Brilliance Auto
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BRILLIANCE CHINA AUTOMOTIVE HOLDINGS LIMITED

(華晨中國汽車控股有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1114)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2016

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, 2016. The unaudited consolidated interim financial statements have been reviewed by the audit committee of the Board.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

		(Unaudited) For the six months ended 30th June,	
		2016	2015
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**2,485,687**	2,058,285
Cost of sales		**(2,427,024)**	(1,946,758)
Gross profit		**58,663**	111,527
Other income		**37,205**	9,902
Interest income		**24,654**	42,749
Selling expenses		**(261,176)**	(203,725)
General and administrative expenses		**(160,481)**	(188,468)
Finance costs		**(70,772)**	(74,464)
Share of results of:			
Joint ventures		**1,905,948**	2,047,257
Associates		**148,763**	109,586
Profit before income tax expense	*5*	**1,682,804**	1,854,364
Income tax expense	*6*	**(5,281)**	(19,297)
Profit for the period		**1,677,523**	1,835,067

* *For identification purposes only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Cont'd)
(Expressed in thousands of RMB except for earnings per share amounts)

		(Unaudited) For the six months ended 30th June,	
		2016	2015
	Note	***RMB'000***	*RMB'000*
Attributable to:			
Equity holders of the Company		**1,801,901**	1,910,480
Non-controlling interests		**(124,378)**	(75,413)
		1,677,523	1,835,067
Earnings per share	*7*		
– Basic		**RMB0.35782**	RMB0.38014
– Diluted		**RMB0.35709**	RMB0.37861

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited) For the six months ended 30th June,	
	2016	2015
	RMB'000	*RMB'000*
Profit for the period	**1,677,523**	1,835,067
Other comprehensive income (expense), net of tax		
Item which may be subsequently reclassified to profit or loss:		
Change in fair value of available-for-sale financial assets	**(22,354)**	48,944
Item which will not be reclassified to profit or loss:		
Share of comprehensive income (expense) of a joint venture	**869,575**	(738,635)
Other comprehensive income (expense), net of tax	**847,221**	(689,691)
Total comprehensive income for the period	**2,524,744**	1,145,376
Attributable to:		
Equity holders of the Company	**2,649,122**	1,220,789
Non-controlling interests	**(124,378)**	(75,413)
	2,524,744	1,145,376

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**(Unaudited) As at 30th June, 2016** *RMB'000*	(Audited) As at 31st December, 2015 *RMB'000*
Non-current assets			
Intangible assets		**1,381,986**	1,423,193
Property, plant and equipment		**1,785,479**	1,743,057
Construction-in-progress		**329,962**	299,057
Land lease prepayments		**85,828**	86,847
Interests in joint ventures		**15,787,011**	14,011,488
Interests in associates		**1,596,166**	1,577,712
Prepayments for long-term investments		**600,000**	600,000
Available-for-sale financial assets		**34,995**	57,349
Long-term loan receivables		**191,869**	85,417
Other non-current assets		**14,893**	13,170
Total non-current assets		**21,808,189**	19,897,290
Current assets			
Cash and cash equivalents		**1,753,434**	1,070,876
Short-term bank deposits		**242,864**	676,013
Pledged short-term bank deposits		**1,619,054**	1,325,528
Inventories		**1,059,344**	1,211,004
Accounts receivable	*9*	**1,515,977**	1,444,708
Notes receivable		**576,511**	312,486
Other current assets		**1,540,903**	1,134,369
Total current assets		**8,308,087**	7,174,984

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

	Note	**(Unaudited) As at 30th June, 2016** *RMB'000*	(Audited) As at 31st December, 2015 *RMB'000*
Current liabilities			
Accounts payable	*10*	**3,153,860**	3,038,018
Notes payable		**2,752,539**	2,157,010
Other current liabilities		**1,231,513**	1,074,225
Short-term bank borrowings		**1,235,000**	1,585,000
Income tax payable		**18,265**	17,632
Total current liabilities		**8,391,177**	7,871,885
Net current liabilities		**(83,090)**	(696,901)
Total assets less current liabilities		**21,725,099**	19,200,389
Non-current liabilities			
Deferred government grants		**132,370**	136,708
Net assets		**21,592,729**	19,063,681
Capital and reserves			
Share capital		**396,644**	395,877
Reserves		**22,152,327**	19,499,668
Total equity attributable to equity holders of the Company		**22,548,971**	19,895,545
Non-controlling interests		**(956,242)**	(831,864)
Total equity		**21,592,729**	19,063,681

NOTES:

1. ORGANISATION AND OPERATIONS

The Company was incorporated in Bermuda on 9th June, 1992 as an exempted company with limited liability. The Company's shares are traded on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The principal activities of the Group are set out in note 4 to this results announcement.

