

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 2014



*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, 2014. 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,	
		2014	2013
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	2,495,932	2,572,057
Cost of sales		(2,278,195)	(2,296,071)
Gross profit		217,737	275,986
Other income		27,140	11,461
Interest income		23,351	23,902
Selling expenses		(230,467)	(246,141)
General and administrative expenses		(187,867)	(195,187)
Finance costs	6	(76,689)	(70,413)
Share of results of:			
Joint ventures		3,689,247	2,105,151
Associates		122,360	96,787
Profit before income tax expense	5	3,584,812	2,001,546
Income tax expense	8	(5,317)	(1,998)
Profit for the period		3,579,495	1,999,548

CONDENSED CONSOLIDATED INCOME STATEMENT (Cont'd)

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

		(Unaudited)	
		For the six months ended	
		30th June,	
		2014	2013
	Note	RMB'000	RMB'000
Attributable to:			
Equity holders of the Company		3,627,930	2,029,873
Non-controlling interests		(48,435)	(30,325)
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		3,579,495	1,999,548
		<hr/>	<hr/>
Dividends	9	438,967	398,790
		<hr/>	<hr/>
Earnings per share			
	10		
– Basic		RMB0.72187	RMB0.40389
– Diluted		RMB0.71897	RMB0.40229
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited)	
	For the six months ended	
	30th June,	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	3,579,495	1,999,548
Other comprehensive income (loss), net of tax		
<i>Item which may be subsequently reclassified to profit or loss:</i>		
Change in fair value of available-for-sale financial assets	(1,180)	(3,185)
<i>Item which will not be reclassified to profit or loss:</i>		
Share of comprehensive income (loss) of a joint venture	22,180	(392,482)
Other comprehensive income (loss), net of tax	21,000	(395,667)
Total comprehensive income for the period	3,600,495	1,603,881
Attributable to:		
Equity holders of the Company	3,648,930	1,634,206
Non-controlling interests	(48,435)	(30,325)
	3,600,495	1,603,881

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited)	(Audited)
		As at	As at
		30th June,	31st December,
		2014	2013
	Note	RMB'000	RMB'000
Non-current assets			
Intangible assets	11	741,702	669,912
Property, plant and equipment	11	1,777,192	1,685,758
Land lease prepayments	11	60,324	61,053
Interests in joint ventures	12	10,528,200	8,066,556
Interests in associates	13	1,371,875	1,351,686
Prepayments for a long-term investment	14	600,000	600,000
Available-for-sale financial assets	15	18,500	19,680
Other non-current assets		12,073	11,616
		<hr/>	<hr/>
Total non-current assets		15,109,866	12,466,261
Current assets			
Cash and cash equivalents	16	2,429,898	903,263
Short-term bank deposits		145,463	173,934
Pledged short-term bank deposits	17	1,263,595	1,039,469
Inventories		993,347	769,435
Accounts receivable	18	1,142,788	834,460
Notes receivable	19	807,104	1,385,259
Other current assets	20	1,343,361	1,418,182
Income tax recoverable		961	—
		<hr/>	<hr/>
Total current assets		8,126,517	6,524,002

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

		(Unaudited)	(Audited)
		As at	As at
		30th June,	31st December,
		2014	2013
	Note	RMB'000	RMB'000
Current liabilities			
Accounts payable	21	3,168,605	2,990,627
Notes payable	22	2,071,779	1,298,253
Other current liabilities	23	849,005	940,226
Short-term bank borrowings	24	1,290,000	1,528,200
Income tax payable		33,955	35,212
		<hr/>	<hr/>
Total current liabilities		7,413,344	6,792,518
		<hr/>	<hr/>
Net current assets (liabilities)		713,173	(268,516)
		<hr/>	<hr/>
Total assets less current liabilities		15,823,039	12,197,745
		<hr/>	<hr/>
Non-current liabilities			
Deferred government grants		81,199	56,400
		<hr/>	<hr/>
Net assets		15,741,840	12,141,345
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Capital and reserves			
Share capital	25	395,877	395,877
Reserves	26	16,268,333	12,619,403
		<hr/>	<hr/>
Total equity attributable to equity holders of the Company		16,664,210	13,015,280
Non-controlling interests		(922,370)	(873,935)
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Total equity		15,741,840	12,141,345
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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	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, 2013	395,877	173,160	2,466,685	4,267	39,179	(537,584)	3,401	120,000	7,349,581	10,014,566	(816,094)	9,198,472
Profit for the period	-	-	-	-	-	-	-	-	2,029,873	2,029,873	(30,325)	1,999,548
Other comprehensive loss	-	-	-	-	-	-	-	-	-	(392,482)	-	(392,482)
Share of other comprehensive loss of a joint venture	-	(392,482)	-	-	-	-	-	-	-	-	-	(392,482)
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)	3,401	120,000	9,379,454	11,648,772	(846,419)	10,802,353

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

Six months ended 30th June, 2014 (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	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, 2014	395,877	193,605	2,465,685	4,047	39,179	(537,584)	3,401	120,000	10,330,070	13,015,280	(873,935)	12,141,345
Profit for the period	-	-	-	-	-	-	-	-	3,627,930	3,627,930	(48,435)	3,579,495
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	-	-	-	-
Share of other comprehensive income of a joint venture	-	22,180	-	-	-	-	-	-	-	22,180	-	22,180
Change in fair value of available-for-sale financial assets	-	-	-	(1,180)	-	-	-	-	-	(1,180)	-	(1,180)
	-	22,180	-	(1,180)	-	-	-	-	-	21,000	-	21,000
As at 30th June, 2014	395,877	215,785	2,465,685	2,887	39,179	(537,584)	3,401	120,000	13,968,000	16,664,210	(922,370)	15,741,840

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited)	
	For the six months ended	
	30th June,	
	2014	2013
	RMB'000	RMB'000
Net cash generated from (used in) operating activities	474,900	(234,856)
Net cash generated from (used in) investing activities	823,315	(204,910)
Net cash generated from financing activities	228,420	560,481
Increase in cash and cash equivalents	1,526,635	120,715
Cash and cash equivalents, as at 1st January	903,263	836,511
Cash and cash equivalents, as at 30th June	2,429,898	957,226

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, 2013, 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 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, 2013.

