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# Brilliance Auto

華 晨 汽 車

## 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, 2009

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, 2009. 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<br>ended 30th June, |                    |
|                                      |      | 2009                                   | 2008               |
|                                      | Note | RMB'000                                | RMB'000            |
| <b>Turnover</b>                      | 4    | <b>5,398,166</b>                       | 5,210,123          |
| Cost of sales                        |      | <u>(5,319,356)</u>                     | <u>(4,920,828)</u> |
| <b>Gross profit</b>                  |      | <b>78,810</b>                          | 289,295            |
| Other revenue                        | 4    | <b>138,023</b>                         | 105,267            |
| Interest income                      | 4    | <b>43,791</b>                          | 50,886             |
| Selling expenses                     |      | <b>(309,274)</b>                       | (226,711)          |
| General and administrative expenses  |      | <b>(352,151)</b>                       | (202,344)          |
| Staff share option costs             |      | —                                      | (856)              |
| Impairment loss on intangible assets |      | <b>(302,450)</b>                       | —                  |
| Other operating expenses             |      | <b>(48,002)</b>                        | (68,567)           |

|  |             | <b>(Unaudited)</b>         |                   |
|--|-------------|----------------------------|-------------------|
|  |             | <b>For the six months</b>  |                   |
|  |             | <b>ended 30th June,</b>    |                   |
|  |             | <b>2009</b>                | <b>2008</b>       |
|  | <i>Note</i> | <b>RMB'000</b>             | <b>RMB'000</b>    |
| Finance costs, net   |             | <b>(128,931)</b>           | (46,872)          |
| Share of results of:   |             |                            |                   |
| Associates   |             | <b>(906)</b>               | 14,217            |
| Jointly controlled entities  |             | <b>123,873</b>             | 114,940           |
| Gain on fair value of embedded derivative components<br>of convertible bonds |             | <u>—</u>                   | <u>215,035</u>    |
| <b>(Loss) Profit before taxation</b>   | 5           | <b>(757,217)</b>           | 244,290           |
| Taxation   | 6           | <u><b>(29,923)</b></u>     | <u>(24,609)</u>   |
| <b>(Loss) Profit for the period</b>  |             | <u><b>(787,140)</b></u>    | <u>219,681</u>    |
| <b>(Loss) Profit for the period attributable to:</b>                         |             |                            |                   |
| Equity holders of the Company  |             | <b>(386,008)</b>           | 282,943           |
| Minority interests   |             | <u><b>(401,132)</b></u>    | <u>(63,262)</u>   |
|  |             | <u><b>(787,140)</b></u>    | <u>219,681</u>    |
| Dividends  |             | <u>—</u>                   | <u>—</u>          |
| Basis (loss) earnings per share  | 7           | <u><b>RMB(0.09729)</b></u> | <u>RMB0.07710</u> |
| Diluted earnings per share   | 7           | <u><b>N/A</b></u>          | <u>RMB0.07704</u> |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|  | <b>(Unaudited)</b>             |                       |
|--|--------------------------------|-----------------------|
|  | <b>For the six months</b>      |                       |
|  | <b>ended 30th June,</b>        |                       |
|  | <b>2009</b>                    | <b>2008</b>           |
|  | <b>RMB'000</b>                 | <b>RMB'000</b>        |
| <b>(Loss) Profit for the period</b>                          | <u><b>(787,140)</b></u>        | <u>219,681</u>        |
| <b>Other comprehensive income, net of tax</b>                |                                |                       |
| Available-for-sale financial assets                          | <b>15,093</b>                  | 4,126                 |
| Share of comprehensive income of a jointly controlled entity | <u><b>61,220</b></u>           | <u>33,702</u>         |
| <b>Other comprehensive income, net of tax</b>                | <u><b>76,313</b></u>           | <u>37,828</u>         |
| <b>Total comprehensive (loss) income for the period</b>      | <u><u><b>(710,827)</b></u></u> | <u><u>257,509</u></u> |
| <b>Total comprehensive (loss) income attributable to:</b>    |                                |                       |
| Equity holders of the Company                                | <b>(310,307)</b>               | 320,436               |
| Minority interests   | <u><b>(400,520)</b></u>        | <u>(62,927)</u>       |
|  | <u><u><b>(710,827)</b></u></u> | <u><u>257,509</u></u> |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|   | (Unaudited)              | (Audited)               |
|---|--------------------------|-------------------------|
|   | As at                    | As at                   |
|   | 30th June,               | 31st December,          |
|   | 2009                     | 2008                    |
| <i>Note</i>                                   | <i>RMB'000</i>           | <i>RMB'000</i>          |
| <b>Non-current assets</b>                     |                          |                         |
| Intangible assets                             | 804,676                  | 1,075,393               |
| Goodwill                                      | 295,529                  | 295,529                 |
| Property, plant and equipment                 | 3,887,442                | 3,881,856               |
| Construction-in-progress                      | 210,187                  | 264,482                 |
| Land lease prepayments                        | 171,144                  | 115,104                 |
| Interests in associates                       | 391,899                  | 393,052                 |
| Interests in jointly controlled entities      | 1,488,947                | 1,381,024               |
| Prepayments for a long-term investment        | 600,000                  | 600,000                 |
| Available-for-sale financial assets           | 30,726                   | 15,633                  |
| Advances to an affiliated company             | 46,942                   | 51,470                  |
| Other non-current assets                      | <u>10,017</u>            | <u>10,435</u>           |
| <b>Total non-current assets</b>               | <u><b>7,937,509</b></u>  | <u><b>8,083,978</b></u> |
| <b>Current assets</b>                         |                          |                         |
| Cash and cash equivalents                     | 964,165                  | 1,243,861               |
| Short-term bank deposits                      | 761,907                  | 692,000                 |
| Pledged short-term bank deposits              | 3,298,149                | 2,456,095               |
| Inventories                                   | 1,861,504                | 1,869,202               |
| Accounts receivable                           | 8                        | 888,730                 |
| Accounts receivable from affiliated companies | 543,114                  | 671,680                 |
| Notes receivable                              | 585,195                  | 259,208                 |
| Notes receivable from affiliated companies    | 14,710                   | 707,363                 |
| Other receivables                             | 569,176                  | 205,199                 |
| Dividend receivable from affiliated companies | 165,137                  | 465,397                 |
| Prepayments and other current assets          | 306,483                  | 86,673                  |
| Income tax recoverable                        | 24                       | 373,944                 |
| Other taxes recoverable                       | 21,735                   | —                       |
| Advances to affiliated companies              | <u>130,761</u>           | <u>172,747</u>          |
| <b>Total current assets</b>                   | <u><b>10,110,790</b></u> | <u><b>9,231,062</b></u> |