2. STATEMENT OF COMPLIANCE AND ACCOUNTING POLICIES

These interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), the Hong Kong Accounting Standard ("**HKAS**") 34 "Interim financial reporting" and other relevant HKASs and Interpretations and the Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

These interim financial statements have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31st December, 2015, except for the adoption of the new and revised HKFRSs (which include individual HKFRSs, HKASs and interpretations) as disclosed in note 3 to this results announcement.

These interim financial statements are unaudited and do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31st December, 2015.

3. ADOPTION OF NEW OR AMENDED HKFRSs

In the current period, the Group has applied for the first time the following new and revised standards, amendments and interpretations (the "**new HKFRSs**") issued by the HKICPA, which are relevant to and are effective for the Group's financial statements for the annual financial period beginning on 1st January, 2016.

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

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

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

4. SEGMENT INFORMATION

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

The Group has identified the following reportable segments:

– Manufacture and sale of minibuses and automotive components; and

– Manufacture and sale of BMW vehicles.

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

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

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

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

Revenue and results by reportable segments and reconciliation of segment results to profit before income tax expense for the period – for the six months ended 30th June, 2016

	(Unaudited)			
	Manufacture and sale of minibuses and automotive components *RMB'000*	**Manufacture and sale of BMW vehicles** *RMB'000*	**Reconciliation to the Group's condensed statement of profit or loss** *RMB'000*	**Total** *RMB'000*
Segment sales	**2,485,687**	**44,680,356**	**(44,680,356)**	**2,485,687**
Segment results	**(310,239)**	**5,091,707**	**(5,091,707)**	**(310,239)**
Impairment losses on assets				**(7,969)**
Unallocated costs net of unallocated revenue				**(7,581)**
Interest income				**24,654**
Finance costs				**(70,772)**
Share of results of:				
Joint ventures	**(2,055)**	**1,908,003**	**–**	**1,905,948**
Associates	**148,763**	**–**	**–**	**148,763**
Profit before income tax expense				**1,682,804**

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, 2015

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

The assets and liabilities by reportable segments as at 30th June, 2016

	(Unaudited)			
	Manufacture and sale of minibuses and automotive components ***RMB'000***	**Manufacture and sale of BMW vehicles** ***RMB'000***	**Reconciliation to the Group's condensed statement of financial position** ***RMB'000***	**Total** ***RMB'000***
Segment assets	**11,728,923**	**63,677,320**	**(63,677,320)**	**11,728,923**
Interests in joint ventures	**7,639**	**15,779,372**	**–**	**15,787,011**
Interests in associates	**1,596,166**	**–**	**–**	**1,596,166**
Available-for-sale financial assets				**34,995**
Prepayments for a long-term investment				**600,000**
Advance to a shareholder of a related party				**300,000**
Unallocated assets				**69,181**
Total assets				**30,116,276**
Segment liabilities	**8,515,041**	**32,118,575**	**(32,118,575)**	**8,515,041**
Unallocated liabilities				**8,506**
Total liabilities				**8,523,547**

4. SEGMENT INFORMATION (Cont'd)

The assets and liabilities by reportable segments as at 31st December, 2015

	(Audited)			
	Manufacture and sale of minibuses and automotive components *RMB'000*	Manufacture and sale of BMW vehicles *RMB'000*	Reconciliation to the Group's condensed statement of financial position *RMB'000*	Total *RMB'000*
Segment assets	10,438,762	66,200,422	(66,200,422)	10,438,762
Interests in joint ventures	9,704	14,001,784	–	14,011,488
Interests in associates	1,577,712	–	–	1,577,712
Available-for-sale financial assets				57,349
Prepayments for long-term investments				600,000
Advance to a shareholder of a related party				300,000
Unallocated assets				86,963
Total assets				27,072,274
Segment liabilities	7,999,111	38,196,856	(38,196,856)	7,999,111
Unallocated liabilities				9,482
Total liabilities				8,008,593

