

**BRILLIANCE
CHINA AUTOMOTIVE
HOLDINGS LIMITED**

(華晨中國汽車控股有限公司)*

(Incorporated in Bermuda with limited liability)

Stock Code : 1114

Brilliance Auto

華 晨 汽 車

Interim Report 2013



**for identification purposes only*

RESULTS

The board of directors (the “**Board**”) of Brilliance China Automotive Holdings Limited (the “**Company**”) announces the unaudited consolidated interim financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30th June, 2013. 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,	
		2013	2012
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	2,572,057	2,810,302
Cost of sales		(2,296,071)	(2,449,006)
Gross profit		275,986	361,296
Other income		11,461	18,770
Interest income		23,902	36,840
Selling expenses		(246,141)	(200,869)
General and administrative expenses		(195,187)	(169,382)
Finance costs	6	(70,413)	(101,813)
Share of results of:			
Associates		96,787	61,674
Joint ventures		2,105,151	1,374,637
Profit before income tax expense	5	2,001,546	1,381,153
Income tax expense	8	(1,998)	(52,739)
Profit for the period		1,999,548	1,328,414

CONDENSED CONSOLIDATED INCOME STATEMENT (Cont'd)

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

		(Unaudited)	
		For the six months ended	
		30th June,	
		2013	2012
	Note	RMB'000	RMB'000
Attributable to:			
Equity holders of the Company		2,029,873	1,332,316
Non-controlling interests		(30,325)	(3,902)
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		1,999,548	1,328,414
		<hr/>	<hr/>
Dividends	9	398,790	–
		<hr/>	<hr/>
Earnings per share			
	10		
– Basic		RMB0.40389	RMB0.26532
– Diluted		RMB0.40229	RMB0.26406
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited)	
	For the six months ended	
	30th June,	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	1,999,548	1,328,414
Other comprehensive (loss) income, net of tax		
<i>Item may be subsequently reclassified to profit or loss</i>		
Change in fair value of available-for-sale financial assets	(3,185)	6,294
<i>Item will not be reclassified to profit or loss</i>		
Share of comprehensive loss of a joint venture	(392,482)	(31,832)
Other comprehensive loss, net of tax	(395,667)	(25,538)
Total comprehensive income for the period	1,603,881	1,302,876
Attributable to:		
Equity holders of the Company	1,634,206	1,306,778
Non-controlling interests	(30,325)	(3,902)
	1,603,881	1,302,876

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited)	(Audited)
		As at	As at
		30th June,	31st December,
		2013	2012
	Note	RMB'000	RMB'000
Non-current assets			
Intangible assets	11	475,437	361,509
Property, plant and equipment	11	1,401,974	1,441,592
Construction-in-progress	11	422,023	303,541
Land lease prepayments	11	61,782	62,511
Interests in associates	12	1,345,437	603,642
Interests in joint ventures	13	7,310,762	6,236,268
Prepayments for a long-term investment	14	600,000	600,000
Available-for-sale financial assets	15	16,715	19,900
Other non-current assets		10,060	11,234
		<hr/>	<hr/>
Total non-current assets		11,644,190	9,640,197
Current assets			
Cash and cash equivalents	16	957,226	836,511
Short-term bank deposits		11,960	57,556
Pledged short-term bank deposits	17	1,234,278	1,054,877
Inventories		936,614	838,393
Accounts receivable	18	604,551	509,296
Notes receivable	19	893,449	1,302,447
Other current assets	20	1,135,121	1,818,070
Income tax recoverable		179	209
		<hr/>	<hr/>
Total current assets		5,773,378	6,417,359

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

		(Unaudited)	(Audited)
		As at	As at
		30th June,	31st December,
		2013	2012
	Note	RMB'000	RMB'000
Current liabilities			
Accounts payable	21	2,586,093	3,119,993
Notes payable	22	1,749,345	1,708,160
Other current liabilities	23	879,638	874,122
Short-term bank borrowings	24	1,365,000	1,119,000
Income tax payable		33,439	35,909
		<hr/>	<hr/>
Total current liabilities		6,613,515	6,857,184
		<hr/>	<hr/>
Net current liabilities		(840,137)	(439,825)
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Total assets less current liabilities		10,804,053	9,200,372
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Non-current liabilities			
Deferred government grants		1,700	1,900
		<hr/>	<hr/>
Net assets		10,802,353	9,198,472
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Capital and reserves			
Share capital	25	395,877	395,877
Reserves		11,252,895	9,618,689
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Total equity attributable to equity holders of the Company		11,648,772	10,014,566
Non-controlling interests		(846,419)	(816,094)
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Total equity		10,802,353	9,198,472
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30th June, 2012 (Unaudited)

	Attributable to the equity holders of the Company												
	Issued capital RMB'000	Hedging reserve RMB'000	Share premium RMB'000	Investment revaluation reserve RMB'000	Cumulative translation adjustments reserve RMB'000	Difference arising from acquisition of non-controlling interests RMB'000	Dedicated capital RMB'000	Share options reserve RMB'000	Capital reserve RMB'000	Retained earnings RMB'000	Total equity attributable to the equity holders of the Company RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1st January, 2012	394,931	(541,204)	2,460,021	(299)	39,179	(537,584)	214,389	5,699	120,000	4,834,170	6,989,302	(752,115)	6,237,187
<i>Transactions with equity holders of the Company</i>													
Issue of new shares by exercise of share options	946	-	6,665	-	-	-	-	(2,297)	-	-	5,314	-	5,314
Transfer to dedicated capital	-	-	-	-	-	-	342	-	-	(342)	-	-	-
Profit for the period	-	-	-	-	-	-	-	-	-	1,332,316	1,332,316	(3,902)	1,328,414
<i>Other comprehensive (loss) income</i>													
Share of other comprehensive loss of a joint venture	-	(31,832)	-	-	-	-	-	-	-	-	(31,832)	-	(31,832)
Change in fair value of available-for-sale financial assets	-	-	-	6,294	-	-	-	-	-	-	6,294	-	6,294
	-	(31,832)	-	6,294	-	-	-	-	-	-	(25,538)	-	(25,538)
As at 30th June, 2012	395,877	(573,036)	2,466,686	5,995	39,179	(537,584)	214,731	3,402	120,000	6,166,144	8,301,394	(756,017)	7,545,377

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

Six months ended 30th June, 2013 (Unaudited)