3. Adoption of new or amended HKFRSs

In the current period, the Group has applied for the first time the following new and revised standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual financial period beginning on 1st January, 2014.

HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments)	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities
HKAS 32 (Amendments)	Amendments to HKAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Amendments to HKAS 36 Impairment of Assets – Recoverable Amount Disclosure for Non-financial Assets
HKAS 39 (Amendments)	Amendments to HKAS 39 Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC) – Int 21	Levies

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

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

4. Segment information

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

The Group has identified the following reportable segments:

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

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

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

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

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

Revenue and results by reportable segments and reconciliation of segment results to profit before income tax expense for the period – for the six months ended 30th June, 2014

	(Unaudited)			
	Manufacture and sale of minibuses and automotive components <i>RMB'000</i>	Manufacture and sale of BMW vehicles <i>RMB'000</i>	Reconciliation to the Group's condensed income statements <i>RMB'000</i>	Total <i>RMB'000</i>
Segment sales	2,495,932	48,243,415	(48,243,415)	2,495,932
Segment results	(116,979)	9,886,571	(9,886,571)	(116,979)
Impairment losses on assets				(39,372)
Unallocated costs net of unallocated revenue				(17,106)
Interest income				23,351
Finance costs				(76,689)
Share of results of:				
Joint ventures	(1,897)	3,691,144	-	3,689,247
Associates	122,360	-	-	122,360
Profit before income tax expense				3,584,812

4. Segment information (Cont'd)

Revenue and results by reportable segments and reconciliation of segment results to profit before income tax expense for the period – for the six months ended 30th June, 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 income statements <i>RMB'000</i>	Total <i>RMB'000</i>
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)
Impairment losses on assets				(43,974)
Unallocated costs net of unallocated revenue				(28,174)
Interest income				23,902
Finance costs				(70,413)
Share of results of:				
Joint ventures	8,111	2,097,040	–	2,105,151
Associates	96,787	–	–	96,787
Profit before income tax expense				2,001,546

The assets and liabilities by reportable segments as at 30th June, 2014

(Unaudited)				
	Manufacture and sale of minibuses and automotive components <i>RMB'000</i>	Manufacture and sale of BMW vehicles <i>RMB'000</i>	Reconciliation to the Group's condensed statements of financial position <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	10,291,182	49,145,562	(49,145,562)	10,291,182
Interests in joint ventures	11,635	10,516,565	–	10,528,200
Interests in associates	1,371,875	–	–	1,371,875
Available-for-sale financial assets				18,500
Prepayments for a long-term investment				600,000
Advance to a shareholder of a related party				300,000
Unallocated assets				126,626
Total assets				23,236,383
Segment liabilities	7,486,608	28,112,432	(28,112,432)	7,486,608
Unallocated liabilities				7,935
Total liabilities				7,494,543

4. Segment information (Cont'd)

The assets and liabilities by reportable segments as at 31st December, 2013

(Audited)				
	Manufacture and sale of minibuses and automotive components <i>RMB'000</i>	Manufacture and sale of BMW vehicles <i>RMB'000</i>	Reconciliation to the Group's condensed statements of financial position <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	8,504,915	46,138,315	(46,138,315)	8,504,915
Interests in joint ventures	13,315	8,053,241	–	8,066,556
Interests in associates	1,351,686	–	–	1,351,686
Available-for-sale financial assets				19,680
Prepayments for a long-term investment				600,000
Advance to a shareholder of a related party				300,000
Unallocated assets				147,426
Total assets				18,990,263
Segment liabilities	6,839,010	30,031,833	(30,031,833)	6,839,010
Unallocated liabilities				9,908
Total liabilities				6,848,918

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,		
	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Charging:		
Impairment losses on:		
– Intangible assets (a)	–	1,129
– Accounts receivable (b)	355	–
– Other receivables (b)	2,844	2,845
– Amount due from an affiliated company (b)	36,173	40,000
Cost of inventories	2,321,109	2,255,536
Amortisation of intangible assets (a)	15,540	19,257
Depreciation of property, plant and equipment	48,273	49,185
Amortisation of land lease prepayments	729	729
Staff costs (including directors' emoluments) (Note 7)	363,777	325,357
Research and development costs (b)	2,478	128
Provision for inventories	–	42,296
Provision for warranty	13,570	14,315
Operating lease charges for land and buildings	12,156	20,324
Operating lease charges for machinery and equipment	–	869
Crediting:		
Gain on disposal of property, plant and equipment	1,767	2,434
Gain on deemed disposal of interest in a joint venture	–	9,961
Write back of provision for inventories sold	43,223	1,761

(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,	
	2014	2013
	RMB'000	RMB'000
Interest expense on:		
Bank loans wholly repayable within one year	49,466	43,170
Discounted bank guaranteed notes	35,858	35,229
	<hr/>	<hr/>
	85,324	78,399
Less: Interest expense capitalised in intangible assets and construction-in-progress at the rate of 6.6% per annum (2013: 6.6% per annum)	(8,635)	(7,986)
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	76,689	70,413
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7. Staff costs (including directors' emoluments)

	(Unaudited)	
	For the six months ended 30th June,	
	2014	2013
	RMB'000	RMB'000
Wages, salaries and performance related bonus	284,698	252,671
Pension costs – defined contribution plans	30,696	26,929
Staff welfare costs	48,383	45,757
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	363,777	325,357
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8. Income tax expense

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

Deferred tax in respect of tax losses and temporary differences is not recognised as it is not certain as to its recoverability.

9. **Dividends**

The directors declared a dividend of HK\$0.11 per share (2013: HK\$0.10 per share) at the board meeting held on 19th August, 2014.