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,	
	2016	2015
	RMB'000	*RMB'000*
Charging:		
Impairment losses on:		
– Accounts receivable *(b)*	**–**	348
– Other receivables *(b)*	**4,587**	174
– Loan receivables *(b)*	**3,382**	–
Cost of inventories	**2,435,401**	1,950,427
Amortisation of intangible assets *(a)*	**65,607**	13,443
Depreciation of property, plant and equipment	**62,853**	61,767
Amortisation of land lease prepayments	**1,019**	729
Staff costs (including directors' emoluments)	**411,562**	394,302
Research and development costs *(b)*	**2,590**	3,303
Provision for warranty	**12,291**	10,994
Operating lease charges for land and buildings	**13,003**	11,262
Loss on disposal of property, plant and equipment	**299**	98
Crediting:		
Write back of provision for accounts receivable	**94**	–
Write back of provision for other receivables	**4,500**	–
Write back of provision for loan receivables	**617**	–
Write back of provision for inventories sold	**8,376**	3,669

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

(b) Included in general and administrative expenses.

6. INCOME TAX EXPENSE

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

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

7. 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,	
	2016	2015
	'000	*'000*
Issued shares as at 1st January,	**5,025,769**	5,025,769
Effect of share options exercised	**10,019**	–
Weighted average number of ordinary shares for calculating basic earnings per share	**5,035,788**	5,025,769
Weighted average number of ordinary shares deemed issued under the Company's share option scheme	**10,337**	20,332
Weighted average number of ordinary shares for calculating diluted earnings per share	**5,046,125**	5,046,101

8. DIVIDEND

The directors declared a dividend of HK$0.11 per share *(2015: HK$0.11 per share)* totaling HK$554,122,000 *(2015: HK$552,835,000)* at the board meeting held on 26th August, 2016.

9. ACCOUNTS RECEIVABLE

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2016	2015
	RMB'000	*RMB'000*
Accounts receivable	**487,218**	597,983
Accounts receivable from affiliated companies	**1,028,759**	846,725
	1,515,977	1,444,708

9. **ACCOUNTS RECEIVABLE (Cont'd)**

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

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2016	2015
	RMB'000	*RMB'000*
Less than six months	**218,215**	235,945
Six months to one year	**33,994**	11,282
Above one year but less than two years	**218,992**	335,768
Two years or above	**37,572**	36,637
	508,773	619,632
Less: Provision for doubtful debts	**(21,555)**	(21,649)
	487,218	597,983

As at 30th June, 2016, accounts receivable from third parties in the amount of RMB260 million *(as at 31st December, 2015: RMB401 million)* were mainly denominated in U.S. Dollar and the rest were denominated in Renminbi. The Group's credit policy is to offer credit to customers following a financial assessment and with reference to the payment record. In order to minimise credit risk, credit history and background of new customers and debtors are checked and security deposits or letters of credit are usually obtained from major customers. Credit limits with credit terms of 30 days to 90 days are set for PRC customers and customers considered to be high risk are traded on cash basis or upon receipt of bank guaranteed notes or letters of credit. For overseas customers, since settlements must be made by letters of credit, credit periods up to one year are granted. Designated staff monitors accounts receivable and follow up collection with customers.

10. **ACCOUNTS PAYABLE**

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2016	2015
	RMB'000	*RMB'000*
Accounts payable	**1,920,483**	1,774,284
Accounts payable to affiliated companies	**1,233,377**	1,263,734
	3,153,860	3,038,018

10. ACCOUNTS PAYABLE (Cont'd)

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

	(Unaudited) As at 30th June, 2016 *RMB'000*	(Audited) As at 31st December, 2015 *RMB'000*
Less than six months	**1,438,574**	1,358,896
Six months to one year	**310,782**	222,421
Above one year but less than two years	**53,796**	63,462
Two years or above	**117,331**	129,505
	1,920,483	1,774,284

11. CONTINGENCIES

Pursuant to an agreement entered into between a member of the Group and Shenyang JinBei Automotive Co., Ltd. ("**JinBei**"), both parties agreed to provide cross guarantees to support each other in obtaining banking facilities up to a maximum amount of RMB600 million for each party *(as at 31st December, 2015: RMB600 million)* for the period from 1st January, 2016 to 31st December, 2016. As at 30th June, 2016, under this agreement, JinBei and its subsidiaries had outstanding bank loans and other banking facilities totalling RMB520 million *(as at 31st December, 2015: RMB530 million)* of which RMB200 million *(as at 31st December, 2015: RMB200 million)* and RMB320 million *(as at 31st December, 2015: RMB330 million)* were supported by the Group's bank deposits pledged to and corporate guarantee provided to the banks, respectively.