	Attributable to the equity holders of the Company												
	Issued capital RMB'000	Hedging reserve RMB'000	Share premium RMB'000	Investment revaluation reserve RMB'000	Cumulative translation adjustments reserve RMB'000	Difference arising from acquisition of non-controlling interests RMB'000	Dedicated capital RMB'000	Share options RMB'000	Capital reserve RMB'000	Retained earnings RMB'000	Total equity attributable to the equity holders of the Company RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1st January, 2013	395,877	173,160	2,466,685	4,267	39,179	(537,584)	215,458	3,401	120,000	7,134,123	10,014,566	(816,094)	9,198,472
Transfer to dedicated capital	-	-	-	-	-	-	544	-	-	(544)	-	-	-
Profit for the period	-	-	-	-	-	-	-	-	2,029,873	2,029,873	2,029,873	(30,325)	1,999,548
Other comprehensive loss	-	(392,482)	-	-	-	-	-	-	-	-	(392,482)	-	(392,482)
Share of other comprehensive loss of a joint venture	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in fair value of available-for-sale financial assets	-	-	-	(3,185)	-	-	-	-	-	-	(3,185)	-	(3,185)
	-	(392,482)	-	(3,185)	-	-	-	-	-	-	(395,667)	-	(395,667)
As at 30th June, 2013	395,877	(219,322)	2,466,685	1,082	39,179	(537,584)	216,002	3,401	120,000	9,163,462	11,948,772	(846,419)	10,802,353

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited)	
	For the six months ended	
	30th June,	
	2013	2012
	RMB'000	RMB'000
Net cash (used in) generated from operating activities	(234,856)	82,239
Net cash (used in) generated from investing activities	(204,910)	790,570
Net cash generated from financing activities	560,481	74,208
Increase in cash and cash equivalents	120,715	947,017
Cash and cash equivalents, as at 1st January	836,511	585,696
Cash and cash equivalents, as at 30th June	957,226	1,532,713

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 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 these condensed consolidated financial statements.

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, 2012, except for the adoption of the new and revised HKFRSs (which include individual HKFRSs, HKASs and interpretations) as disclosed in note 3 to these condensed consolidated financial statements.

These interim financial statements are prepared on the basis that the Group is a going concern in view of the net current liabilities as at 30th June, 2013. 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 and Huachen Automotive Group Holdings Company Limited ("**Huachen**"), which is a PRC state-owned enterprise and the major shareholder of the Company, as well as cash dividends from BMW Brilliance Automotive Ltd. ("**BMW Brilliance**"), 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, 2012.

3. Adoption of new or amended HKFRSs

In the current period, the Group has applied for the first time the new and revised standards, amendments and interpretations (the "**new HKFRSs**") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual financial period beginning on 1st January, 2013.

The adoption of these new HKFRSs had no material impact on how the results and financial position 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 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 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 vehicles in the PRC through its major joint venture, BMW Brilliance.

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

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

4. 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, 2012

(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	2,810,302	26,107,509	(26,107,509)	2,810,302
Segment results	41,611	3,537,792	(3,537,792)	41,611
Unallocated costs net of unallocated revenue				(24,781)
Impairment losses on assets				(7,015)
Interest income				36,840
Finance costs				(101,813)
Share of results of:				
Associates	61,674	–	–	61,674
Joint ventures	64,114	1,310,523	–	1,374,637
Profit before income tax expense				1,381,153

The assets and liabilities by reportable segments as at 30th June, 2013

(Unaudited)				
	Manufacture and sale of minibuses and automotive components <i>RMB'000</i>	Manufacture and sale of BMW vehicles <i>RMB'000</i>	Reconciliation to the Group's condensed statements of financial position <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	7,704,633	38,187,747	(38,187,747)	7,704,633
Interests in associates	1,345,437	–	–	1,345,437
Interests in joint ventures	8,701	7,302,061	–	7,310,762
Available-for-sale financial assets				16,715
Prepayments for a long-term investment				600,000
Advance to a shareholder of a related party				300,000
Unallocated assets				140,021
Total assets				17,417,568
Segment liabilities	6,606,942	23,583,625	(23,583,625)	6,606,942
Unallocated liabilities				8,273
Total liabilities				6,615,215

4. Segment information (Cont'd)

The assets and liabilities by reportable segments as at 31st December, 2012

	(Audited)			Total RMB'000
	Manufacture and sale of minibuses and automotive components RMB'000	Manufacture and sale of BMW vehicles RMB'000	Reconciliation to the Group's condensed statements of financial position RMB'000	
Segment assets	8,165,400	32,681,926	(32,681,926)	8,165,400
Interests in associates	603,642	–	–	603,642
Interests in joint ventures	638,765	5,597,503	–	6,236,268
Available-for-sale financial assets	–	–	–	19,900
Prepayments for a long-term investment	–	–	–	600,000
Advance to a shareholder of a related party	–	–	–	300,000
Unallocated assets	–	–	–	132,346
Total assets				16,057,556
Segment liabilities	6,848,318	21,486,920	(21,486,920)	6,848,318
Unallocated liabilities	–	–	–	10,766
Total liabilities				6,859,084

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, 2013 RMB'000	2012 RMB'000
Charging:		
Impairment losses on:		
– Intangible assets (a)	1,129	–
– Accounts receivable (b)	–	3,470
– Other receivables (b)	2,845	3,546
– Amounts due from affiliated companies (b)	40,000	–
Write-off of other receivables	–	1,442
Cost of inventories	2,255,536	2,436,635
Amortisation of intangible assets (a)	19,257	14,585
Depreciation of property, plant and equipment	49,185	50,867
Amortisation of land lease prepayments	729	729
Staff costs (including directors' emoluments) (Note 7)	325,357	272,574
Research and development costs (b)	128	670
Provision for inventories	42,296	21,457
Provision for warranty	14,315	8,307
Loss on disposal of property, plant and equipment	–	768
Operating lease charges for land and buildings	20,324	10,491
Operating lease charges for machinery and equipment	869	6
Crediting:		
Gain on disposal of property, plant and equipment	2,434	–
Gain on deemed disposal of interest in a joint venture	9,961	–
Gross rental income from land and buildings	–	56
Write back of provision for inventories sold	1,761	9,087

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

(b) included in general and administrative expenses.

6. Finance costs

	(Unaudited)	
	For the six months ended 30th June,	
	2013	2012
	RMB'000	RMB'000
Interest expense on:		
Bank loans wholly repayable within one year	43,170	47,222
Discounted bank guaranteed notes	35,229	61,647
	<hr/>	<hr/>
	78,399	108,869
Less: Interest expense capitalised in intangible assets and construction-in-progress at the rate of 6.6% per annum (2012: 8% per annum)	(7,986)	(7,056)
	<hr/>	<hr/>
	70,413	101,813
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7. Staff costs (including directors' emoluments)

	(Unaudited)	
	For the six months ended 30th June,	
	2013	2012
	RMB'000	RMB'000
Wages, salaries and performance related bonus	252,671	202,849
Pension costs – defined contribution plans	26,929	27,738
Staff welfare costs	45,757	41,987
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	325,357	272,574
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8. Income tax expense

	(Unaudited)	
	For the six months ended 30th June,	
	2013	2012
	RMB'000	RMB'000
Current tax	1,998	2,739
Deferred tax in respect of tax losses	–	50,000
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	1,998	52,739
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Current tax represents PRC enterprise income tax on the estimated taxable profits of the subsidiaries in the PRC during the period.

8. Income tax expense (Cont'd)

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,	
	2013	2012
	RMB'000	RMB'000
Reversal of previously recognised tax losses	–	46,700
Utilisation of tax losses	–	3,300
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	–	50,000
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9. Dividends

The directors declared an interim dividend of HK\$0.1 per share at the board meeting held on 13th August, 2013 (2012: *No interim dividend declared*).