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,	
	2014	2013
	'000	'000
Issued ordinary shares during the whole period	5,025,769	5,025,769
Weighted average number of ordinary shares for calculating basic earnings per share	5,025,769	5,025,769
Weighted average number of ordinary shares deemed issued under the Company's share option scheme	20,246	20,057
Weighted average number of ordinary shares for calculating diluted earnings per share	5,046,015	5,045,826

11. **Capital expenditures**

	(Unaudited)		
	Intangible assets	Property, plant and equipment	Land lease prepayments
	RMB'000	RMB'000	RMB'000
Net book value as at 1st January, 2014	669,912	1,685,758	61,053
Additions	87,330	196,102	–
Transfer	–	–	–
Disposals	–	(56,395)	–
Amortisation/Depreciation	(15,540)	(48,273)	(729)
Net book value as at 30th June, 2014	741,702	1,777,192	60,324

12. **Interests in joint ventures**

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2014	2013
	RMB'000	RMB'000
Share of net assets	10,528,200	8,066,556

13. **Interests in associates**

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2014	2013
	RMB'000	RMB'000
Share of net assets and goodwill		
– Associates listed in Hong Kong	768,076	723,595
– Unlisted associates	603,799	628,091
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	1,371,875	1,351,686
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Fair value of associates listed in Hong Kong	2,004,000	1,638,832
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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, 2014, 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, 2014 and 31st December, 2013, 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,
	2014	2013
	RMB'000	RMB'000
Equity investments		
– Unlisted, at cost	4,138	4,138
– Listed in Hong Kong, at fair value	14,362	15,542
	<hr/>	<hr/>
	18,500	19,680
	<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,
	2014	2013
	RMB'000	RMB'000
Issue of bank guaranteed notes to trade creditors (Note)	1,053,065	828,939
Bank loans granted to JinBei (Note 27(a))	210,530	210,530
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	1,263,595	1,039,469
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Note: In addition to short-term bank deposits, as at 30th June, 2014, the Group had also pledged bank guaranteed notes receivable from third parties and affiliated companies of approximately RMB75 million (As at 31st December, 2013: approximately RMB191 million) for issue of bank guaranteed notes.

18. Accounts receivable

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Accounts receivable	737,685	507,625
Accounts receivable from affiliated companies (Note 27(c))	405,103	326,835
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	1,142,788	834,460
	<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,
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Less than six months	430,155	464,541
Six months to one year	291,477	39,093
Above one year but less than two years	12,379	133
Two years or above	24,636	24,465
	<hr/>	<hr/>
	758,647	528,232
Less: Provision for doubtful debts	(20,962)	(20,607)
	<hr/>	<hr/>
	737,685	507,625
	<hr/>	<hr/>

As at 30th June, 2014, accounts receivable of RMB564 million (As at 31st December, 2013: RMB401 million) are mainly denominated in U.S. Dollar and the rest are 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 staffs monitor accounts receivable and follow 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,
	2014	2013
	RMB'000	RMB'000
Notes receivable	256,867	371,126
Notes receivable from affiliated companies (Note 27(d))	550,237	1,014,133
	<hr/>	
	807,104	1,385,259
	<hr/>	

All notes receivable are denominated in Renminbi and are primarily notes received from customers for settlement of accounts receivable balances. As at 30th June, 2014, all notes receivable were guaranteed by established banks in the PRC with maturities of less than six months from 30th June, 2014 (As at 31st December, 2013: Same).

20. Other current assets

		(Unaudited)	(Audited)
		As at	As at
		30th June,	31st December,
		2014	2013
	Note	RMB'000	RMB'000
Other receivables	20(a)	410,497	400,803
Prepayments and other current assets		116,490	72,566
Other taxes recoverable		11,029	726
Amounts due from affiliated companies	27(e)	805,345	944,087
		<hr/>	
		1,343,361	1,418,182
		<hr/>	

20(a). Other receivables

		(Unaudited)	(Audited)
		As at	As at
		30th June,	31st December,
		2014	2013
		RMB'000	RMB'000
Advance to SAIAM		300,000	300,000
Others		212,715	200,177
		<hr/>	
		512,715	500,177
Less: Provision for doubtful debts		(102,218)	(99,374)
		<hr/>	
		410,497	400,803
		<hr/>	

20(a). Other receivables (Cont'd)

All other receivables are denominated in Renminbi. SAIAM will become a subsidiary of the Group after the completion of the acquisition of SAIAM as detailed in note 14. The amount advanced to SAIAM will be settled upon the completion of the acquisition. In view of the substantial assets in JinBei possessed by SAIAM, the management considers the credit risk in recovering this amount is minimal.

The other items in other receivables mainly represent prepayments and deposits paid and advances to other third parties. The management considers the credit risks for the balances after the provision of impairment for doubtful debts to be minimal as these items are considered insignificant in amounts individually, and are recovered very shortly after they are incurred.

21. Accounts payable

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2014	2013
	RMB'000	RMB'000
Accounts payable	1,841,647	1,650,088
Accounts payable to affiliated companies (Note 27(f))	1,326,958	1,340,539
	<hr/>	<hr/>
	3,168,605	2,990,627
	<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,
	2014	2013
	RMB'000	RMB'000
Less than six months	1,476,842	1,413,042
Six months to one year	214,506	135,882
Above one year but less than two years	86,440	34,024
Two years or above	63,859	67,140
	<hr/>	<hr/>
	1,841,647	1,650,088
	<hr/>	<hr/>

22. Notes payable

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Notes payable	2,053,279	1,284,357
Notes payable to affiliated companies (Note 27(g))	18,500	13,896
	<hr/>	<hr/>
	2,071,779	1,298,253
	<hr/>	<hr/>

23. Other current liabilities

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Customer advances	64,122	76,088
Other payables	516,831	548,909
Accrued expenses and other current liabilities	53,598	78,016
Other taxes payable	64,364	88,793
Amounts due to affiliated companies (Note 27(h))	150,090	148,420
	<hr/>	<hr/>
	849,005	940,226
	<hr/>	<hr/>

24. Short-term bank borrowings

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Secured bank borrowings	70,000	88,200
Unsecured bank borrowings	1,220,000	1,440,000
	<hr/>	<hr/>
	1,290,000	1,528,200
	<hr/>	<hr/>

24. **Short-term bank borrowings (Cont'd)**

All short-term bank borrowings as at 30th June, 2014 are interest-bearing at rates ranging from 5.88% to 6.90% per annum (As at 31st December, 2013: 5.60% to 6.90% per annum) and repayable from 4th August, 2014 to 25th June, 2015 (As at 31st December, 2013: repayable from 8th January, 2014 to 13th November, 2014).

