuations may have some effect on the overall financial performance of the Group but it is still at a manageable level. The Group will continue to monitor the situation and may consider entering into hedging arrangements in order to minimise foreign exchange risks, if and when necessary. There were no outstanding hedging transactions as at 30th June, 2015 (*As at 30th June, 2014: 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 16th October, 2015 (2014: HK\$0.11). The dividend is expected to be paid on Wednesday, 28th October, 2015.

CLOSURE OF REGISTER OF MEMBERS

The Hong Kong branch register of members of the Company will be closed from Wednesday, 14th October, 2015 to Friday, 16th October, 2015, both dates inclusive, during which period no transfer of shares will be registered. The record date for the dividend is Friday, 16th October, 2015. 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, 13th October, 2015.

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, 2015.

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, 2015.

There have not been material changes to the information disclosed in the Company's 2014 annual report in respect of our corporate governance practices. Major updates since the 2014 annual report are summarised in the 2015 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, 2015.

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, 21st August, 2015