10. 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,	
	2013	2012
	'000	'000
<i>Weighted average number of ordinary shares</i>		
Issued ordinary shares outstanding	5,025,769	5,010,769
Effect of share options exercised	–	10,756
	<hr/>	<hr/>
Weighted average number of ordinary shares for calculating basic earnings per share	5,025,769	5,021,525
Weighted average number of ordinary shares deemed issued under the Company's share option scheme	20,057	23,905
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Weighted average number of ordinary shares for calculating diluted earnings per share	5,045,826	5,045,430
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11. Capital expenditures

	(Unaudited)			
	Intangible assets	Property, plant and equipment	Construction -in-progress	Land lease prepayments
	RMB'000	RMB'000	RMB'000	RMB'000
Net book value as at 1st January, 2013	361,509	1,441,592	303,541	62,511
Additions	134,074	12,860	149,122	–
Transfer/Reclassification	240	30,400	(30,640)	–
Write-off/Disposals	–	(33,693)	–	–
Amortisation/Depreciation	(19,257)	(49,185)	–	(729)
Impairment	(1,129)	–	–	–
Net book value as at 30th June, 2013	475,437	1,401,974	422,023	61,782

12. Interests in associates

Details of interests in associates are as follows:

	(Unaudited)	(Audited)
	As at 30th June, 2013 RMB'000	As at 31st December, 2012 RMB'000
Share of net assets other than goodwill	1,272,638	576,988
Goodwill, net of accumulated amortisation	72,799	26,654
	1,345,437	603,642

13. Interests in joint ventures

Details of interests in joint ventures are as follows:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2013	2012
	RMB'000	RMB'000
Share of net assets other than goodwill	7,310,762	6,173,072
Goodwill, net of accumulated impairment loss	—	63,196
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	7,310,762	6,236,268
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14. Prepayments for a long-term investment

On 29th December, 2003, Shenyang JinBei Automotive Industry Holdings Co., Ltd. ("SJAI", currently an indirectly wholly-owned subsidiary of the Company) and Shenyang XinJinBei Investment and Development Co., Ltd. ("SXID", currently an indirectly wholly-owned subsidiary of the Company) entered into agreements with the sellers in relation to the acquisition of the entire equity interests of Shenyang Automobile Industry Asset Management Company Limited ("SAIAM") and Shenyang XinJinBei Investment Co., Ltd. ("SXI"), respectively (the "Acquisitions"). As at 30th June, 2013, SAIAM owns 24.38% while SXI owns 8.97% of the equity interest in Shenyang JinBei Automotive Company Limited ("JinBei"), a company listed on the Shanghai Stock Exchange. The consideration for the Acquisitions was RMB600 million, which was determined after arm's length negotiations between the parties by taking into account the respective financial position of SAIAM and SXI.

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

As at 30th June, 2013 and 31st December, 2012, the consideration of RMB600 million paid to the shareholders of SAIAM and SXI was recorded as prepayments for a long-term investment. The directors have assessed the fair value of the underlying shares of JinBei and are satisfied that the recoverability of the prepayments is supported by the underlying shares of JinBei.

The directors are currently evaluating market situation and considering potential options for this investment, in light of the Group's latest strategy and future plans.

15. Available-for-sale financial assets

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Equity investments		
– Unlisted, at cost	4,138	4,138
– Listed in Hong Kong, at fair value	12,577	15,762
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	16,715	19,900
	<hr/>	<hr/>

16. Cash and cash equivalents

For condensed consolidated statement of financial position classification, cash and cash equivalents represent assets similar in nature to cash, which are not restricted as to use. For the purposes of condensed consolidated statement of cash flows, cash and cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts and short-term bank borrowings with original maturities less than 3 months.

17. Pledged short-term bank deposits

Pledged short-term bank deposits were for the following purposes:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Issue of bank guaranteed notes to trade creditors (<i>Note</i>)	1,023,748	841,197
Bank loans granted to JinBei (<i>Note 27(a)</i>)	210,530	213,680
	<hr/>	<hr/>
	1,234,278	1,054,877
	<hr/>	<hr/>

Note: In addition to short-term bank deposits, as at 31st December, 2012, the Group had also pledged bank guaranteed notes receivable from third parties and affiliated companies of approximately RMB60 million for short term bank borrowings. No bank guaranteed notes receivable was pledged for short-term bank borrowings as at 30th June, 2013.

18. Accounts receivable

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2013	2012
	RMB'000	RMB'000
Accounts receivable from third parties	292,706	205,462
Accounts receivable from affiliated companies (Note 27(c))	311,845	303,834
	<hr/>	<hr/>
	604,551	509,296
	<hr/>	<hr/>

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

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2013	2012
	RMB'000	RMB'000
Less than six months	233,379	196,920
Six months to one year	54,996	3,706
Above one year but less than two years	415	1,972
Two years or above	24,350	23,298
	<hr/>	<hr/>
	313,140	225,896
Less: Provision for doubtful debts	(20,434)	(20,434)
	<hr/>	<hr/>
	292,706	205,462
	<hr/>	<hr/>

A substantial amount of the accounts receivable is denominated in Renminbi. The Group's credit policy is to offer credit to customers following a financial assessment and an established payment record. In order to minimise credit risk, credit history and background of new customers and debtors are checked and security deposits are usually obtained from major customers. Credit limits with credit terms of 30 days to 90 days are set for customers and designated 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.

19. Notes receivable

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2013	2012
	RMB'000	RMB'000
Notes receivable from third parties	310,316	258,058
Notes receivable from affiliated companies (Note 27(d))	583,133	1,044,389
	<hr/>	<hr/>
	893,449	1,302,447
	<hr/>	<hr/>

All notes receivable from third parties and affiliated companies are denominated in Renminbi and are primarily notes received from customers for settlement of accounts receivable balances. As at 30th June, 2013, all notes receivable were guaranteed by established banks in the PRC with maturities of less than six months from 30th June, 2013 (As at 31st December, 2012: Same). In addition, as disclosed in note 17, as at 30th June, 2013, bank guaranteed notes receivable from third parties and affiliated companies of approximately RMB80 million have been pledged for the issue of bank guaranteed notes payable to trade creditors (As at 31st December, 2012: RMB144 million).

20. Other current assets

		(Unaudited)	(Audited)
		As at	As at
		30th June,	31st December,
		2013	2012
	Note	RMB'000	RMB'000
Other receivables	20(a)	388,201	406,077
Prepayments and other current assets		98,499	71,881
Other taxes recoverable		22,828	19,570
Amounts due from affiliated companies	27(e)	625,593	826,052
Receivable for disposal of discontinued operations	27(f)	–	494,490
		<hr/>	<hr/>
		1,135,121	1,818,070
		<hr/>	<hr/>

20(a). Other receivables

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2013	2012
	RMB'000	RMB'000
Advance to SAIAM (Note)	300,000	300,000
Others	184,394	199,425
	<hr/>	<hr/>
	484,394	499,425
Less: Provision for doubtful debts	(96,193)	(93,348)
	<hr/>	<hr/>
	388,201	406,077
	<hr/>	<hr/>

Note: As at 30th June, 2013, an amount of RMB300 million (As at 31st December, 2012: RMB300 million) was advanced to SAIAM which will become a subsidiary of the Group after the completion of the Acquisitions as detailed in note 14 to these condensed consolidated financial statements. The amount will be settled upon the completion of the Acquisitions. In view of the substantial assets in JinBei possessed by SAIAM, the management considers the credit risk in recovering the amount as minimal.

