Brilliance Auto
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BRILLIANCE CHINA AUTOMOTIVE HOLDINGS LIMITED
(華晨中國汽車控股有限公司)*

(Incorporated in Bermuda with limited liability)
(Stock Code: 1114)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2011

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, 2011. 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,	
		2011	2010
	Note	***RMB'000***	*RMB'000*
Turnover	4	**3,167,327**	5,119,368
Cost of sales		**(2,710,864)**	(4,516,923)
Gross profit		**456,463**	602,445
Other net income	4	**5,948**	73,727
Selling expenses		**(173,755)**	(207,355)
General and administrative expenses		**(137,247)**	(120,476)
Interest income	4	**32,884**	34,325
Finance costs, net		**(95,471)**	(90,266)
Share of results of:			
Associates		**51,437**	46,297
Jointly controlled entities		**897,851**	325,576

* *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,	
		2011	2010
	Note	***RMB'000***	*RMB'000*
Profit before income tax expense	*5*	**1,038,110**	664,273
Income tax expense	*6*	**(10,662)**	(28,478)
Profit for the period		**1,027,448**	635,795
Attributable to:			
Equity holders of the Company		**941,256**	509,497
Non-controlling interests		**86,192**	126,298
		1,027,448	635,795
Dividends		**–**	–
Earnings per share	*7*		
– Basic		**0.18846**	0.10205
– Diluted		**0.18665**	0.10119

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited) For the six months ended 30th June, 2011 *RMB'000*	2010 *RMB'000*
Profit for the period	**1,027,448**	635,795
Other comprehensive income (loss)		
Change in fair value of available-for-sale financial assets	**(5,679)**	4,798
Share of comprehensive income (loss) of a jointly controlled entity	**287,905**	(212,770)
Other comprehensive income (loss), net of tax	**282,226**	(207,972)
Total comprehensive income for the period	**1,309,674**	427,823
Total comprehensive income, net of tax, attributable to:		
Equity holders of the Company	**1,223,482**	301,525
Non-controlling interests	**86,192**	126,298
	1,309,674	427,823

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	(Unaudited) As at 30th June, 2011 RMB'000	(Audited) As at 31st December, 2010 RMB'000
Non-current assets			
Intangible assets		**187,501**	185,279
Property, plant and equipment		**1,361,679**	1,376,759
Construction-in-progress		**250,985**	208,059
Land lease prepayments		**65,237**	66,506
Interests in associates		**553,481**	544,044
Interests in jointly controlled entities		**3,548,170**	2,562,407
Prepayments for a long-term investment		**600,000**	600,000
Available-for-sale financial assets		**23,099**	28,778
Receivable for disposal of discontinued operations		**453,297**	440,094
Deferred tax assets		**98,085**	99,000
Other non-current assets		**11,942**	11,010
Total non-current assets		**7,153,476**	6,121,936
Current assets			
Cash and cash equivalents		**698,151**	427,789
Short-term bank deposits		**88,986**	120,946
Pledged short-term bank deposits		**1,461,722**	2,075,801
Inventories		**888,004**	790,838
Accounts receivable	*8*	**124,063**	120,400
Accounts receivable from affiliated companies		**1,070,495**	1,352,273
Notes receivable		**321,411**	430,043
Notes receivable from affiliated companies		**243,075**	542,302
Other receivables		**636,894**	573,084
Dividends receivable from affiliated companies		**118,173**	128,673
Prepayments and other current assets		**220,887**	251,597
Income tax recoverable		**178**	178
Other taxes recoverable		**21,854**	37,964
Amounts due from affiliated companies		**341,585**	246,304
Total current assets		**6,235,478**	7,098,192

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

	Note	**(Unaudited) As at 30th June, 2011** *RMB'000*	(Audited) As at 31st December, 2010 *RMB'000*
Current liabilities			
Accounts payable	*9*	**1,595,806**	1,585,882
Accounts payable to affiliated companies		**1,176,393**	1,201,965
Notes payable		**1,840,782**	3,272,484
Notes payable to affiliated companies		**78,647**	155,135
Customer advances		**118,356**	270,955
Other payables		**729,647**	767,866
Dividends payable		**2,726**	2,788
Accrued expenses and other current liabilities		**37,352**	95,667
Short-term bank borrowings		**982,000**	165,000
Income tax payable		**35,079**	34,158
Other taxes payable		**135,079**	126,274
Amounts due to affiliated companies		**84,484**	283,443
Total current liabilities		**6,816,351**	7,961,617
Net current liabilities		**(580,873)**	(863,425)
Total assets less current liabilities		**6,572,603**	5,258,511
Non-current liabilities			
Deferred government grants		**2,000**	2,000
Net assets		**6,570,603**	5,256,511
Capital and reserves			
Share capital		**394,038**	393,857
Reserves		**7,159,188**	5,931,469
Total equity attributable to equity holders of the Company		**7,553,226**	6,325,326
Non-controlling interests		**(982,623)**	(1,068,815)
Total equity		**6,570,603**	5,256,511

NOTES TO RESULTS ANNOUNCEMENT

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, 2011.