|   |             | (Unaudited)<br>As at<br>30th June,<br>2009<br>RMB'000 | (Audited)<br>As at<br>31st December,<br>2008<br>RMB'000 |
|---|-------------|---|---|
|   | <i>Note</i> |   |   |
| <b>Current liabilities</b>  |             |   |   |
| Accounts payable  | 9           | 3,120,849   | 2,323,702   |
| Accounts payable to affiliated companies                          |             | 1,235,144   | 603,416   |
| Notes payable   |             | 5,079,794   | 4,803,364   |
| Notes payable to affiliated companies                             |             | 3,577   | 43,863  |
| Customer advances   |             | 363,898   | 354,768   |
| Other payables  |             | 859,684   | 773,232   |
| Dividends payable   |             | 2,882   | 2,882   |
| Accrued expenses and other current liabilities                    |             | 57,093  | 57,381  |
| Short-term bank borrowings  |             | 866,000   | 499,781   |
| Income tax payable  |             | 36,289  | 25,867  |
| Other taxes payable   |             | 91,102  | 84,540  |
| Advances from affiliated companies                                |             | 70,796  | 73,123  |
| Convertible bonds   |             | <u>11,164</u>   | <u>1,403,248</u>  |
| <b>Total current liabilities</b>                                  |             | <u>11,798,272</u>                                     | <u>11,049,167</u>                                       |
| <b>Net current liabilities</b>                                    |             | <u>(1,687,482)</u>                                    | <u>(1,818,105)</u>                                      |
| <b>Total assets less current liabilities</b>                      |             | <u>6,250,027</u>                                      | <u>6,265,873</u>  |
| <b>Non-current liabilities</b>                                    |             |   |   |
| Deferred government grants  |             | 77,811  | 79,460  |
| Advances and loans from affiliated companies                      |             | <u>521,783</u>  | <u>319,158</u>  |
| <b>Total non-current liabilities</b>                              |             | <u>599,594</u>  | <u>398,618</u>  |
| <b>Net assets</b>   |             | <u>5,650,433</u>                                      | <u>5,867,255</u>  |
| <b>Capital and reserves</b>                                       |             |   |   |
| Share capital   |             | 393,176   | 303,488   |
| Share premium   |             | 2,444,747   | 2,040,430   |
| Reserves  |             | <u>3,399,497</u>                                      | <u>3,709,804</u>  |
| <b>Total equity attributable to equity holders of the Company</b> |             | <u>6,237,420</u>                                      | <u>6,053,722</u>  |
| Minority interests  |             | <u>(586,987)</u>                                      | <u>(186,467)</u>  |
| <b>Total equity</b>   |             | <u>5,650,433</u>                                      | <u>5,867,255</u>  |