21. Accounts payable

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2013	2012
	RMB'000	RMB'000
Accounts payable to third parties	1,450,135	1,495,021
Accounts payable to affiliated companies (Note 27(g))	1,135,958	1,624,972
	<hr/>	<hr/>
	2,586,093	3,119,993
	<hr/>	<hr/>

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

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2013	2012
	RMB'000	RMB'000
Less than six months	1,200,675	1,341,372
Six months to one year	162,042	82,783
Above one year but less than two years	30,116	21,764
Two years or above	57,302	49,102
	<hr/>	<hr/>
	1,450,135	1,495,021
	<hr/>	<hr/>

22. Notes payable

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2013	2012
	RMB'000	RMB'000
Notes payable to third parties	1,737,933	1,691,153
Notes payable to affiliated companies (Note 27(h))	11,412	17,007
	<hr/>	<hr/>
	1,749,345	1,708,160
	<hr/>	<hr/>

23. Other current liabilities

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2013	2012
	RMB'000	RMB'000
Customer advances	110,035	61,796
Other payables	501,167	456,927
Accrued expenses and other current liabilities	48,195	52,608
Other taxes payable	73,793	98,698
Amounts due to affiliated companies (Note 27(i))	146,448	204,093
	<hr/>	<hr/>
	879,638	874,122
	<hr/>	<hr/>

24. Short-term bank borrowings

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2013	2012
	RMB'000	RMB'000
Secured bank borrowings	30,000	84,000
Unsecured bank borrowings	1,335,000	1,035,000
	<hr/>	<hr/>
	1,365,000	1,119,000
	<hr/>	<hr/>

All short-term bank borrowings as at 30th June, 2013 are interest-bearing at rates ranging from 6.16% to 7.20% per annum (As at 31st December, 2012: 5.60% to 7.87% per annum) and repayable from 18th July, 2013 to 6th June, 2014 (As at 31st December, 2012: repayable from 17th January, 2013 to 30th September, 2013).

25. Share capital

	(Unaudited)		(Audited)	
	As at 30th June, 2013		As at 31st December, 2012	
	Number of shares '000	Amount US\$'000	Number of shares '000	Amount US\$'000
Authorised:				
Ordinary shares at par value of US\$0.01 each	8,000,000	80,000	8,000,000	80,000

	(Unaudited)		(Audited)	
	As at 30th June, 2013		As at 31st December, 2012	
	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000
Issued and fully paid:				
Ordinary shares at par value of US\$0.01 each	5,025,769	395,877	5,025,769	395,877

26. Commitments

(a) Capital commitments

	(Unaudited)	(Audited)
	As at 30th June, 2013 RMB'000	As at 31st December, 2012 RMB'000
Contracted but not provided for:		
– Construction projects	27,156	13,220
– Acquisition of plant and machinery	456,514	350,858
– Others	7,484	12,562
	491,154	376,640
Authorised but not contracted for:		
– Construction projects and acquisition of plant and machinery	328,969	279,772

26. **Commitments (Cont'd)**

(b) **Operating lease commitments**

As at 30th June, 2013, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of leased properties as follows:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	28,032	27,578
In the second to fifth years inclusive	36,224	42,354
Over five years	14,814	18,970
	<hr/>	<hr/>
	79,070	88,902
	<hr/>	<hr/>

27. **Connected and related party transactions**

Related parties include those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. The Group is subject to the control of the PRC Government.

In accordance with HKAS24 "Related Party Disclosures", other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC Government ("**government-related entities**") are regarded as related parties of the Group.

For the related party transactions disclosure purpose, an affiliated company is a company in which one or more of the directors or substantial shareholders of the Company have direct or indirect beneficial interests in the company or are in a position to exercise significant influence over the company, including joint ventures and associates of the Group. Parties are also considered to be affiliated if they are subject to common control or common significant influence.

In addition to the related party information shown elsewhere in the condensed consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary and usual course of business and balances between the Group and its related parties, including other government-related entities.

During the period under review, the Group had significant transactions and balances with the following related parties, some of which are also deemed to be connected persons pursuant to the Listing Rules.

27. **Connected and related party transactions (Cont'd)**

Name and relationship

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

Huachen and JinBei are government-related entities, and are connected persons of the Company under the Listing Rules, with which the Group has material transactions.

- (a) The related party transactions in respect of items listed below also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

	(Unaudited)	
	For the six months ended	
	30th June,	
	2013	2012
	RMB'000	RMB'000
Sales of goods:		
– Affiliated companies of JinBei	801	1,136
– Huachen and its affiliated companies	256,837	123,229
	<hr/>	<hr/>
Purchases of goods:		
– Affiliated companies of JinBei	238,393	263,589
– Huachen and its affiliated companies	311,942	393,756
	<hr/>	<hr/>
Sub-contracting charges to:		
– Huachen and its affiliated companies	17,162	13,940
	<hr/>	<hr/>

In addition, pursuant to an agreement entered into between a member of the Group and JinBei, both parties agreed to provide cross guarantees to support each other in obtaining banking facilities in the maximum amount of RMB600 million for each (As at 31st December, 2012: RMB600 million). As at 30th June, 2013, under this agreement, JinBei had outstanding bank loans and other banking facilities in a total amount of RMB537 million (As at 31st December, 2012: RMB579 million) of which RMB200 million (As at 31st December, 2012: RMB200 million) was supported by the Group's bank deposits pledged to and RMB337 million (As at 31st December, 2012: RMB379 million) was supported by corporate guarantee provided to the banks.

27. **Connected and related party transactions (Cont'd)**

- (b) In addition to the above, the Group also had the following material related party transactions which were not considered as continuing connected transactions/connected transactions under the Listing Rules. Details of such transactions are set out below:

	(Unaudited)	
	For the six months ended	
	30th June,	
	2013	2012
	RMB'000	RMB'000
Sales of goods:		
– Shanghai Shenhua and its affiliated companies	1,246,480	1,718,749
– Joint ventures*	5,123	28,567
– Associates*	65,006	23,522
Purchases of goods:		
– Joint ventures*	93,804	292,897
– Associates*	182,877	4,053
– Shanghai Shenhua and its affiliated companies	2,811	3,338
Operating lease rental on land and buildings charged by:		
– Shanghai Shenhua	296	296
– Huachen	2,477	2,477
Interest from Xinhua Investment Holdings Limited ("Xinhua Investment") (Note 27(e))	4,138	4,184
Imputed interest income from Huachen for receivable of disposal of discontinued operations	–	13,995

- * Included in sales of goods to and purchases of goods from associates are approximately sales of goods of RMB25 million (*Six months ended 30th June, 2012: RMB25 million*) to and purchases of goods of RMB141 million (*Six months ended 30th June, 2012: RMB197 million*) from Mianyang Xincheng Engine Co. Ltd. ("**Mianyang Xincheng**") which was a joint venture as at 31st December, 2012 but has become an associate during the six months ended 30th June, 2013. The comparative figures are included in sales of goods to and purchases of goods from joint ventures.