In addition, the Group had provided a corporate guarantee up to a maximum amount of RMB60 million *(as at 31st December, 2015: RMB60 million)* for the period from 1st January, 2016 to 31st December, 2016 for revolving bank loans and bank guaranteed notes to Shanghai Shenhua Holdings Co., Ltd. ("**Shanghai Shenhua**"). As at 30th June, 2016, RMB60 million *(as at 31st December, 2015: RMB60 million)* of this corporate guarantee was fully utilised by Shanghai Shenhua.

MANAGEMENT'S DISCUSSION & ANALYSIS

Business Discussion and Analysis

The unaudited consolidated net sales of 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 2016 was RMB2,485.7 million, representing an increase of 20.8% from the RMB2,058.3 million for the same period in 2015. The increase in revenue was primarily driven by increases in the sales volumes of Granse and Huasong, both of which are high end products compared to Haise, and an increase in the sale of automotive components.

Shenyang Automotive sold 31,547 minibuses and MPVs in the first half of 2016, representing a 4.5% increase from the 30,190 units sold during the same period in 2015. Of these, 24,768 units were Haise minibuses, representing a decrease of 8.4% from 27,046 units sold during the first six months of 2015. The decrease in the sales volume of Haise during the first half of 2016 was primarily caused by intense price competition from other minibuses manufacturers in the similar market sector for lower end minibuses. On the other hand, sales volume of the Granse products increased by 75.3% from 3,005 units for the first half of 2015 to 5,267 units for the corresponding period in 2016. The increase was a result of price repositioning initiations undertaken by the Group during the period. In addition, Shenyang Automotive also sold 1,512 units of the new Huasong 7 MPV during the first six months of 2016, compared to 139 units during the period from its launch in March 2015 to June 2015.

Unaudited cost of sales increased by 24.7% from RMB1,946.8 million in the first six months of 2015 to RMB2,427.0 million for the same period in 2016. The proportionally higher increase in cost of sales as compared to the increase in revenue during the first half of 2016 was mainly due to a higher amortisation of intangible assets in relation to Huasong recorded during the period. As a result, the unaudited gross profit margin of the Group dropped to 2.4% in the first half of 2016 from 5.4% in the same period in 2015.

Unaudited other income increased by 2.8 times from RMB9.9 million in the first six months of 2015 to RMB37.2 million for the same period in 2016. The increase was primarily due to an increase in government grants received during the period, as well as an increase in exchange gains from the translation of foreign currency denominated balances as a result of RMB depreciation.

Unaudited interest income decreased by 42.3% from RMB42.7 million in the first six months of 2015 to RMB24.7 million for the same period in 2016 due to lower cash balances kept in fixed deposits and a decrease in interest rates during the period.

Unaudited selling expenses increased by 28.2% from RMB203.7 million in the first half of 2015 to RMB261.2 million for the same period in 2016. The increase in selling expenses was driven mainly by an increase in advertising activities to promote the Huasong 7 MPV. Selling expense as a percentage of revenue increased from 9.9% to 10.5% between the two periods for the same reason.

Unaudited general and administrative expenses decreased by 14.9% from RMB188.5 million in the first six months of 2015 to RMB160.5 million for the same period in 2016 due to the fact that certain startup costs related to the establishment of Brilliance-BEA Auto Finance Co., Ltd recorded in the six months period ended 30th June, 2015 have not recurred this year, and also as a result of administrative cost controls implemented during the same period in 2016.

Unaudited finance costs decreased by 5.0% from RMB74.5 million for the first six months of 2015 to RMB70.8 million for the same period in 2016, as a result of a decrease in bank borrowings and bank borrowing interest rates.

The Group's unaudited share of results of joint ventures decreased by 6.9% from RMB2,047.3 million in the first half of 2015 to RMB1,905.9 million for the same period in 2016. This was primarily attributable to decreased profits contributed by BMW Brilliance, the Group's 50% indirectly-owned joint venture.