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, 2010, 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, 2011. As the results of the Group continue to improve as shown in the condensed consolidated income statement, management is confident that the Group will continue to generate profits 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, 2010.

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, 2011:

HKFRSs (Amendments)	Improvements to HKFRS issued in 2010 except for the amendments to HKFRS 3 (as revised in 2008), HKAS 1 and HKAS 28
HKAS 24 (as Revised in 2009)	Related Party Disclosures
HKAS 32 (Amendment)	Classification of Rights Issues
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

For HKAS 24 (as Revised in 2009), the directors of the Company have decided not to take the exemption granted under this HKAS to government-related entities, like the Group, for simplifying the disclosure of related party disclosures. The adoption of the other new and revised HKFRSs has had no material effect on these interim financial statements.

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

The Group has not early adopted the following new/revised standards and interpretations that have been issued but not yet effective:

HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[2]
HKFRS 9	Financial Instruments[3]

[1] Effective for annual periods beginning on or after 1st January, 2012
[2] Effective for annual periods beginning on or after 1st July, 2011
[3] Effective for annual periods beginning on or after 1st January, 2013

The directors of the Company anticipate that the application of the above new and revised standards 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**"). The Group is also engaged in the manufacture and sale of BMW sedans through its major jointly controlled entity, BMW Brilliance Automotive Ltd. ("**BMW Brilliance**").

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

	(Unaudited) For the six months ended 30th June,	
	2011	2010
	RMB'000	*RMB'000*
Turnover		
Sale of minibuses and automotive components	**3,167,327**	5,119,368
Other revenue		
Interest income	**32,884**	34,325
Other net income	**5,948**	73,727
	38,832	108,052
	3,206,159	5,227,420

The Group has identified the following reportable segments:

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

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

4. **TURNOVER, REVENUE AND SEGMENT INFORMATION (Cont'd)**

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, 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, 2011

	(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*
Segment sales	**3,167,327**	**17,772,216**	**(17,772,216)**	**3,167,327**
Segment results	**208,692**	**1,732,131**	**(1,732,131)**	**208,692**
Unallocated costs net of unallocated revenue				**(25,090)**
Impairment losses on assets				**(32,193)**
Interest income				**32,884**
Finance costs, net				**(95,471)**
Share of results of:				
Associates	**51,437**	**–**	**–**	**51,437**
Jointly controlled entities	**65,574**	**832,277**	**–**	**897,851**
Profit before income tax expense				**1,038,110**

4. TURNOVER, REVENUE AND SEGMENT INFORMATION (Cont'd)

Revenue, 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, 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*
Segment sales	5,119,368	8,725,110	(8,725,110)	5,119,368
Segment results	373,729	653,648	(653,648)	373,729
Unallocated costs net of unallocated revenue				(19,278)
Impairment losses on assets				(6,110)
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				664,273

The assets and liabilities by reportable segments as at 30th June, 2011

	(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***
Segment assets	**7,884,327**	**17,609,413**	**(17,609,413)**	**7,884,327**
Interests in associates	**553,481**	**–**	**–**	**553,481**
Interests in jointly controlled entities	**483,585**	**3,064,585**	**–**	**3,548,170**
Available-for-sale financial assets				**23,099**
Prepayments for a long-term investment				**600,000**
Advance to a shareholder of a related party				**300,000**
Unallocated assets				**479,877**
Total assets				**13,388,954**
Segment liabilities	**6,809,424**	**11,480,242**	**(11,480,242)**	**6,809,424**
Unallocated liabilities				**8,927**
Total liabilities				**6,818,351**

4. TURNOVER, REVENUE AND SEGMENT INFORMATION (Cont'd)

The assets and liabilities by reportable segments as at 31st December, 2010

	(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*
Segment assets	9,078,824	14,668,487	(14,668,487)	9,078,824
Interests in associates	544,044	–	–	544,044
Interests in jointly controlled entities	418,004	2,144,403	–	2,562,407
Available-for-sale financial assets				28,778
Prepayments for a long-term investment				600,000
Advance to a shareholder of a related party				300,000
Unallocated assets				106,075
Total assets				13,220,128
Segment liabilities	7,952,790	10,379,681	(10,379,681)	7,952,790
Unallocated liabilities				10,827
Total liabilities				7,963,617