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

In addition, the Group had provided a corporate guarantee in the maximum amount of RMB100 million (*As at 31st December, 2012: RMB100 million*) for revolving bank loans and bank guaranteed notes to Shanghai Shenhua. As at 30th June, 2013, RMB60 million (*As at 31st December, 2012: RMB60 million*) of this corporate guarantee was utilised by Shanghai Shenhua.

27. **Connected and related party transactions (Cont'd)**

(c) As at 30th June, 2013, accounts receivable from affiliated companies consisted of the following:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2013	2012
	RMB'000	RMB'000
Accounts receivable from related parties:		
– Shanghai Shenhua and its affiliated companies	16,995	11,210
– Affiliated companies of JinBei	18,908	21,382
– Huachen and its affiliated companies	257,447	270,385
– Affiliated companies of a joint venture partner of a joint venture entity	1,272	–
– Associates*	32,127	7,092
– Joint ventures*	6,484	15,153
	<hr/>	<hr/>
	333,233	325,222
Less: Provision for doubtful debts	(21,388)	(21,388)
	<hr/>	<hr/>
	311,845	303,834
	<hr/>	<hr/>

* Included in accounts receivable due from associates is approximately RMB26 million (As at 31st December, 2012: approximately RMB10 million) due from Mianyang Xincheng which was a joint venture as at 31st December, 2012 but has become an associate during the six months ended 30th June, 2013. The comparative figure is included in accounts receivable due from joint ventures.

The Group's credit policy is to offer credit to affiliated companies following financial assessment and an established payment record. These affiliated companies are generally required to settle 25% to 33% of the previous month's ending balances. The aging analysis of accounts receivable from affiliated companies is as follows:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2013	2012
	RMB'000	RMB'000
Less than six months	173,505	158,734
Six months to one year	30,130	29,216
Above one year but less than two years	86,219	70,105
Two years or above	43,379	67,167
	<hr/>	<hr/>
	333,233	325,222
	<hr/>	<hr/>

27. **Connected and related party transactions (Cont'd)**

(d) As at 30th June, 2013, notes receivable from affiliated companies arising from trading activities consisted of the following:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2013	2012
	RMB'000	RMB'000
Notes receivable from related parties:		
– Affiliated companies of JinBei	17,636	8,884
– Shanghai Shenhua and its affiliated companies	491,905	887,159
– Associates*	20,250	55,357
– A joint venture*	2,570	15,740
– Huachen and its affiliated companies	50,772	77,099
– Other affiliated company	–	150
	<hr/>	<hr/>
	583,133	1,044,389
	<hr/>	<hr/>

* Included in notes receivable from associates is approximately RMB4 million (As at 31st December, 2012: approximately RMB16 million) due from Mianyang Xincheng which was a joint venture as at 31st December, 2012 but has become an associate during the six months ended 30th June, 2013. The comparative figure is included in notes receivable from a joint venture.

27. **Connected and related party transactions (Cont'd)**

(e) As at 30th June, 2013, amounts due from affiliated companies consisted of:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2013	2012
	RMB'000	RMB'000
Amounts due from related parties:		
– Joint ventures*	90,021	123,445
– Associates*	197,073	292,884
– Shanghai Shenhua	14,048	14,046
– Huachen and its affiliated companies	34,044	52,686
– Xinhua Investment	287,084	304,965
– JinBei and its affiliated companies	59,298	54,001
	<hr/>	<hr/>
	681,568	842,027
Less: provision for doubtful debts	(55,975)	(15,975)
	<hr/>	<hr/>
	625,593	826,052
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* Included in amounts due from affiliated companies is approximately RMB0.19 million (As at 31st December, 2012: approximately RMB16 million) due from Xinchen China Power Holdings Limited ("Power Xinchen") which was a joint venture as at 31st December, 2012 but has become an associate during the six months ended 30th June, 2013. The comparative figure is included in amounts due from joint ventures.

Except for the amount due from Xinhua Investment, amounts due from affiliated companies are unsecured, interest-free and repayable on demand.

Xinhua Investment is another major shareholder of an associate of the Group, Power Xinchen. The amount due from Xinhua Investment is secured by all assets of Xinhua Investment, interest-bearing at 3% per annum and repayable in August 2014.

(f) Receivable for disposal of discontinued operations represents the consideration payable by Huachen for the purchase of Zhonghua sedan business and was settled during the period by offsetting the accounts payable to Huachen.

27. **Connected and related party transactions (Cont'd)**

(g) As at 30th June, 2013, accounts payable to affiliated companies consisted of the following:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2013	2012
	RMB'000	RMB'000
Accounts payable to related parties:		
– Associates*	427,563	40,703
– Joint ventures*	95,967	480,655
– Huachen and its affiliated companies	344,240	744,433
– An affiliated company of BHL	34,010	34,010
– Shanghai Shenhua and its affiliated companies	20,935	36,143
– Affiliated companies of JinBei	213,220	288,964
– Other affiliated companies	23	64
	<hr/>	<hr/>
	1,135,958	1,624,972
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* Included in accounts payable to associates is approximately RMB379 million (As at 31st December, 2012: approximately RMB386 million) due to Mianyang Xinchen which was a joint venture as at 31st December, 2012 but has become an associate during the six months ended 30th June, 2013. The comparative figure is included in accounts payable to joint ventures.

The accounts payable to affiliated companies are unsecured and non-interest bearing. Accounts payable to affiliated companies are generally settled on a monthly basis at 25% to 33% of the previous month's ending balance. The aging analysis of accounts payable to affiliated companies is as follows:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2013	2012
	RMB'000	RMB'000
Less than six months	965,014	1,085,941
Six months to one year	125,396	190,705
Above one year but less than two years	37,681	338,539
Two years or above	7,867	9,787
	<hr/>	<hr/>
	1,135,958	1,624,972
	<hr/>	<hr/>

27. **Connected and related party transactions (Cont'd)**

(h) As at 30th June, 2013, notes payable to affiliated companies arising from trading activities consisted of the following:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Notes payable to related parties:		
– Affiliated companies of JinBei	9,412	15,807
– An associate	2,000	1,200
	<hr/>	<hr/>
	11,412	17,007
	<hr/>	<hr/>

(i) As at 30th June, 2013, amounts due to affiliated companies consisted of the following:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due to related parties:		
– Associates	113,352	113,352
– Huachen and its affiliated companies	191	57,669
– Affiliated companies of BHL	28,058	28,165
– Affiliated companies of Shanghai Shenhua	3,907	3,906
– JinBei and its affiliated companies	920	979
– Other affiliated company	20	22
	<hr/>	<hr/>
	146,448	204,093
	<hr/>	<hr/>

The amounts due to affiliated companies are unsecured, interest-free and repayable on demand.