Unaudited net profit contributed to the Group by BMW Brilliance decreased by 6.9% from RMB2,050.0 million in the first half of 2015 to RMB1,908.0 million for the same period this year. The BMW joint venture achieved sales of 142,220 BMW vehicles in the first six months of 2016, an increase of 1.7% as compared to 139,775 BMW vehicles sold in the same period in 2015. The sales volumes of the locally produced 3-series, 5-series and X1 achieved in the first six months of 2016 were 49,580 units, 69,430 units and 17,698 units, respectively, compared to 48,009 units, 72,421 units and 19,345 units, respectively, for the same period in 2015. The new locally produced 2-series active tourer was launched in March 2016 and achieved sales volume of 5,512 units during the period. The drop in the net profit contributed by BMW Brilliance during the six months ended 30th June, 2016 was caused by the incurrence of upfront expenditures for production start-ups of new vehicles and capacity expansion measures, as well as higher selling and marketing expenses incurred during the first half of 2016.

The Group's unaudited share of results of associates increased by 35.8% from RMB109.6 million in the first half of 2015 to RMB148.8 million in the corresponding period in 2016. This was primarily attributable to an increase in the contribution from Shenyang Aerospace Mitsubishi Motors Engine Manufacturing Co., Ltd. during the first six months of 2016 as a result of strong customer demand for certain engine models.

The Group's unaudited profit before income tax expense decreased by 9.3% from RMB1,854.4 million in the first half of 2015 to RMB1,682.8 million for the same period in 2016. Unaudited income tax expense has decreased by 72.6% from RMB19.3 million in the first half of 2015 to RMB5.3 million for the corresponding period in 2016, due to the booking of an income tax provision during the first six months of 2015.

As a result of the above, the Group recorded an unaudited profit attributable to equity holders of the Company of RMB1,801.9 million for the first half of 2016, representing a decrease of 5.7% from the RMB1,910.5 million for the same period in 2015. Unaudited basic earnings per share for the six months ended 30th June, 2016 amounted to RMB0.35782 compared to RMB0.38014 for the same period in 2015.

The Company declared a dividend of HK$0.11 per share *(2015: same)*, amounting to a total of about HK$554.1 million for the year *(2015: HK$552.8 million)*.

Prospects

Following the deceleration of China's economic growth in 2015 and a difficult year for the auto industry, the Chinese auto market demonstrated tremendous resilience under this challenging environment during the first six months of 2016. According to the China Association of Automobile Manufacturers, during the six months period ended 30th June, 2016, a total of 12.8 million vehicles were sold in China, representing an increase of 8.1% over the same period last year. Of these, 11.0 million units were passenger vehicles, representing a growth rate of 9.2% over the same period last year. The premium passenger vehicle segment had once again outperformed the overall passenger vehicle market, delivering volume growth of around 13% during this period.

Since the beginning of the year, our BMW Brilliance joint venture ("**BBA**" or the "**JV**") had been busy preparing itself for its new production and product launches. The capacity expansion project at the Tiexi plant was completed at the start of the year with the addition of an all-new front-wheel-drive production platform. Together with the Dadong plant, the JV has now reached total annual production capacity of over 400,000 units providing for products of different architectures. In addition, the new engine plant in Tiexi had also commenced operation at the beginning of the year, enabling local production of the brand new 3 and 4-cylinder BMW engines in the JV. These new facilities will support the JV's multiple new product launch cycle starting in 2016 with the new 2-series active tourer and the next generation X1 long-wheelbase which were introduced to the market in March and May of 2016, respectively.

During the first half of 2016, BBA recorded sales of 142,220 units of BMW vehicles, representing an increase of 1.7% when compared to the same period last year. The 3-series continued to show growth while the 2-series active tourer contributed newly added volume, which had more than compensated for the drop in X1 and 5-series volumes during this period due mainly to life cycle reasons. With the new X1 now in the market, the JV expects X1 sales to pick up speed over the remaining of the year. The JV also has measures in place to upkeep the 5-series' competitiveness for the remaining of the year.

BBA has continued to expand its dealer network which had reached 435 full service 4S shops nationwide as at 30th June, 2016. The JV continues to work closely with its sales organization on all fronts in an effort to sustain the profitability of both the JV and its dealers. Our JV's sales activities will continue to be supported by the BMW auto finance company which has continued to contribute to the profits of the JV so far.

Despite a normalizing market, Brilliance continues to be confident about the long-term growth prospects of the Chinese premium auto industry, and believes the new products to be introduced by BBA over the next few years will broaden and also better tailor our product portfolio to the Chinese consumers' preferences. Concurrently, the topics of cost reduction, streamlining of operation, sales volume enhancement, component localization, and further integration of our JV into the BMW network via potential exports of vehicles and components from China will all remain key focus areas for the JV's ongoing operation.