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, 2011 *RMB'000*	2010 *RMB'000*
Charging:		
Impairment losses on:		
– Inventories	**–**	3,162
– Other receivables	**2,995**	2,948
– Amounts due from affiliated companies	**29,198**	–
Cost of inventories	**2,730,345**	4,523,036
Amortisation of intangible assets (Note)	**14,026**	13,485
Depreciation of property, plant and equipment	**53,485**	50,103
Amortisation of land lease prepayments	**1,269**	1,269
Staff costs (including directors' emoluments)	**181,892**	139,869
Research and development costs (Note)	**2,328**	1,548
Provision for warranty	**19,201**	21,763
Operating lease charges for land and buildings	**12,065**	11,019
Crediting:		
Gain on disposal of property, plant and equipment	**1,072**	468
Write back of provision for inventories sold	**13,210**	9,275
Write back of provision for doubtful debts:		
– Accounts receivable	**2,027**	–
– Amounts due from affiliated companies	**1,209**	2,387

Note: included in general and administrative expenses

6. INCOME TAX EXPENSE

	(Unaudited) For the six months ended 30th June, 2011 RMB'000	2010 RMB'000
Current tax	**9,747**	28,478
Deferred tax in respect of tax losses	**915**	–
	10,662	28,478

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

The movements of the charge of deferred tax in respect of the Group's tax losses during the period are as follows:

	(Unaudited) For the six months ended 30th June, 2011 RMB'000	2010 RMB'000
Recognition of previously unrecognised tax losses	**(33,090)**	–
Utilisation of tax losses	**34,005**	–
	915	–

7. 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, 2011 '000	2010 '000
Weighted average number of shares		
Issued shares outstanding	**4,993,969**	4,985,519
Effect of share options exercised	**588**	7,190
Weighted average number of ordinary shares for calculating basic earnings per share	**4,994,557**	4,992,709
Weighted average number of ordinary shares deemed issued under the Company's share option schemes	**48,417**	42,316
Weighted average number of ordinary shares for calculating diluted earnings per share	**5,042,974**	5,035,025

8. ACCOUNTS RECEIVABLE

An aging analysis of accounts receivable is set out below:

	(Unaudited) As at 30th June, 2011 *RMB'000*	(Audited) As at 31st December, 2010 *RMB'000*
Less than six months	**99,741**	93,363
Six months to one year	**1,671**	14,680
Above one year but less than two years	**16,951**	12,651
Two years or above	**18,801**	14,834
	137,164	135,528
Less : Provision for doubtful debts	**(13,101)**	(15,128)
	124,063	120,400

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.

9. ACCOUNTS PAYABLE

An aging analysis of accounts payable is set out below:

	(Unaudited) As at 30th June, 2011 *RMB'000*	(Audited) As at 31st December, 2010 *RMB'000*
Less than six months	**1,375,751**	1,413,364
Six months to one year	**123,299**	113,237
Above one year but less than two years	**60,860**	26,524
Two years or above	**35,896**	32,757
	1,595,806	1,585,882

10. CONTINGENCIES

(a) During the period and as at 30th June, 2011, a member of the Group and Shenyang JinBei Automotive Co., Ltd. ("**JinBei**"), pursuant to an agreement, have agreed to provide cross guarantees in respect of each other's banking facilities in the maximum amount of RMB600 million *(As at 31st December, 2010: RMB600 million)*. As at 30th June, 2011, RMB326.5 million *(As at 31st December, 2010: RMB366.5 million)* of these guarantees was drawn by JinBei for its revolving bank loans together with the support of the pledge of the Group's bank deposits of RMB214 million *(As at 31st December 2010: RMB214 million)*.

(b) During the period and as at 30th June, 2011, a member of the Group and Huachen, pursuant to an agreement, have agreed to provide cross guarantees in respect of each other's banking facilities in the maximum amount of RMB1,500 million *(As at 31st December, 2010: RMB1,500 million)*. As at 30th June, 2011, RMB470 million *(As at 31st December, 2010: RMB1,001 million)* of these guarantees was drawn by Huachen for its revolving bank loans.

(c) As at 30th June, 2011, the Group had also provided corporate guarantees of approximately RMB60 million *(As at 31st December, 2010: RMB60 million)* and RMB15 million *(As at 31st December, 2010: RMB15 million)* for revolving bank loans and bank guaranteed notes drawn by affiliated companies of Shanghai Shenhua Holdings Co., Ltd. and Shenyang Xinguang Brilliance Automobile Engine Co., Ltd., respectively.