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

27. **Connected and related party transactions (Cont'd)**

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

	(Unaudited)	
	For the six months ended	
	30th June,	
	2013	2012
	RMB'000	RMB'000
Short-term employee benefits	10,730	13,382

MANAGEMENT'S DISCUSSION & ANALYSIS

Business Review

The unaudited consolidated net sales of the Company and its subsidiaries (the “**Group**”) (which comprised primarily those derived from the minibus business operated under 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 2013 was RMB2,572.1 million, representing a decrease of 8.5% from RMB2,810.3 million for the same period in 2012. The decrease in revenue was primarily due to a decrease in the sales volume of minibuses.

Shenyang Automotive sold 34,888 minibuses in the first half of 2013, representing a 12.1% decrease from the 39,704 units sold during the same period in 2012. Of these minibuses sold, 27,461 were mid-price minibuses, representing a 13.6% decrease from 31,784 units sold during the first six months of 2012. Similarly, unit sales of deluxe minibuses also decreased by 6.2% from 7,920 units for the first half of 2012 to 7,427 units for the corresponding period in 2013. The decrease in minibus sales volume was due to intense market competition and the lack of new models to boost competitiveness of the minibus business of the Group.

Unaudited cost of sales decreased by 6.2% from RMB2,449.0 million in the first six months of 2012 to RMB2,296.1 million for the same period in 2013. The decrease was in line with the decrease in revenue during the period.

Unaudited gross profit margin decreased to 10.7% for the first half of 2013 from 12.9% in the same period in 2012. The decrease in gross margin was primarily caused by a provision of inventories of RMB42.3 million taken in the first half of 2013.

Unaudited other income decreased by 38.9% from RMB18.8 million in the first six months of 2012 to RMB11.5 million for the same period in 2013. The decrease was primarily due to lower scrap material sales as a result of reduced production volume of minibuses.

Unaudited interest income decreased by 35.1% from RMB36.8 million in the first six months of 2012 to RMB23.9 million for the same period in 2013 due to the fact there was no imputed interest income in 2013 from the receivable arising from the Zhonghua disposal as the amount had been settled by the end of 2012. The imputed interest for the six months ended 30th June, 2012 was RMB14.0 million.

Unaudited selling expenses increased by 22.5% from RMB200.9 million in the first half of 2012, or 7.1% as a percentage of turnover, to RMB246.1 million for the same period in 2013, or 9.6% as a percentage of turnover. The increase was mainly due to increased advertising and promotion expenses required during the period in order to generate minibus sales due to intense competition.

Unaudited general and administrative expenses increased by 15.2% from RMB169.4 million in the first six months of 2012 to RMB195.2 million for the same period in 2013, primarily due to an impairment of doubtful debts from other receivables and amounts due from affiliated companies of RMB42.8 million.

Unaudited finance costs decreased by 30.8% from RMB101.8 million in the first six months of 2012 to RMB70.4 million for the same period in 2013, due to less financing being obtained from the discounting of bank guaranteed notes as well as lower interest rates prevailing during the period.

The Group's unaudited share of operating results of associates and joint ventures increased by 53.3% from RMB1,436.3 million in the first half of 2012 to RMB2,201.9 million for the same period in 2013. This was primarily attributable to the increase in contribution by BMW Brilliance Automotive Ltd. ("**BMW Brilliance**"), the Group's 50% indirectly-owned joint venture, during this period.

Unaudited net profit contributed to the Group by BMW Brilliance increased by 60.0% from RMB1,310.5 million in the first half of 2012 to RMB2,097.0 million for the same period this year. The BMW joint venture achieved sales of 105,692 BMW vehicles in the first six months of 2013, an increase of 30.8% as compared to 80,792 BMW sedans for the same period in 2012. Of this volume, 63,536 units, 32,126 units and 10,030 units were in the 5-series, 3-series and X1, respectively. The increased net profit contributed to the Group in the first half of 2013 was a result of the increase in units sold and the achievement of cost reduction during the period.

The Group's unaudited profit before income tax expense increased by 44.9% from RMB1,381.2 million in the first half of 2012 to RMB2,001.5 million for the same period in 2013. Unaudited income tax expense has decreased from RMB52.7 million for the first half of 2012 to RMB2.0 million for the first half of 2013 due to a deferred tax charge of RMB50 million recorded during the six months ended 30th June, 2012 in respect of utilisation of tax losses.

As a result, the Group recorded an unaudited profit attributable to equity holders of the Company of RMB2,029.9 million for the first half of 2013 as compared to RMB1,332.3 million for the same period in 2012, representing an increase of 52.4%. Unaudited basic earnings per share for the six months ended 30th June, 2013 amounted to RMB0.40389 compared to RMB0.26532 for the same period in 2012.

The Company has declared an interim dividend of HK\$0.1 per share (2012: Nil), amounting to a total of about HK\$502.6 million for the year (2012: Nil).

Prospects

After a sluggish 2012, China's automobile sector exhibited solid growth during the first half of 2013, with total sales of 10.8 million units or an increase of 12.3% over the same period last year, according to the China Association of Automobile Manufacturers. Of these, 8.7 million units were passenger vehicles, representing growth of 13.8% over the same period last year. For the premium auto segment, starting in 2012 this segment has started showing divergent development between imported versus locally produced premium vehicles, with the latter growing at a much faster pace. This trend had continued into the first half of 2013.

Our BMW joint venture celebrated its 10th year anniversary in July 2013. Over the past 10 years, BMW Brilliance has achieved remarkable performance by riding on the dynamic growth of the Chinese economy. The joint venture has successfully built up BMW as one of the most desirable premium auto brands in China while establishing a world-class production base in Shenyang. The joint venture has consistently delivered sales growth which exceeded that of the overall premium market, resulting in respectable market share increase as well as enhanced profit-generating power. BMW Brilliance has taken a vital role in helping China surpass the United States to become BMW's single largest world market in 2013 in terms of sale volume. Looking forward, the joint venture will continue to execute its capacity expansion plans, allowing production of up to 400,000 vehicles annually in the medium term which will be matched by our local engine assembly capacity.

Concurrently, the joint venture has embarked on a journey to excellence program to improve both the processes and the people at the joint venture in order to drive productivity improvements and to uplift the competitiveness of its operations and products over time. As for new products, the new China-only 5-series long-wheelbase facelift model and an additional 3-series variant the 316i will both be introduced into the market in the second half of 2013. Similarly, the new local brand, Zinoro, will also see its first new energy vehicle come to the market by the end of the year. Additional new BMW products to be localized in the future are also under planning with an aim to enrich the joint venture's product portfolio and widen its segment reach in China. The strong sales momentum of our products will continue to be supported by the rapid rollout of our dealer network, which had exceeded 380 outlets nationwide as at 30th June, 2013. With such a vast distribution network, BMW Brilliance will be redirecting additional resources and focus on dealer network management and refinement of sales strategy. Our joint venture's sales activities are also supported by the BMW auto finance company which is expected to continue to contribute profits to the joint venture.