As at 30th June, 2014, bank borrowings of RMB70 million (At at 31st December, 2013: RMB88.2 million) are secured by the Group's buildings with net book values of approximately RMB46.6 million (As at 31st December, 2013: RMB47.9 million). As at 31st December, 2013, notes receivable of RMB60 million were also pledged for the bank borrowings.

25. **Share capital**

	(Unaudited)		(Audited)	
	As at 30th June, 2014		As at 31st December, 2013	
	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, 2014		As at 31st December, 2013	
	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. Reserves

	Hedging reserve	Share premium	Investment revaluation reserve	Difference		Share options reserve	Capital reserve	Retained earnings	Total
				Cumulative adjustments	arising from non-controlling interests				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note a)						(Note b)	(Note c)	
As at 1st January, 2013	173,160	2,466,685	4,267	39,179	(537,584)	3,401	120,000	7,349,581	9,618,689
Dividends	-	-	-	-	-	-	-	(393,711)	(393,711)
Total comprehensive income	20,445	-	(220)	-	-	-	-	3,374,200	3,394,425
As at 31st December, 2013	193,605	2,466,685	4,047	39,179	(537,584)	3,401	120,000	10,330,070	12,619,403
As at 1st January, 2014	193,605	2,466,685	4,047	39,179	(537,584)	3,401	120,000	10,330,070	12,619,403
Total comprehensive income	22,180	-	(1,180)	-	-	-	-	3,627,930	3,648,930
As at 30th June, 2014	215,785	2,466,685	2,867	39,179	(537,584)	3,401	120,000	13,958,000	16,268,333

- (a) Hedging reserve represents the Group's share of the hedging reserve in the equity of a joint venture. Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gains or losses on remeasurement of the derivative financial instrument to fair value are recognised in other comprehensive income and accumulated separately in equity in the hedging reserve.
- (b) In 2003, as approved by the board of directors of Shenyang XingYuanDong Automobile Component Co., Ltd. ("**Xing Yuan Dong**"), a subsidiary of the Company, in accordance with the relevant laws and regulations, dedicated capital of Xing Yuan Dong amounting to RMB120 million was released for capitalisation of paid up registered capital. Such release of dedicated capital is credited to the capital reserve.
- (c) The Group's retained earnings included an amount of approximately RMB1,206,000,000 (*As at 31st December, 2013: RMB1,198,000,000*) reserved by the subsidiaries in the PRC in accordance with the relevant PRC regulations. The PRC laws and regulations require companies registered in the PRC to allocate 10% of their profits after tax (determined under PRC GAAP) to their respective statutory reserves. No allocation to the statutory reserves is required after the balance of such reserve reaches 50% of the registered capital of the respective companies. The statutory surplus reserves shall only be used to make up losses, to expand production operations, or to increase registered capital.

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.

Name and relationship

Name	Relationship
Huachen Automotive Group Holdings Company Limited (" 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 certain directors 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.

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

- (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,	
	2014	2013
	RMB'000	RMB'000
Sales of goods:		
– Affiliated companies of JinBei	776	801
– Huachen and its affiliated companies	271,122	256,837
	<hr/>	<hr/>
Purchases of goods:		
– Affiliated companies of JinBei	258,417	238,393
– Huachen and its affiliated companies	287,979	311,942
	<hr/>	<hr/>
Sub-contracting charges to:		
– Huachen and its affiliated companies	13,867	17,162
	<hr/>	<hr/>

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, 2013: RMB600 million). As at 30th June, 2014, under the agreement, JinBei and its subsidiaries had outstanding bank loans and other banking facilities in the total amount of RMB536 million (As at 31st December, 2013: RMB526.5 million) of which RMB200 million (As at 31st December, 2013: RMB200 million) and RMB336 million (As at 31st December, 2013: RMB326.5 million) were supported by the Group's bank deposits pledged to and corporate guarantee provided to the banks, respectively.

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,	
	2014	2013
	RMB'000	RMB'000
Sales of goods:		
– Shanghai Shenhua and its affiliated companies	1,004,967	1,246,480
– Joint ventures	5,259	5,123
– Associates	64,249	65,006
Purchases of goods:		
– Joint ventures	88,478	93,804
– Associates	274,137	182,877
– Shanghai Shenhua and its affiliated companies	3,287	2,811
Operating lease rental on land and buildings charged by:		
– Shanghai Shenhua	296	296
– Huachen	2,477	2,477
Interest from a shareholder of an associate (<i>Note 27(e)</i>)	4,073	4,138

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, 2013: RMB100 million*) for revolving bank loans and bank guaranteed notes to Shanghai Shenhua. As at 30th June, 2014, RMB100 million (*As at 31st December, 2013: RMB60 million*) of this corporate guarantee was utilised by Shanghai Shenhua.