MANAGEMENT'S DISCUSSION & ANALYSIS

Business Review

The unaudited consolidated net sales 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. ("**Chenfa**"), Shenyang Jindong Development Co., Ltd. and Shanghai Hidea Auto Design Co., Ltd. for the first six months of 2011 were RMB3,167.3 million, representing a decrease of 38.1% from RMB5,119.4 million for the same period in 2010. The decrease in turnover was primarily due to a change in the business model of Chenfa which provides value added services to auto components for the Zhonghua sedans operated by the Group's major shareholder Huachen. Chenfa used to record in its revenue the value of these components together with the revenue from provision of its value added services on these components. However, starting from 2011, Chenfa only records the revenue generated from its value added services as these components are considered directly sold to Huachen. As a result, the revenue of Chenfa for the first half of 2011 decreased by 96.3% to RMB39.0 million from RMB1,049.3 million recorded in the same period last year. In addition to the decrease in revenue of Chenfa, the decrease in the Group's turnover for the first half of 2011 was also due to a drop in minibus sales.

Shenyang Automotive sold 43,424 minibuses in the first half of 2011, representing a 10.8% decrease from the 48,688 units sold during the same period in 2010. Of these minibuses sold, 33,840 were mid-price minibuses, representing a 13.6% decrease from 39,152 units sold during the first six months of 2010. Unit sales of deluxe minibuses increased by 0.5% from 9,536 units for the first half of 2010 to 9,584 units for the corresponding period in 2011. The decrease in minibus sales volume was due to a slowdown of the light passenger vehicle sector caused by the removal of tax incentives for car purchases as well as the imposition of new registration restriction in certain areas of the PRC in December 2010.

Unaudited cost of sales decreased by 40.0% from RMB4,516.9 million in the first six months of 2010 to RMB2,710.9 million for the same period in 2011. The decrease was in line with the reduction in turnover during the period.

Unaudited gross profit margin increased to 14.4% for the first half of 2011 from 11.8% in the same period in 2010. The improvement in gross margin was primarily due to the decrease in revenue from the lower margin Chenfa business.

Unaudited other net income decreased by 92.0% from RMB73.7 million in the first six months of 2010 to RMB5.9 million for the same period in 2011. The decrease was primarily due to a decrease in scrap material sales.

Unaudited selling expenses decreased by 16.2% from RMB207.4 million in the first half of 2010 to RMB173.8 million for the same period in 2011. The decrease was mainly due to the decrease in the sale of minibuses during the period. Selling expenses as a percentage of turnover had increased to 5.5% during the first half of 2011 as compared to 4.1% for the same period last year due to the lower overall turnover for the first half of 2011 as a result of the decrease in revenue generated by Chenfa.

Unaudited general and administrative expenses increased by 13.9% from RMB120.5 million in the first six months of 2010 to RMB137.2 million for the same period in 2011, mainly due to a provision made for amounts due from affiliated companies.

Unaudited interest income decreased by 4.1% from RMB34.3 million in the first six months of 2010 to RMB32.9 million for the same period in 2011 due to a decrease of short-term bank deposits and pledged bank deposits.

Unaudited net finance costs increased by 5.8% from RMB90.3 million in the first six months of 2010 to RMB95.5 million for the same period in 2011, resulting mainly from an increase in borrowing interest rates during the period.

The Group's unaudited share of operating results of associates and jointly controlled entities increased by 155.3% from RMB371.9 million in the first half of 2010 to RMB949.3 million for the same period in 2011. 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 2011.

Unaudited net profit contributed to the Group by BMW Brilliance increased by 190.1% from RMB286.9 million in the first half of 2010 to RMB832.3 million for the same period this year. The BMW joint venture achieved sales of 55,012 BMW sedans in the first six months of 2011, an increase of 68.8% as compared to 32,594 BMW sedans for the same period in 2010. The increased net profit contributed to the Group in the first half of 2011 was a result of the increase in units sold, improvement in product mix between the 3 and 5 series, and the achievement of cost reduction from local suppliers during the period.

The Group's unaudited profit before income tax expense increased by 56.3% from RMB664.3 million in the first half of 2010 to RMB1,038.1 million for the same period in 2011. Unaudited income tax expense, however, has decreased from RMB28.5 million for the first half of 2010 to RMB10.7 million for the first half of 2011, as a result of a decrease in profits generated from the sale of automotive components and utilisation of tax losses of Shenyang Automotive during the period.