## 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 Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's American depository shares ("ADSs") were delisted from The New York Stock Exchange Inc. in 2007 and the ordinary shares underlying its ADSs were de-registered under the United States Securities Exchange Act of 1934, as amended, on 1st June, 2009.

### 2. STATEMENT OF COMPLIANCE AND ACCOUNTING POLICIES

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

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31st December, 2008, except for the adoption of the new and revised HKFRSs (which include individual Hong Kong Financial Reporting Standards, HKASs and interpretations) as disclosed in note 3 to these interim financial statements.

These interim financial statements are prepared on the basis that the Group is a going concern in view of the net current liabilities position at 30th June, 2009. The Company's controlling shareholder, Huachen Automotive Group Holdings Company Limited ("Huachen"), agrees to provide adequate financial support to the Group if necessary. Together with the revolving bank loan facilities from the support of the Group's bankers in China, the directors consider that the Group will have sufficient cash resources to satisfy its future working capital needs and other funding requirements, and therefore going concern basis is appropriate for the preparation of these interim 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, 2008.

### 3. ADOPTION OF NEW OR AMENDED HKFRSs

In the current period, the Group has applied for the first time the following new and revised HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual financial period beginning on or after 1st January, 2009:

- HKAS 1 (Revised) Presentation of financial statements
- HKAS 23 (Revised) Borrowing costs
- HKFRS 1 and HKAS 27 (Amendments) Cost of an investment in a subsidiary, jointly controlled entity or an associate
- HKFRS 7 (Amendments) Financial instruments: Disclosures
- HKFRS 2 (Amendments) Share-based payment — Vesting conditions and cancellations

- HKFRS 8 Operating segments
- HKAS 32 Financial instruments: Presentation and HKAS 1 Puttable financial instruments and obligations arising on liquidation
- HK(IFRIC) - Int 9 and HKAS 39 Embedded derivatives (Amendments)
- HK(IFRIC) - Int 13 Customer Loyalty Programmes
- HK(IFRIC) - Int 15 Agreements for the construction of real estate
- HK(IFRIC) - Int 16 Hedges of a net investment in a foreign operation
- Improvements to HKFRSs 2008

Other than as set out below, the adoption of these new and revised HKFRSs has had no material effect on these interim financial statements.

#### *HKAS 1 (Revised) Presentation of financial statements*

The adoption of HKAS 1 (Revised) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. However, some items that were recognized directly in equity are now recognized in other comprehensive income. HKAS 1 affects the presentation of owner changes in equity and introduces a "Statement of comprehensive income". Comparatives have been restated to conform with this revised standard.

#### *HKFRS 8 Operating segments*

The adoption of HKFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information are now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. Comparatives are restated on a consistent basis with this new standard.

#### *Annual improvements to HKFRSs 2008*

In October 2008, the HKICPA issued its first annual improvements to HKFRSs which set out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. The adoption of these improvements has no material impact to the Group's financial statements.