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

(c) As at 30th June, 2014, accounts receivable from affiliated companies consisted of the following:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Accounts receivable from related parties:		
– Shanghai Shenhua and its affiliated companies	15,010	10,416
– Affiliated companies of JinBei	47,080	11,713
– Huachen and its affiliated companies	325,877	289,520
– Associates	28,595	25,826
– Joint ventures	7,717	10,287
– An affiliated company of a shareholder of a joint venture	2,212	461
	<hr/>	<hr/>
	426,491	348,223
Less: Provision for doubtful debts	(21,388)	(21,388)
	<hr/>	<hr/>
	405,103	326,835
	<hr/>	<hr/>

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,
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Less than six months	227,247	217,767
Six months to one year	98,787	24,071
Above one year but less than two years	67,015	74,259
Two years or above	33,442	32,126
	<hr/>	<hr/>
	426,491	348,223
	<hr/>	<hr/>

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

(d) As at 30th June, 2014, notes receivable from affiliated companies arising from trading activities consisted of the following:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Notes receivable from related parties:		
– Affiliated companies of JinBei	1,432	3,369
– Shanghai Shenhua and its affiliated companies	426,947	818,456
– Associates	82,279	84,549
– A joint venture	2,550	–
– Huachen and its affiliated companies	37,029	106,998
– An affiliated company of a shareholder of a joint venture	–	761
	<hr/>	<hr/>
	550,237	1,014,133
	<hr/>	<hr/>

(e) As at 30th June, 2014, amounts due from affiliated companies consisted of:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due from related parties:		
– Joint ventures	88,114	97,191
– Associates	197,431	197,292
– Shanghai Shenhua	14,050	14,048
– Huachen and its affiliated companies	243,943	349,287
– A shareholder of an associate	294,425	288,239
– JinBei and its affiliated companies	59,530	54,005
	<hr/>	<hr/>
	897,493	1,000,062
Less: provision for doubtful debts	(92,148)	(55,975)
	<hr/>	<hr/>
	805,345	944,087
	<hr/>	<hr/>

Amounts due from affiliated companies are unsecured, interest-free and repayable on demand, except for the amount due from a shareholder of an associate, which is secured by all assets of that shareholder, interest-bearing at 3% per annum.

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

(f) As at 30th June, 2014, accounts payable to affiliated companies consisted of the following:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Accounts payable to related parties:		
– Associates	568,735	402,601
– A joint venture	69,854	104,882
– Huachen and its affiliated companies	353,893	415,843
– An affiliated company of BHL	33,829	33,829
– Shanghai Shenhua and its affiliated companies	29,307	104,452
– Affiliated companies of JinBei	271,337	278,929
– Affiliated companies of a shareholder of a joint venture	3	3
	<hr/>	<hr/>
	1,326,958	1,340,539
	<hr/>	<hr/>

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,
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Less than six months	1,155,806	1,152,712
Six months to one year	80,913	90,023
Above one year but less than two years	48,416	56,468
Two years or above	41,823	41,336
	<hr/>	<hr/>
	1,326,958	1,340,539
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27. **Connected and related party transactions (Cont'd)**

(g) As at 30th June, 2014, notes payable to affiliated companies arising from trading activities consisted of the following:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Notes payable to related parties:		
– Affiliated companies of JinBei	3,500	6,856
– A joint venture	10,000	–
– Associates	5,000	7,040
	<hr/>	<hr/>
	18,500	13,896
	<hr/>	<hr/>

(h) As at 30th June, 2014, amounts due to affiliated companies consisted of the following:

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due to related parties:		
– Associates	113,476	114,218
– Huachen and its affiliated companies	1,973	774
– Affiliated companies of BHL	27,984	27,947
– Affiliated companies of Shanghai Shenhua	3,905	3,895
– JinBei and its affiliates	2,732	1,566
– Other affiliated company	20	20
	<hr/>	<hr/>
	150,090	148,420
	<hr/>	<hr/>

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

(i) 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)**

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

	(Unaudited)	
	For the six months ended	
	30th June,	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Short-term employee benefits	10,703	10,730

- (k) Transactions and balances with other state-owned enterprises in the PRC

The Group operates in an economic environment predominated by government-related entities. During the period under review, the Group had entered into various transactions with government-related entities including, but not limited to, sales of minibuses and automotive components, purchases of raw materials and automotive components, and utilities services.

The directors consider that transactions with other government-related entities are activities in the ordinary course of the Group's business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and other government-related entities are ultimately controlled or owned by the PRC Government. The Group has also established pricing policies for products and services, and such pricing policies do not depend on whether or not the customers are government related entities. Having due regard to the substance of the relationships, the directors are of the opinion that none of these transactions are material related party transactions that require separate disclosure except for the transactions with government-related entities as disclosed above and majority parts of bank balances, short-term and pledged short-term deposits with bank borrowings, general banking facilities and utilities services from state-owned financial institutions. However, the Company adopts HKAS 24 which grants exemption on disclosure requirements about government-related entities. The directors are of the opinion that such transactions were conducted in the ordinary course of business and in accordance with normal commercial terms.

28. **Commitments**

- (a) **Capital commitments**

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted but not provided for:		
– Construction projects	10,574	113,630
– Acquisition of plant and machinery	385,831	457,603
– Others	4,765	35,583
	<u>401,170</u>	<u>606,816</u>
Authorised but not contracted for:		
– Construction projects and acquisition of plant and machinery	347,191	309,678

28. Commitments (Cont'd)

(b) Operating lease commitments

As at 30th June, 2014, 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,
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	19,032	22,065
In the second to fifth years inclusive	26,481	26,666
Over five years	9,496	19,007
	<hr/>	<hr/>
	55,009	67,738
	<hr/>	<hr/>

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 by our major operating subsidiaries such as Shenyang Brilliance JinBei Automobile Co., Ltd. ("**Shenyang Automotive**") and Shenyang XingYuanDong Automobile Component Co., Ltd.) for the first six months of 2014 was RMB2,495.9 million, representing a decrease of 3.0% from the RMB2,572.1 million generated during the same period in 2013. The decrease in revenue was primarily due to a change in the minibuses sales mix during the period, as well as a slight drop in the Haise minibus average selling prices.

Shenyang Automotive sold 35,675 minibuses in the first half of 2014, representing a 2.3% increase from the 34,888 units sold during the same period in 2013. Of these minibuses sold, 32,644 units were Haise minibuses, representing an increase of 11.1% from 29,382 units sold during the first six months of 2013. On the other hand, unit sales of the Granse MPV decreased by 45.0% from 5,506 units for the first half of 2013 to 3,031 units for the corresponding period in 2014. The decrease in the sales volume of the Granse products during the first half of 2014 was due to periodic plant closures for equipment and machinery overhaul in preparation for the production of new models in the future.