As for the minibus business, the new premium Huasong MPV model has entered the second year of its life cycle. Sales during the first six months of 2016 was unexciting, as further efforts are still required in promoting brand recognition and re-evaluating market opportunities. At the same time, the Group continues to produce facelift versions of its existing minibus and MPV models in order to make them more competitive. The Group is also considering potential strategic moves to turnaround its minibus operation over time. However, it is likely that the minibus and MPV operation will continue to create a negative impact to the Group's overall financial performance for the whole year.

The remaining months of 2016 will continue to be very challenging for the Group. Maintaining the prominent position of BMW Brilliance in the premium auto market remains the Group's business priority. Apart from that, the Group also continues to look for new business opportunities as well as ways to further streamline its existing operation and corporate structure to support its business growth.

Liquidity and Financial Resources

As at 30th June, 2016, the Group had RMB1,753.4 million in cash and cash equivalents *(as at 31st December, 2015: RMB1,070.9 million)*, RMB242.9 million in short-term bank deposits *(as at 31st December, 2015: RMB676 million)* and RMB1,619.1 million in pledged short-term bank deposits *(as at 31st December, 2015: RMB1,325.5 million)*. As at 30th June, 2016, the Group had notes payable in the amount of RMB2,752.5 million *(as at 31st December, 2015: RMB2,157 million)*.

As at 30th June, 2016, the Group had outstanding short-term bank borrowings of RMB1,235 million *(as at 31st December, 2015: RMB1,585 million)* and did not have any long-term bank borrowings outstanding *(as at 31st December, 2015: nil)*.

All short-term bank borrowings as at 30th June, 2016 were due within one year, being repayable from 3rd July, 2016 to 27th June, 2017 *(as at 31st December, 2015: repayable from 13th January, 2016 to 10th November, 2016)*. As at 30th June, 2016, these borrowings were at fixed interest rates and were denominated in Renminbi *(as at 31st December, 2015: same)*.

Capital Structure and Funding Policies

As at 30th June, 2016, the Group's total assets was RMB30,116.3 million *(as at 31st December, 2015: RMB27,072.3 million)*, which was funded by the following: (a) share capital of RMB396.6 million *(as at 31st December, 2015: RMB395.9 million)*, (b) reserves of RMB22,152.3 million *(as at 31st December, 2015: RMB19,499.7 million)*, (c) total liabilities of RMB8,523.5 million *(as at 31st December, 2015: RMB8,008.6 million)* and (d) negative contribution from non-controlling interests of RMB956.2 million *(as at 31st December, 2015: RMB831.9 million)*.

As at 30th June, 2016, 93.26% *(as at 31st December, 2015: 90.3%)* of the Group's cash and cash equivalents (comprising cash on hand, bank balances and demand deposits within 3 months of maturity when acquired) were denominated in Renminbi, whereas 2.87% *(as at 31st December, 2015: 7.32%)* were denominated in U.S. Dollar. The remaining balance of 3.87% *(as at 31st December, 2015: 2.38%)* were denominated in other currencies.

Apart from the borrowings, banking facilities have been put in place for contingency purposes. As at 30th June, 2016, the Group's total available banking facilities for its daily operations amounted to RMB373.5 million *(as at 31st December, 2015: RMB268.4 million)* without any committed banking facilities.

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

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

Capital Expenditure and Commitments

For the first six months of 2016, the Group incurred capital expenditure of RMB161.4 million *(six months ended 30th June, 2015: RMB222.3 million)* mainly for the acquisition of tools and moulds, machinery and equipment, and development costs for minibuses.

As at 30th June, 2016, the Group's capital commitments, including those authorised but not yet contracted for, amounted to RMB555.6 million *(as at 31st December, 2015: RMB321.6 million)*. Among such capital commitments, contracted capital commitments amounted to RMB441.3 million *(as at 31st December, 2015: RMB261.8 million)*, which was primarily capital expenditure in respect of construction projects and acquisition of plant and machinery.

New Business and New Products

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

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

There were no significant investments held, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30th June, 2016.

Employees, Remuneration Policy and Training Programmes

The Group employed approximately 7,330 employees as at 30th June, 2016 *(as at 30th June, 2015: approximately 6,940)*. Employee costs amounted to RMB411.6 million for the six months ended 30th June, 2016 *(six months ended 30th June, 2015: RMB394.3 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.