The Group has not early adopted the following new/revised standards and interpretations that have been issued but not yet effective for the accounting period ending 31st December, 2009. The Group is in the process of assessing the impact of these new/revised standards and interpretations to the Group's results of operations and financial position in the period of initial application.

|                      |   |
|----------------------|---|
| HKFRSs (Amendments)  | Improvements to HKFRSs 2008 <sup>1</sup>                    |
| HKFRSs (Amendments)  | Improvements to HKFRSs 2009 <sup>2</sup>                    |
| HKAS 27 (Revised)    | Consolidated and separate financial statements <sup>3</sup> |
| HKAS 39 (Amendments) | Eligible hedged items <sup>3</sup>                          |
| HKFRS 1 (Revised)    | First-time adoption of HKFRSs <sup>3</sup>                  |
| HKFRS 3 (Revised)    | Business combinations <sup>3</sup>                          |
| HK(IFRIC)–Int 17     | Distribution of non-cash assets to owners <sup>3</sup>      |
| HK(IFRIC)–Int 18     | Transfer of assets from customers <sup>4</sup>              |

<sup>1</sup> Amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009

<sup>2</sup> Effective for annual periods beginning on or after 1st July, 2009 or 1st January, 2010 as appropriate

<sup>3</sup> Effective for annual periods beginning on or after 1st July, 2009

<sup>4</sup> Effective for transfers of assets from customers received on or after 1st July, 2009

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other revised standards, amendments and interpretations will have no material impact on how the results and financial position of the Group are prepared and presented.

#### 4. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacture and sale of (1) minibuses and automotive components; and (2) Zhonghua sedans in the People's Republic of China (the "PRC").

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

|   | <b>(Unaudited)</b>             |                         |
|---|--------------------------------|-------------------------|
|   | <b>For the six months</b>      |                         |
|   | <b>ended 30th June,</b>        |                         |
|   | <b>2009</b>                    | <b>2008</b>             |
|   | <b>RMB'000</b>                 | <b>RMB'000</b>          |
| Turnover                                    |                                |                         |
| Sale of minibuses and automotive components | <b>2,775,533</b>               | 2,605,053               |
| Sale of Zhonghua sedans                     | <b>2,622,633</b>               | 2,605,070               |
|   | <b><u>5,398,166</u></b>        | <u>5,210,123</u>        |
| Other revenue                               |                                |                         |
| Subsidy income                              | <b>39,768</b>                  | 34,589                  |
| Exchange gain                               | <b>14,829</b>                  | —                       |
| Others                                      | <b>83,426</b>                  | 70,678                  |
|   | <b><u>138,023</u></b>          | <u>105,267</u>          |
| Interest income                             | <b><u>43,791</u></b>           | <u>50,886</u>           |
| Total revenue                               | <b><u><u>5,579,980</u></u></b> | <u><u>5,366,276</u></u> |

On adoption of HKFRS 8 Operating segments, the Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation to the Group's business components and review of these components' performance. The business components in the internal reporting to the executive directors are determined following the Group's major product lines. The Group has identified the following reportable segments:

- Manufacture and sale of minibuses and automotive components
- Manufacture and sale of Zhonghua sedans
- Manufacture and sale of BMW sedans through BMW Brilliance Automotive Ltd. ("BMW Brilliance"), a jointly controlled entity of the Group

Each of these operating segments is managed separately as each of these product lines requires different resources as well as marketing approaches. The adoption of HKFRS 8 has not changed the identified operating segments for the Group.

The measurement policies the Group adopts for segment reporting under HKFRS 8 are the same as those used in its HKFRS financial statements, except that certain items are not included in arriving at the operating results of the operating segments (eg., interest income, finance costs, fair value gain on embedded derivative components of convertible bonds and taxation, etc.)

Segment assets include all assets except listed available-for-sale assets and corporate assets which are not directly attributable to the business activities of any operating segment.

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

**Revenue and loss by reportable segments and reconciliation of segment results to loss for the period — for the six months ended 30th June, 2009**