Unaudited cost of sales decreased by 0.8% from RMB2,296.1 million in the first six months of 2013 to RMB2,278.2 million for the same period in 2014. During the first six months of 2014, the Group's cost of sales had increased by 2.9% as a result of increases in production costs including staff costs. This increase was however partially offset by the write-back of a RMB43 million provision of impairment for inventories. As a result, the unaudited gross profit margin of the Group dropped to 8.7% in the first half of 2014 from 10.7% in the same period in 2013.

Unaudited other income increased by 136.8% from RMB11.5 million in the first six months of 2013 to RMB27.1 million for the same period in 2014. The increase was primarily led by increased sales of scrap materials in 2014.

Unaudited interest income decreased slightly by 2.3% from RMB23.9 million in the first six months of 2013 to RMB23.4 million for the same period in 2014 due to cash management reasons, as more cash was utilized resulting in less cash being placed in interest-bearing bank accounts during the first six months of 2014.

Unaudited selling expenses decreased by 6.4% from RMB246.1 million in the first half of 2013 to RMB230.5 million for the same period in 2014. Selling expense as a percentage of revenue also decreased from 9.6% to 9.2% between the two periods. The decrease was driven mainly by a decrease in advertising expenses on the promotion of existing minibus models during the period in 2014.

Unaudited general and administrative expenses decreased by 3.8% from RMB195.2 million in the first six months of 2013 to RMB187.9 million for the same period in 2014. The decrease was primarily due to a reduction in the impairment for doubtful debts to RMB39 million in the first half of 2014 from RMB44 million during the same period in 2013.

Unaudited finance costs increased by 8.9% from RMB70.4 million in the first six months of 2013 to RMB76.7 million for the same period in 2014, as a result of the relatively higher average borrowing level during the first half of 2014.

The Group's unaudited share of results of joint ventures increased by 75.2% from RMB2,105.2 million in the first half of 2013 to RMB3,689.2 million for the same period in 2014. This was primarily attributable to the increased profits contributed by BMW Brilliance Automotive Ltd. ("**BMW Brilliance**"), the Group's 50% indirectly-owned joint venture.

Unaudited net profit contributed to the Group by BMW Brilliance increased by 76.0% from RMB2,097.0 million in the first half of 2013 to RMB3,691.1 million for the same period this year. The BMW joint venture achieved sales of 140,012 BMW vehicles in the first six months of 2014, an increase of 32.5% as compared to 105,692 BMW vehicles sold in the same period in 2013. The sales volumes of the locally produced 3-series, 5-series and X1 achieved in the first six months of 2014 were 46,292 units, 71,702 units and 22,018 units, respectively, compared to 32,126 units, 63,536 units and 10,030 units, respectively, for the same period in 2013.

The Group's unaudited share of results of associates increased by 26.4% from RMB96.8 million in the first half of 2013 to RMB122.4 million in the corresponding period in 2014. This was primarily attributable to a 28.9% increase in the contribution from Shenyang Aerospace Mitsubishi Motors Engine Manufacturing Co., Ltd..

The Group's unaudited profit before income tax expense increased by 79.1% from RMB2,001.5 million in the first half of 2013 to RMB3,584.8 million for the same period in 2014. Unaudited income tax expense has increased by 166.1% from RMB2.0 million in the first half of 2013 to RMB5.3 million for the first half of 2014, due to the higher taxable profits of certain subsidiaries in the first half of 2014 when compared with the same period in 2013.

As a result of the above, the Group recorded an unaudited profit attributable to equity holders of the Company of RMB3,627.9 million for the first half of 2014, representing an increase of 78.7% from the RMB2,029.9 million realized for the same period in 2013. Unaudited basic earnings per share for the six months ended 30th June, 2014 amounted to RMB0.72187 compared to RMB0.40389 for the same period in 2013.

The Company has declared a dividend of HK\$0.11 per share (2013: HK\$0.10), amounting to a total of about HK\$552.9 million (2013: HK\$502.6 million).

Prospects

During the first six months of 2014, despite the slight slowdown of economic growth, China's automobile sector continued to grow steadily, realising total sales of 11.7 million units or an increase of 8.4% over the same period last year, according to the China Association of Automobile Manufacturers. Of these, 9.6 million units were passenger vehicles, representing a growth rate of 11.2% over the same period last year. The luxury passenger vehicle segment in China has maintained its growth momentum and continued to outperform the overall market, registering volume growth of over 20% during this period.

In the first six months of 2014 our BMW Brilliance joint venture (the "JV") again delivered remarkable results, showing a 76.0% increase in profit contribution in conjunction with a 32.5% increase in sales volume. The Group is proud of the milestones that the JV has achieved over the years, which was only made possible by the strong and successful cooperation between the shareholders BMW AG and Brilliance. In order to further crystalize this collaborative partnership over the long term, the shareholders had recently decided to extend, four years before the expiry of the original agreement, the term of the BMW Brilliance equity joint venture agreement by another ten years to 2028. The extension underscores the mutual trust and long-term commitment of both BMW AG and Brilliance in this Chinese joint venture. The extended tenure also served as the foundation for the decision to double the JV's range of locally produced BMW models from the current three to six over time.

In order to cater to expected market demand and additional future new products, the JV is pushing forward with its capacity expansion projects to bring total annual production capacity up to 400,000 units over the next two years. In addition, the new engine plant in Tiexi is also undergoing construction to enable local production of the new 3 and 4-cylinder BMW engines commencing in 2016.

On the new energy front, in the first half of 2014 BMW Brilliance started the planned rental business of its Zinoro 1E model, which is the first zero-emission electric vehicle made by a premium car manufacturer in China. Furthermore, the planned launch of the BMW 5-series plug-in hybrid by the JV towards the end of the year will also mark the introduction of the first locally produced NEV under the BMW brand. Additional NEV derivatives for other locally produced BMW models are also under review at present. All these efforts underpin BMW Brilliance's commitment to long-term success and to the future of local NEV R&D and sustainable mobility development in China.

