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Brilliance Auto
华 晨 汽 车

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, 2010

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
	Note	***RMB'000***	*RMB'000* (Restated)
Continuing operations			
Turnover	4	**5,119,368**	2,775,533
Cost of sales		**(4,516,923)**	(2,381,133)
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		**(90,266)**	(64,577)
Share of results of:			
Associates		**46,297**	(906)
Jointly controlled entities		**325,576**	123,873

* *For identification purposes only*

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

		(Unaudited) For the six months ended 30th June,	
		2010	2009
	Note	***RMB'000***	*RMB'000* (Restated)
Profit before income tax expense from continuing operations	5	**664,273**	174,477
Income tax expense	6	**(28,478)**	(29,923)
Profit for the period from continuing operations		**635,795**	144,554
Discontinued operations			
Loss for the period from discontinued operations	7	**–**	(931,694)
Profit (Loss) for the period		**635,795**	(787,140)
Attributable to:			
Equity holders of the Company		**509,497**	(386,008)
Non-controlling interests		**126,298**	(401,132)
		635,795	(787,140)
Dividends		**–**	–
Earnings (Loss) per share	8		
Continuing and discontinued operations			
– Basic		**0.10205**	(0.09729)
– Diluted		**0.10119**	(0.09581)
Continuing operations			
– Basic		**0.10205**	0.02250
– Diluted		**0.10119**	0.02216
Discontinued operations			
– Basic		**N/A**	(0.11979)
– Diluted		**N/A**	(0.11796)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited) For the six months ended 30th June,	
	2010	2009
	RMB'000	*RMB'000* (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

	Note	**(Unaudited) As at 30th June, 2010** *RMB'000*	(Audited) As at 31st December, 2009 *RMB'000*
Non-current assets			
Intangible assets		**175,429**	163,743
Property, plant and equipment		**1,232,270**	1,263,040
Construction-in-progress		**248,081**	79,092
Land lease prepayments		**67,775**	69,044
Interests in associates		**550,403**	504,106
Interests in jointly controlled entities		**1,662,722**	1,751,854
Prepayments for a long-term investment		**600,000**	600,000
Available-for-sale financial assets		**42,498**	37,700
Receivable for disposal of discontinued operations		**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		**434,438**	1,608,911
Short-term bank deposits		**216,370**	213,341
Pledged short-term bank deposits		**2,111,303**	1,056,071
Inventories		**843,473**	1,350,299
Accounts receivable	*9*	**166,664**	95,132
Accounts receivable from affiliated companies		**1,254,164**	832,341
Notes receivable		**340,445**	305,511
Notes receivable from affiliated companies		**119,926**	28,450
Other receivables		**1,725,360**	622,294
Dividends receivable from affiliated companies		**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		**247,408**	103,188
Total current assets		**7,823,524**	6,570,873

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

	Note	**(Unaudited) As at 30th June, 2010** *RMB'000*	(Audited) As at 31st December, 2009 *RMB'000*
Current liabilities			
Accounts payable	*10*	**1,729,804**	1,486,750
Accounts payable to affiliated companies		**1,340,326**	854,629
Notes payable		**3,426,107**	1,092,676
Notes payable to affiliated companies		**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		**452,000**	723,000
Income tax payable		**35,521**	37,822
Other taxes payable		**125,995**	41,971
Advances from affiliated companies		**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		**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		**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

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 this results announcement.

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 this results announcement.

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 7 to this results announcement, 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.

3. **ADOPTION OF NEW OR AMENDED HKFRSs (Cont'd)**

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 7 to this results announcement.

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
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
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 *RMB'000*	**Manufacture and sale of BMW sedans** *RMB'000*	**Reconciliation to the Group's condensed income statements** *RMB'000*	**Total** *RMB'000*
Continuing operations				
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)			
	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*	Total *RMB'000*
Continuing operations				
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 *RMB'000*	**Manufacture and sale of BMW sedans** *RMB'000*	**Reconciliation to the Group's condensed statements of financial position** *RMB'000*	**Total** *RMB'000*
Continuing operations				
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				**12,840,936**
Segment liabilities	**8,694,827**	**6,406,182**	**(6,406,182)**	**8,694,827**
Unallocated liabilities				**9,468**
Total liabilities				**8,704,295**

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

	(Audited)			
	Manufacture and sale of minibuses and automotive components *RMB'000*	Manufacture and sale of BMW sedans *RMB'000*	Reconciliation to the Group's condensed statements of financial position *RMB'000*	Total *RMB'000*
Continuing operations				
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				11,465,050
Segment liabilities	6,759,016	6,332,538	(6,332,538)	6,759,016
Unallocated liabilities				977,453
Total liabilities				7,736,469

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
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Charging:						
Cost of inventories	**4,523,036**	2,382,590	**–**	2,965,939	**4,523,036**	5,348,529
Amortisation of intangible assets (Note)	**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)	**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 (Note)	**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. 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.

7. 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)
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)
Loss before income tax expense	–	(931,694)
Income tax expense	–	–
	–	(931,694)
Attributable to:		
Equity holders of the Company	–	(475,274)
Non-controlling interests	–	(456,420)
	–	(931,694)

8. 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
Weighted average number of shares	***'000***	*'000*
Issued shares outstanding	**4,985,519**	3,669,766
Effect of share options exercised	**7,190**	104
Effect of allotment of shares	**–**	297,636
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
Weighted average number of ordinary shares for calculating diluted earnings per share	**5,035,025**	4,028,947

9. ACCOUNTS RECEIVABLE

An aging analysis of accounts receivable is set out below:

	(Unaudited) As at 30th June, 2010	(Audited) As at 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
	181,792	116,509
Less : Provision for doubtful debts	**(15,128)**	(21,377)
	166,664	95,132

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.

10. ACCOUNTS PAYABLE

An aging analysis of accounts payable is set out below:

	(Unaudited) As at 30th June, 2010 *RMB'000*	(Audited) As at 31st December, 2009 *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
	1,729,804	1,486,750

11. CONTINGENCIES

	(Unaudited) As at 30th June, 2010 *RMB'000*	(Audited) As at 31st December, 2009 *RMB'000*
Corporate guarantees for revolving bank loans and bank guaranteed notes drawn by affiliated companies of Shanghai Shenhua Holdings Co., Ltd.	**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.	**15,000**	–
Corporate guarantees for bank loans drawn by Shenyang JinBei Automotive Co., Ltd. Bank deposits of RMB214 million *(As at 31st December, 2009: RMB214 million)* was pledged as a collateral for the corporate guarantee	**306,500**	200,000

12. 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 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 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, 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 11 to this results announcement.

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)*.

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 Listing Rules throughout the six months ended 30th June, 2010, except for deviations from code provision A.4.1 that are described below.

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.

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 in the 2010 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, 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.

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. He Guohua and Mr. Wang Shiping; 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, 26th August, 2010