|  | <b>(Unaudited)</b>   |  |   |                          |
|--|--|--|---|--------------------------|
|  | <b>Manufacture<br/>and sale of<br/>minibuses and<br/>automotive<br/>components<br/>RMB'000</b> | <b>Manufacture<br/>and sale of<br/>Zhonghua<br/>sedans<br/>RMB'000</b> | <b>Manufacture<br/>and sale of<br/>BMW sedans<br/>RMB'000</b> | <b>Total<br/>RMB'000</b> |
| Segment sales                                | 2,887,328  | 2,734,771  | —   | 5,622,099                |
| Inter-segment sales                          | <u>(111,795)</u>   | <u>(112,138)</u>   | <u>—</u>  | <u>(223,933)</u>         |
| Segment sales to external customers          | <u>2,775,533</u>   | <u>2,622,633</u>   | <u>—</u>  | <u>5,398,166</u>         |
| Segment results                              | <u>161,299</u>   | <u>(934,772)</u>   | <u>116,106</u>  | <u>(657,367)</u>         |
| Unallocated costs net of unallocated revenue |  |  |   | (14,710)                 |
| Interest income                              |  |  |   | 43,791                   |
| Finance costs, net                           |  |  |   | <u>(128,931)</u>         |
| Loss before taxation                         |  |  |   | (757,217)                |
| Taxation                                     |  |  |   | <u>(29,923)</u>          |
| Loss for the period                          |  |  |   | <u><u>(787,140)</u></u>  |

Revenue and profit by reportable segments and reconciliation of segment results to profit for the period — for the six months ended 30th June, 2008

|  | (Unaudited)   |  |  |                         |
|--|---|--|--|-------------------------|
|  | Manufacture<br>and sale of<br>minibuses and<br>automotive<br>components<br><i>RMB'000</i> | Manufacture<br>and sale of<br>Zhonghua<br>sedans<br><i>RMB'000</i> | Manufacture<br>and sale of<br>BMW sedans<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
| Segment sales  | 2,678,721   | 2,605,070  | —  | 5,283,791               |
| Inter-segment sales  | <u>(73,668)</u>   | <u>—</u>   | <u>—</u>   | <u>(73,668)</u>         |
| Segment sales to external customers  | <u>2,605,053</u>  | <u>2,605,070</u>   | <u>—</u>   | <u>5,210,123</u>        |
| Segment results  | <u>162,412</u>  | <u>(226,180)</u>   | <u>109,604</u>   | 45,836                  |
| Unallocated costs net of unallocated revenue                                 |   |  |  | (20,595)                |
| Interest income  |   |  |  | 50,886                  |
| Finance costs, net   |   |  |  | (46,872)                |
| Gain on fair value of embedded derivative<br>components of convertible bonds |   |  |  | <u>215,035</u>          |
| Profit before taxation   |   |  |  | 244,290                 |
| Taxation   |   |  |  | <u>(24,609)</u>         |
| Profit for the period  |   |  |  | <u><u>219,681</u></u>   |

The assets and liabilities by reportable segments at 30th June, 2009

|                                    | (Unaudited)   |  |  |                          |
|------------------------------------|---|--|--|--------------------------|
|                                    | Manufacture<br>and sale of<br>minibuses and<br>automotive<br>components<br><i>RMB'000</i> | Manufacture<br>and sale of<br>Zhonghua<br>sedans<br><i>RMB'000</i> | Manufacture<br>and sale of<br>BMW sedans<br><i>RMB'000</i> | Total<br><i>RMB'000</i>  |
| Assets by reportable segments      | <u>7,213,364</u>  | <u>8,644,128</u>   | <u>1,140,261</u>   | <u>16,997,753</u>        |
| Unallocated assets                 |   |  |  | <u>1,050,546</u>         |
| Total assets of the Group          |   |  |  | <u><u>18,048,299</u></u> |
| Liabilities by reportable segments | <u>6,032,872</u>  | <u>6,342,056</u>   | <u>—</u>   | <u>12,374,928</u>        |
| Unallocated liabilities            |   |  |  | <u>22,938</u>            |
| Total liabilities of the Group     |   |  |  | <u><u>12,397,866</u></u> |

The assets and liabilities by reportable segments at 31st December, 2008

|                                    | (Audited)   |  |  |                          |
|------------------------------------|---|--|--|--------------------------|
|                                    | Manufacture<br>and sale of<br>minibuses and<br>automotive<br>components<br><i>RMB'000</i> | Manufacture<br>and sale of<br>Zhonghua<br>sedans<br><i>RMB'000</i> | Manufacture<br>and sale of<br>BMW sedans<br><i>RMB'000</i> | Total<br><i>RMB'000</i>  |
| Assets by reportable segments      | <u>6,570,502</u>  | <u>8,670,016</u>   | <u>1,041,398</u>   | 16,281,916               |
| Unallocated assets                 |   |  |  | <u>1,033,124</u>         |
| Total assets of the Group          |   |  |  | <u><u>17,315,040</u></u> |
| Liabilities by reportable segments | <u>4,414,398</u>  | <u>5,612,737</u>   | <u>—</u>   | 10,027,135               |
| Unallocated liabilities            |   |  |  | <u>1,420,650</u>         |
| Total liabilities of the Group     |   |  |  | <u><u>11,447,785</u></u> |