The strong sales momentum of the JV's products will continue to be supported by the rapid rollout of its dealer network, which had reached 431 outlets nationwide as at June 30, 2014. With such a vast distribution network, BMW Brilliance is redirecting additional resources and renewed focus on the cultivation of competencies in dealer network management and aftersale service provision. Our JV's sales activities are also supported by the BMW auto finance company which is expected to continue to contribute profits to the JV.

Recent regulatory developments in the Chinese premium auto segment will pose challenges to participants in the market. In preparation for further competition in the premium segment, the JV continues to implement various operational and cost saving measures, while the shareholders are considering strategic measures and potential future opportunities to support further growth of BMW Brilliance, all in an effort to attain long-term sustainability and to properly position the JV to meet future market changes and challenges.

As for the minibus business, the new premium MPV model co-developed with our strategic partners and external consultants will be unveiled at the end of 2014. The year 2014 will remain challenging for this business, and it is likely that the minibus operation will continue to create a negative impact to the Group's overall financial performance for the year. In addition to the new model being developed, the Group is concurrently upgrading its existing minibus and MPV models in order to provide better and improved products to the market.

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

Liquidity and Financial Resources

As at 30th June, 2014, the Group had RMB2,429.9 million in cash and cash equivalents (*As at 31st December, 2013: RMB903.3 million*), RMB145.5 million in short-term bank deposits (*As at 31st December, 2013: RMB173.9 million*) and RMB1,263.6 million in pledged short-term bank deposits (*As at 31st December, 2013: RMB1,039.5 million*). The Group had notes payable in the amount of RMB2,071.8 million (*As at 31st December, 2013: RMB1,298.3 million*) and outstanding short-term bank borrowings of RMB1,290.0 million (*As at 31st December, 2013: RMB1,528.2 million*), but had no long-term bank borrowings outstanding as at 30th June, 2014 (*As at 31st December, 2013: Nil*).

Capital Structure and Funding Policies

As at 30th June, 2014, the Group's total assets was RMB23,236.4 million (*As at 31st December, 2013: RMB18,990.3 million*), which was funded by the following: (a) share capital of RMB395.9 million (*As at 31st December, 2013: RMB395.9 million*), (b) reserves of RMB16,268.3 million (*As at 31st December, 2013: RMB12,619.4 million*), (c) total liabilities of RMB7,494.5 million (*As at 31st December, 2013: RMB6,848.9 million*) and (d) non-controlling interests of RMB922.4 million (*As at 31st December, 2013: RMB873.9 million*).

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

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

New Business and New Products

To meet the changing customer demands and to strengthen our market position in the PRC, the Group will continue to evaluate, on an ongoing basis, the development of new MPV models, upgrading of existing products and expansion of its product portfolio.

The Group is currently in the process of developing a new premium MPV model and certain upgrades of existing minibus products.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries and Associated Companies

There were no significant investments held, nor were there any material acquisitions or disposals of subsidiaries and associated companies during the six months ended 30th June, 2014.

Employees and Remuneration Policy

The Group employed approximately 7,000 employees as at 30th June, 2014 (*30th June, 2013: Approximately 6,400*). Employee costs amounted to RMB363.8 million for the six months ended 30th June, 2014 (*Six months ended 30th June, 2013: RMB325.4 million*). The Group will endeavour to ensure that the salary levels of its employees are in line with industry practices and prevailing market conditions, and that employees' remuneration is based on performance. In addition, employees are eligible for share options under the share option scheme adopted by the Company.

Charge on Assets

As at 30th June, 2014, bank borrowings of RMB70 million (*At at 31st December, 2013: RMB88.2 million*) are secured by the Group's buildings with net book values of approximately RMB46.6 million (*As at 31st December, 2013: RMB47.9 million*). As at 31st December, 2013, notes receivable of RMB60 million were also pledged for the bank borrowings.

In addition, as at 30th June, 2014, the Group pledged short-term bank deposits of RMB1,053.1 million (*As at 31st December, 2013: RMB828.9 million*) for issue of bank guaranteed notes to trade creditors and of RMB210.5 million (*As at 31st December, 2013: RMB210.5 million*) to secure bank loans granted to a related party of the Group.

As at 30th June, 2014, the Group had also pledged bank guaranteed notes receivable from third parties and affiliated companies of approximately RMB75 million (*As at 31st December, 2013: Approximately RMB191 million*) for issue of bank guaranteed notes.

Future Plans for Material Investments or Capital Assets

Apart from those disclosed herein, there was no plan authorised by the board of directors of the Company (the "Board") for other material investments or additions of capital assets as at the date of this report.

Gearing Ratio

As at 30th June, 2014, the gearing ratio, computed by dividing total liabilities by total equity attributable to equity holders of the Company, was approximately 0.45 (*As at 31st December, 2013: 0.53*). 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

As the overseas sales of the Group increases, the Group considers that exchange rate fluctuations may have started to have some effect on the overall financial performance of the Group, but it is at a manageable level. 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, 2014 (*As at 30th June, 2013: 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, 2013: RMB600 million*). As at 30th June, 2014, under the agreement, JinBei and its subsidiaries had outstanding bank loans and other banking facilities in the total amount of RMB536 million (*As at 31st December, 2013: RMB526.5 million*) of which RMB200 million (*As at 31st December, 2013: RMB200 million*) and RMB336 million (*As at 31st December, 2013: RMB326.5 million*) were supported by the Group's bank deposits pledged to and corporate guarantee provided to the banks, respectively.

In addition, the Group had provided a corporate guarantee in the maximum amount of RMB100 million (*As at 31st December, 2013: RMB100 million*) for revolving bank loans and bank guaranteed notes to Shanghai Shenhua Holdings Co., Ltd. ("**Shanghai Shenhua**"). As at 30th June, 2014, RMB100 million (*As at 31st December, 2013: RMB60 million*) of this corporate guarantee was utilised by Shanghai Shenhua.