As for the minibus business, our existing minibus products are due for a major upgrade, and the new premium MPV model co-developed with our strategic partners is targeted for market launch at the end of 2014. Therefore, the period before such a launch will remain challenging for this business, and it is likely that the minibus operation will have a negative financial impact to the Group's overall performance during that period. In addition to the new model being developed, we are concurrently studying various options to augment our minibus portfolio over time.

Both BMW Brilliance and the minibus businesses are currently undergoing rapid expansion and product overhaul, which necessitate major investments and funding. In spite of the expected cash outflow, the Company has declared an interim dividend of HK\$0.1 per share as a show of gratitude towards our shareholders for their long-term support of the Group over the years.

Liquidity and Financial Resources

As at 30th June, 2013, the Group had RMB957.2 million in cash and cash equivalents (*31st December, 2012: RMB836.5 million*), RMB12.0 million in short-term bank deposits (*31st December, 2012: RMB57.6 million*) and RMB1,234.3 million in pledged short-term bank deposits (*31st December, 2012: RMB1,054.9 million*). The Group had notes payable in the amount of RMB1,749.3 million (*31st December, 2012: RMB1,708.2 million*) and outstanding short-term bank borrowings of RMB1,365.0 million (*31st December, 2012: RMB1,119.0 million*), but had no long-term bank borrowings outstanding as at 30th June, 2013 (*31st December, 2012: Nil*).

Contingent Liabilities

Pursuant to an agreement entered into between a member of the Group and Shenyang JinBei Automotive Co., Ltd. ("**JinBei**"), both parties agreed to provide cross guarantees to support each other in obtaining banking facilities in the maximum amount of RMB600 million for each (*As at 31st December, 2012: RMB600 million*). As at 30th June, 2013, under this agreement, JinBei had outstanding bank loans and other banking facilities in a total amount of RMB537 million (*As at 31st December, 2012: RMB579 million*) of which RMB200 million (*As at 31st December, 2012: RMB200 million*) was supported by the Group's bank deposits pledged to and RMB337 million (*As at 31st December, 2012: RMB379 million*) was supported by corporate guarantee provided to the banks.

In addition, the Group had provided a corporate guarantee in the maximum amount of RMB100 million (*As at 31st December, 2012: RMB100 million*) for revolving bank loans and bank guaranteed notes to Shanghai Shenhua Holdings Co., Ltd. ("**Shanghai Shenhua**"). As at 30th June, 2013, RMB60 million (*As at 31st December, 2012: RMB60 million*) of this corporate guarantee was utilised by Shanghai Shenhua.

Gearing Ratio

As at 30th June, 2013, the gearing ratio, computed by dividing total liabilities by total equity attributable to equity holders of the Company, was approximately 0.57 (*31st December, 2012: 0.68*). The decrease in the gearing ratio was primarily due to the increase in total equity attributable to equity holders of the Company as a result of an increase in profit attributable to equity holders of the Company during the period under review.

Foreign Exchange Risks

The Group considers that exchange rate fluctuations 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, 2013 (*30th June, 2012: Nil*).

Employees and Remuneration Policy

The Group employed approximately 6,400 employees as at 30th June, 2013 (*30th June, 2012: Approximately 6,400*). Employee costs amounted to approximately RMB325.4 million for the six months ended 30th June, 2013 (*Six months ended 30th June, 2012: Approximately RMB272.6 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 of directors of the Company (the "**Board**") is pleased to declare an interim dividend of HK\$0.1 per ordinary share for the six months ended 30th June, 2013 to shareholders whose names appear on the register of members of the Company as at 18th October, 2013 (*Six months ended 30th June, 2012: Nil*). The dividend is expected to be paid on or about 28th October, 2013.

CLOSURE OF REGISTER OF MEMBERS

The Hong Kong branch register of members of the Company will be closed from Wednesday, 16th October, 2013 to Friday, 18th October, 2013, both dates inclusive, during which period no transfer of shares will be registered. The record date for the interim dividend is Friday, 18th October, 2013. In order to qualify for the interim 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, 15th October, 2013.

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

As at 30th June, 2013, so far as is known to the directors or chief executives of the Company, the following persons other than a director or chief executive of the Company had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"):

Name of shareholders	Number and class of shares held/ Approximate shareholding percentage (Note 1)					
	Long		Short		Lending	
	Position	%	Position	%	Pool	%
Huachen (Note 2)	2,135,074,988 ordinary	42.48	–	–	–	–
Templeton Asset Management Ltd. (Note 3)	906,793,347 ordinary	18.04	–	–	–	–

Notes:

1. The percentage of shareholding is calculated on the basis of 5,025,769,388 ordinary shares in issue as at 30th June, 2013.
2. The 2,135,074,988 shares in long position were held in the capacity as beneficial owner.
3. The 906,793,347 shares in long position were held in the capacity as investment manager.

Save as disclosed herein, as at 30th June, 2013, there was no other person so far known to the directors or chief executives of the Company, other than a director or chief executive of the Company as having an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30th June, 2013, the interests and short positions of each director, chief executive and their respective associates in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange, are set out below:

The Company

Name of directors	Type of interests	Number and class of shares held		Approximate shareholding percentage (Note 1)	Number of share options granted (Percentage of the Company's issued share capital) (Note 2)
		Long Position	Short Position		
Mr. Wu Xiao An (also known as Mr. Ng Siu On)	Personal	7,750,000 ordinary	–	0.15%	–
Mr. Qi Yumin	Personal	–	–	–	4,500,000 (0.09%) (Note 3)
Mr. Wang Shiping	Personal	500,000 ordinary	–	0.01%	1,500,000 (0.03%) (Note 3)
Mr. Lei Xiaoyang	Personal	1,300,000 ordinary	–	0.03%	1,500,000 (0.03%) (Note 3)

Notes:

1. The percentage of shareholding is calculated on the basis of 5,025,769,388 ordinary shares of the Company in issue as at 30th June, 2013.
2. The percentage represents the number of shares which may fall to be allotted and issued upon exercise of any subscription rights attaching to the share options granted by the Company based on the 5,025,769,388 ordinary shares of the Company in issue as at 30th June, 2013.
3. These share options are exercisable at any time during the 10-year period from 22nd December, 2008 at the subscription price of HK\$0.438 per share.