To enhance the overall quality and professional expertise standard of all employees, the Group provides training to its employees from time to time. Shenyang Automotive has developed and implemented "Methods for Training Management" (《培訓管理辦法》), and developed a training system and workflow incorporating induction training for new employees, training for personnel of special positions, management training, professional expertise training and quality training. The programmes cover a broad spectrum of topics such as professional skills, quality and ability, working efficiency, team cooperation, ethics and professional conduct. Employees are encouraged to attend training sessions to acquire the latest industry information and knowledge, new trends in vocational area and new information via different learning media including internet, in-house classes and external seminars, so as to enhance their ability and work quality.

Charge on Assets

As at 30th June, 2016, bank borrowings of RMB130 million *(as at 31st December, 2015: RMB110 million)* were secured by the Group's buildings with net book values of approximately RMB123.2 million *(as at 31st December, 2015: RMB110.2 million)*.

In addition, as at 30th June, 2016, the Group pledged short-term bank deposits of RMB1,408.5 million (*as at 31st December, 2015: RMB1,115 million)* for issue of bank guaranteed notes to trade creditors, and RMB210.5 million *(as at 31st December, 2015: RMB210.5 million*) to secure bank loans granted to a related party of the Group.

As at 30th June, 2016, the Group had also pledged bank guaranteed notes receivable from third parties and affiliated companies of approximately RMB59 million *(as at 31st December, 2015: approximately RMB66.5 million)* for issue of bank guaranteed notes.

Future Plans for Material Investments or Additions of Capital Assets

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

Gearing Ratio

As at 30th June, 2016, the gearing ratio, computed by dividing total liabilities by total equity attributable to equity holders of the Company, was approximately 0.38 *(as at 31st December, 2015: 0.40)*. The decrease in the gearing ratio was primarily due to higher comprehensive income attributable to equity holders of the Company generated during the period.

Foreign Exchange Risks

Despite a decrease in the overseas sales of the Group, the Group considers that exchange rate fluctuations may have some effect on the overall financial performance of the Group but it is still at a manageable level. The Group will continue to monitor the situation and may consider entering into hedging arrangements in order to minimise foreign exchange risks, if and when necessary. There were no outstanding hedging transactions as at 30th June, 2016 *(as at 30th June, 2015: nil)*.

Contingent Liabilities

Details of the contingent liabilities are set out in note 11 to this results announcement.

DIVIDEND

The Board is pleased to declare a dividend of HK$0.11 per ordinary share of the Company to shareholders whose names appear on the register of members of the Company as at 13th October, 2016 *(2015: HK$0.11 per ordinary share)*. The dividend is expected to be paid on Friday, 28th October, 2016.

CLOSURE OF REGISTER OF MEMBERS

The Hong Kong branch register of members of the Company will be closed from Tuesday, 11th October, 2016 to Thursday, 13th October, 2016, both dates inclusive, during which period no transfer of shares will be registered. The record date for the dividend is Thursday, 13th October, 2016. 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 Friday, 7th October, 2016.

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, 2016.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Maintaining an effective corporate governance framework is one of the priorities of the Company. The Company has complied with the code provisions set out in Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the six months ended 30th June, 2016.

There have not been material changes to the information disclosed in the Company's 2015 annual report in respect of our corporate governance practices. Major updates since the 2015 annual report are summarised in the 2016 interim report to be sent to shareholders of the Company.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the unaudited consolidated interim financial statements of the Group for the six months ended 30th June, 2016.

At present, the audit committee comprises Mr. Xu Bingjin, Mr. Song Jian and Mr. Jiang Bo, all of whom are independent non-executive directors of the Company. Mr. Xu Bingjin is the chairman of the audit committee.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises three executive directors, Mr. Wu Xiao An (also known as Mr. Ng Siu On) *(Chairman)*, Mr. Qi Yumin *(Chief Executive Officer)* and Mr. Wang Shiping; one non-executive director, Mr. Lei Xiaoyang; and three independent non-executive directors, Mr. Xu Bingjin, Mr. Song Jian and Mr. Jiang Bo.

By Order of the Board
Brilliance China Automotive Holdings Limited
Wu Xiao An
(also known as Ng Siu On)
Chairman

Hong Kong, 26th August, 2016