DIVIDEND

The Board is pleased to declare a dividend of HK\$0.11 per ordinary share of the Company to shareholders whose names appear on the register of members of the Company as at 17th October, 2014 (2013: HK\$0.10). The dividend is expected to be paid on or about 28th October, 2014.

CLOSURE OF REGISTER OF MEMBERS

The Hong Kong branch register of members of the Company will be closed from Wednesday, 15th October, 2014 to Friday, 17th October, 2014, both dates inclusive, during which period no transfer of shares will be registered. The record date for the dividend is Friday, 17th October, 2014. In order to qualify for the dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 14th October, 2014.

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

As at 30th June, 2014, 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 Automotive Group Holdings Company Limited (Note 2)	2,135,074,988 ordinary	42.48	—	—	—	—
Templeton Asset Management Ltd. (Note 3)	905,463,031 ordinary	18.02	—	—	—	—

Notes:

1. The percentage of shareholding is calculated on the basis of 5,025,769,388 ordinary shares in issue as at 30th June, 2014.
2. The 2,135,074,988 shares in long position were held in the capacity as beneficial owner.
3. The 905,463,031 shares in long position were held in the capacity as investment manager.

Save as disclosed herein, as at 30th June, 2014, 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, 2014, 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 (0.08%) (Note 3)
Mr. Wang Shiping	Personal	–	–	–	1,500,000 (0.02%) (Note 3)
Mr. Lei Xiaoyang	Personal	300,000 ordinary	–	0.005%	1,500,000 (0.02%) (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, 2014.
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, 2014.
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
			Long Position	Short Position	
Mr. Wu Xiao An	Xinchen China Power Holdings Limited ("Power Xinchen")	Trustee and interest in a controlled corporation (Note 2)	71,191,090 ordinary	–	5.52%
		Beneficial interest (in the fixed trust) (Note 3)	4,992,025 ordinary	–	0.38%
		Beneficial interest (in shares) (Note 4)	3,328,016 ordinary	–	0.25%

(Note 1)

Notes:

1. The percentage of shareholding is calculated on the basis of 1,287,407,794 shares in issue of Power Xinchen as at 30th June, 2014.
2. As at 30th June, 2014, Power Xinchen was indirectly held as to 31.07% by the Company. The 71,191,090 shares in long position are interests of a fixed trust and a discretionary trust under an incentive scheme of Power Xinchen. These two trusts altogether held 71,191,090 shares of Power Xinchen. Mr. Wu Xiao An is one of the trustees of the aforementioned trusts. Mr. Wu also held 50% interests in Lead In Management Limited which is also a trustee of the two trusts. Accordingly, Mr. Wu is deemed or taken to be interested in the 71,191,090 shares of Power Xinchen, representing approximately 5.52% of its issued share capital as at 30th June, 2014.
3. Mr. Wu Xiao An is a beneficial owner of 4,992,025 shares of Power Xinchen, representing approximately 0.38% of its issued share capital as at 30th June, 2014, held under the fixed trust referred to in note (2) above.
4. Mr. Wu Xiao An held 3,328,016 shares of Power Xinchen in the capacity of beneficial owner, representing approximately 0.25% of its issued share capital as at 30th June, 2014.

Save as disclosed above, as at 30th June, 2014, 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, 2014 is set out below:

Category and name of participants	Date of grant	Number of share options					Outstanding as at 30th June, 2014	Option period	Subscription price per share (HK\$)
		Outstanding as at 1st January, 2014	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, 2014, no expenses were recognised by the Group for the period under review (*Six months ended 30th June, 2013: Nil*).

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June, 2014.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Maintaining an effective corporate governance framework is one of the priorities of the Company. The Company has complied with the code provisions set out in Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) throughout the six months ended 30th June, 2014.

Major updates

There have not been material changes to the information disclosed in the Company’s 2013 annual report in respect of our corporate governance practices. Major updates since the 2013 annual report are summarised below.

Retirement of directors

Code provision A.4.2 states that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. 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, then the number nearest to but not greater than one-third (or in such other manner of rotation as may be required by the Listing Rules), shall retire from office by rotation.

To comply with the code provision A.4.2 and in accordance with bye-law 99, Mr. Lei Xiaoyang, Mr. Song Jian and Mr. Jiang Bo retired by rotation at the annual general meeting of the Company held on 30th May, 2014 (the “**2014 AGM**”).

Pursuant to code provision A.4.3 of Appendix 14 to the Listing Rules, serving more than 9 years could be relevant to the determination of a non-executive director’s independence. If an independent non-executive director serves more than 9 years, his further appointment will be subject to a separate resolution to be approved by shareholders.

Our independent non-executive directors, Mr. Song Jian and Mr. Jiang Bo, were first appointed on 17th September, 2004 and 27th September, 2004, respectively and have been continuously served as independent non-executive directors for about 9 years. In accordance with code provision A.4.3, each of Mr. Song Jian and Mr. Jiang Bo has sought shareholders’ approval for further appointment by way of a separate resolution at the 2014 AGM. Reasons why the Board believed Mr. Song Jian and Mr. Jiang Bo are still independent were set out in the circular issued by the Company dated 17th April, 2014.

Each of Mr. Lei Xiaoyang, Mr. Song Jian and Mr. Jiang Bo were re-elected as directors of the Company by shareholders of the Company at the 2014 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 an independent non-executive director, and (d) Mr. Song Jian, a member of the aforementioned three board committees and an independent non-executive director, attended the 2014 AGM to answer questions from shareholders. In addition, all other directors of the Company also attended the 2014 AGM.

Pursuant to the code provision E.1.2, the Company has invited representatives of the external auditors of the Company to attend the 2014 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 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, 2014.

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, 2014.

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
Brilliance China Automotive Holdings Limited
Wu Xiao An
(also known as Ng Siu On)
Chairman

Hong Kong, 19th August, 2014