Associated Corporations of the Company

Name of director	Name of associated corporation	Type of interests	Number and class of shares held		Approximate shareholding percentage <i>(Note 1)</i>
			Long Position	Short Position	
Mr. Wu Xiao An	Xinchen China Power Holdings Limited ("Power Xinchen")	Trustee and interest in a controlled corporation <i>(Note 2)</i>	93,999,794 ordinary	–	7.30%
		Beneficial owner <i>(Note 3)</i>	8,320,041 ordinary	–	0.64%

Notes:

1. The percentage of shareholding is calculated on the basis of 1,287,407,794 ordinary shares in issue of Power Xinchen as at 30th June, 2013.
2. Power Xinchen was indirectly held as to 31.07% by the Company as at 30th June, 2013. The 93,999,794 shares in long position are interests of a fixed trust and a discretionary trust under an incentive scheme of Power Xinchen, of which Mr. Wu Xiao An is one of the trustees. Mr. Wu also holds 50% interests in Lead In Management Limited which is also a trustee of the aforementioned trusts. Accordingly, Mr. Wu is deemed or taken to be interested in the 93,999,794 shares of Power Xinchen, representing approximately 7.30% of its issued share capital as at 30th June, 2013.
3. Mr. Wu Xiao An is one of the beneficiaries of the fixed trust referred to in note (2) above and is entitled to 8,320,041 shares of Power Xinchen, representing approximately 0.64% of its issued share capital as at 30th June, 2013.

Save as disclosed above, as at 30th June, 2013, none of the directors, chief executives of the Company or their respective associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

SHARE OPTIONS

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

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

A summary of movements of the share options of the Company under the Share Option Scheme during the six months ended 30th June, 2013 is set out below:

Category and name of participants	Date of grant	Number of share options					Outstanding as at 30th June, 2013	Option period	Subscription price per share (HK\$)
		Outstanding as at 1st January, 2013	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period			
Directors									
Mr. Qi Yumin	22nd December, 2008 (Note)	4,500,000	-	-	-	-	4,500,000	22nd December, 2008 – 21st December, 2018	0.438
Mr. Wang Shiping	22nd December, 2008 (Note)	1,500,000	-	-	-	-	1,500,000	22nd December, 2008 – 21st December, 2018	0.438
Mr. Lei Xiaoyang	22nd December, 2008 (Note)	1,500,000	-	-	-	-	1,500,000	22nd December, 2008 – 21st December, 2018	0.438
Employees (in aggregate)	22nd December, 2008 (Note)	12,000,000	-	-	-	-	12,000,000	22nd December, 2008 – 21st December, 2018	0.438
Others (in aggregate)	22nd December, 2008 (Note)	1,500,000	-	-	-	-	1,500,000	22nd December, 2008 – 21st December, 2018	0.438
Total		21,000,000	-	-	-	-	21,000,000		

Note: The share options were granted on 22nd December, 2008 and vested immediately upon the grant and are exercisable within a period of 10 years.

As no share options have been granted by the Company under the Share Option Scheme for the six months ended 30th June, 2013, no expenses were recognised by the Group for the period under review (*Six months ended 30th June, 2012: 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, 2013.

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 in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") throughout the six months ended 30th June, 2013.

Major updates

There have not been material changes to the information disclosed in the Company's 2012 annual report in respect of our corporate governance practices. Major updates since the 2012 annual report are summarized below.

Retirement of directors

Code provision A.4.2 states that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. According to bye-law 99, 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. To comply with the code provision A.4.2 and in accordance with bye-law 99, Mr. Wang Shiping and Mr. Tan Chengxu retired by rotation at the annual general meeting of the Company held on 24th May, 2013 (the "**2013 AGM**") and were re-elected as executive directors of the Company by the shareholders at the 2013 AGM.

Communications with shareholders

In accordance with the code provision E.1.2, (a) Mr. Wu Xiao An, the chairman of the Board and a member of the remuneration committee and nomination committee, (b) Mr. Qi Yumin, the chief executive officer and a member of the remuneration committee and nomination committee, (c) Mr. Xu Bingjin, the chairman of each of the audit committee, remuneration committee and nomination committee, and (d) Mr. Song Jian, a member of the aforementioned three board committees, have attended the 2013 AGM to answer questions from shareholders. In addition, all other directors of the Company have also attended the 2013 AGM.

Pursuant to the code provision E.1.2, the Company has invited representatives of the external auditors of the Company to attend the 2013 AGM to answer shareholders' questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

Review on corporate governance documents

Taking into account the introduction of the concept of "inside information" to the Listing Rules and the proposed new amendments to Appendix 14 to the Listing Rules which will come into effect on 1st September, 2013, the Board has reviewed and updated a number of internal guidelines and terms of reference of board committees on 27th March, 2013. In addition, some format changes or editorial amendments were approved to be made to a number of internal guidelines and policies:

- (a) terms of reference of the audit committee;
- (b) terms of reference of the nomination committee;
- (c) terms of reference of the remuneration committee and the relevant policy and guidelines;
- (d) memorandum on respective functions of the Board and the management;
- (e) memorandum on respective responsibilities of the chairman and the chief executive officer;
- (f) shareholders' communication policy; and
- (g) code for securities transactions by employees.

In light of the recent slight amendments to Appendix 10 to the Listing Rules, on 27th March, 2013, the Board has also adopted the standard set out in Appendix 10 – the Model Code for Securities Transactions by Directors of Listed Issuers, in relation to the dealings in securities of the Company by the directors.

Policy on disclosure controls and procedures

At a board meeting held on 13th August, 2013, the Board has adopted disclosure controls and procedures policy with an aim to monitor the development and occurrence of events and circumstances so that potentially inside information/transactions can be identified, assessed and brought to the attention of the Board promptly to decide whether an obligation for disclosure has arisen and to determine the course of action for monitoring the development of the situation in order to ensure compliance with the continuous disclosure obligation under the Listing Rules and the SFO.

Board diversity policy

The new code provision A.5.6 of Appendix 14 to the Listing Rules which will come into effect on 1st September, 2013 requires that each nomination committee (or the Board) should have a policy concerning diversity of board members, and should disclose the policy or a summary of the policy in the corporate governance report. In this light, on 13th August, 2013, the nomination committee has approved and adopted a board diversity policy for 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, 2013.

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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”). Having made specific enquiry of all directors, each director of the Company has confirmed that he has complied with the standards set out in the Model Code during the six months ended 30th June, 2013.

CHANGES AFTER CLOSURE OF FINANCIAL YEAR

As stated in our 2012 annual report, on 13th March 2013, Power Xinchen completed its listing on the Main Board of the Stock Exchange by way of issue of 313,400,000 new shares at an offer price of HK\$2.23 each to the public. Following the listing of Power Xinchen, the indirect shareholding of the Company in Power Xinchen decreased from 42.544% to 31.908%.

Subsequently on 3rd April, 2013, an over-allotment option was partially exercised by the joint global coordinators on behalf of the international underwriters to require Power Xinchen to issue and allot 33,808,000 additional shares (the “**Over-allotment Shares**”), representing approximately 10.8% of the offer shares initially available under the global offering before any exercise of the over-allotment option. The Over-allotment Shares were used to cover over-allocations in the international placing. Immediately after the issue and allotment of the Over-allotment Shares by Power Xinchen, the indirect shareholding of the Company in Power Xinchen further decreased from 31.908% to 31.070%. Relevant details are set out in the announcement issued by Power Xinchen on 3rd April, 2013.

BOARD OF DIRECTORS

As at the date of this report, 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
Wu Xiao An
(also known as Ng Siu On)
Chairman

Hong Kong, 13th August, 2013