As a result, the Group recorded an unaudited profit attributable to equity holders of the Company of RMB941.3 million for the first half of 2011 as compared to RMB509.5 million for the same period in 2010, representing an increase of 84.7%. Unaudited basic earnings per share for the six months ended 30th June, 2011 amounted to RMB0.18846 compared to RMB0.10205 for the same period in 2010.

Prospects

For the first half of 2011, the Chinese auto sector had experienced a significant slowdown, registering overall sales volume of 9.3 million vehicles or a year-on-year growth rate of 3.25%, according to the China Association of Automobile Manufacturers. Of these, 7.1 million were passenger vehicles, with growth of 5.7% over the same period last year. Meanwhile, the luxury segment continued to outperform, realising growth of over 30% during this period.

This year, sales momentum of our BMW joint venture's products continues to be strong. The BMW brand is well recognised by consumers in China, and our joint venture's share of the luxury auto market has been increasing. The construction of our new production plant is well underway, with completion expected by early 2012 as planned. This will give the joint venture total production capacity of 300,000 units by 2013 in order to satisfy the rapidly growing demand for our BMW vehicles. With the additional capacity, new products such as the X1 and the new generation 3-series sedan will be introduced in 2012 to expand the joint venture's product offering. In addition, the joint venture will also bring in BMW engines for domestic production, and develop new energy vehicles to comply with the Chinese regulatory requirements.

In addition to expanding our production capacity, we also continue to streamline the joint venture's operation and to take advantage of scale economies for cost reduction in an effort to increase the joint venture's profitability and margins. We are rapidly expanding our distribution network into new geographic areas in order to extend our market reach and coverage. For the medium term, we are also assessing our future product strategy beyond the X1, 3 and 5 series models, as well as preparing for further capacity needs to cater to both the domestic and overseas markets which will be served via export of our vehicles from China.

As for the minibus business, growth of the light vehicle market had slowed in the first half of the year and our minibus sales had been affected as a result. Our existing minibus products are due for an upgrade, and we are teaming up with our strategic partners to formulate a plan to improve the management and product development capability of our minibus company. The goal is to upgrade existing models while developing future new generation products with the technical support of our strategic partners, so as to strengthen our competitiveness and to increase volume and market share over time. We are also concurrently conducting a review of our minibus operation and organisation structure to find ways of improving the business model and overall management of this business.

Aside from the BMW joint venture and the minibus operation, we continue to seek both upstream and downstream expansion opportunities along the auto value chain, in an effort to establish another income source for the Group. Furthermore, we are also contemplating other strategic moves to better position the Group as a strong player in the auto industry in China.

Liquidity and Financial Resources

As at 30th June, 2011, the Group had RMB698.2 million in cash and cash equivalents, RMB89.0 million in short-term bank deposits and RMB1,461.7 million in pledged short-term bank deposits. The Group had notes payable in the amount of RMB1,919.4 million and outstanding short-term bank borrowings of RMB982.0 million, but had no long-term bank borrowings outstanding as at 30th June, 2011.

Contingent Liabilities

Details of the contingent liabilities are set out in note 10 to this results announcement.

Gearing Ratio

As at 30th June, 2011, the gearing ratio, computed by dividing total liabilities by total equity attributable to equity holders of the Company, was approximately 0.90 *(31st December, 2010: 1.26)*. The decrease in the gearing ratio was primarily due to a decrease in short-term financing through notes payable, and a decrease in amounts due to affiliated companies as at 30th June, 2011.

Foreign Exchange Risks

The Group considers that exchange rate fluctuations will only have an insignificant effect on the overall financial performance of the Group in the future. The Group may consider entering into hedging transactions through exchange contracts in order to minimise foreign exchange risks, if and when necessary. There were no outstanding hedging transactions as at 30th June, 2011.

Employees and Remuneration Policy

The Group employed approximately 6,400 employees as at 30th June, 2011 *(30th June, 2010: approximately 6,200)*. Employee costs amounted to approximately RMB181.9 million for the six months ended 30th June, 2011 *(six months ended 30th June, 2010: approximately RMB139.9 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.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30th June, 2011 *(six months ended 30th June, 2010: 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, 2011.

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, 2011, 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. In addition, all directors, including those appointed for a fixed term, are subject to retirement by rotation at least once every three years under code provision A.4.2.

There have been no material changes to the information disclosed in the Company's 2010 annual report in respect of our corporate governance practices. Major update since the 2010 annual report is summarised in the 2011 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, 2011. 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. 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, 24th August, 2011