## 5. (LOSS) PROFIT BEFORE TAXATION

(Loss) Profit before taxation is stated after charging and crediting the following:

|   | (Unaudited)                            |                |
|---|--|----------------|
|   | For the six months<br>ended 30th June, |                |
|   | 2009                                   | 2008           |
|   | <i>RMB'000</i>                         | <i>RMB'000</i> |
| <u>Charging:</u>                                  |  |                |
| Cost of inventories                               | 5,348,529                              | 4,939,246      |
| Amortisation of intangible assets (a)             | 80,116                                 | 74,561         |
| Depreciation of property, plant and equipment     | 150,380                                | 136,153        |
| Amortisation of land lease prepayments            | 3,590                                  | 1,828          |
| Provision for inventories                         | —                                      | 1,084          |
| Staff costs (including directors' emoluments)     | 277,606                                | 253,109        |
| Provision for doubtful debts                      | 85,592                                 | 4,117          |
| Research and development costs (b)                | 61,930                                 | 7,052          |
| Provision for warranty                            | —                                      | 25,862         |
| Operating lease charges in respect of:            |  |                |
| — land and buildings                              | 5,751                                  | 7,470          |
| — machinery and equipment                         | 259                                    | 43             |
| Exchange loss, net (c)                            | —                                      | 20,529         |
| Loss on disposal of property, plant and equipment | <u>516</u>                             | <u>1,361</u>   |
| <u>Crediting:</u>                                 |  |                |
| Write back of provision for inventories sold      | 29,173                                 | 19,502         |
| Write back of provision for doubtful debts        | <u>—</u>                               | <u>4,499</u>   |

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

(b) included in general and administrative expenses

(c) included in other operating expenses

## 6. TAXATION

Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the jurisdictions in which the Group operates.

The amount of taxation charged to the condensed consolidated income statement represents PRC enterprise income tax.

## 7. (LOSS) EARNINGS PER SHARE

The calculation of basic loss per share for the six months ended 30th June, 2009 is based on the loss attributable to equity holders of the Company of approximately RMB386,008,000 (2008: profit of approximately RMB282,943,000), divided by the weighted average of 3,967,505,000 (2008: 3,669,766,000) ordinary shares outstanding during the period.

Diluted earnings per share for the six months ended 30th June, 2008 is based on the same profit attributable to equity holders of the Company as used in calculating basic earnings per share and weighted average number of ordinary shares of 3,672,603,000 which is the same weighted average number of ordinary shares in calculating basic earnings per share plus weighted average number of 2,837,000 shares deemed issued under the Company's share option scheme. The effect of deemed conversion of convertible bonds is not considered in the calculation of diluted earnings per share as the effect is anti-dilutive.

Diluted earnings per share for the six months ended 30th June, 2009 is not considered as the effect of both deemed conversion of convertible bonds and deemed issue of the potential ordinary shares from exercising the Company's share option is anti-dilutive.

## 8. ACCOUNTS RECEIVABLE

An aging analysis of accounts receivable is set out below:

|  | (Unaudited)<br>As at<br>30th June,<br>2009<br>RMB'000 | (Audited)<br>As at<br>31st December,<br>2008<br>RMB'000 |
|--|---|---|
| Less than six months                   | 697,717   | 588,350   |
| Between six months to one year         | 166,914   | 49,132  |
| Above one year but less than two years | 18,914  | 29,450  |
| Over two years                         | <u>67,081</u>   | <u>66,636</u>   |
|  | 950,626   | 733,568   |
| Less : Provision for doubtful debts    | <u>(61,896)</u>                                       | <u>(61,888)</u>   |
|  | <u><u>888,730</u></u>                                 | <u><u>671,680</u></u>                                   |

The Group's credit policy is to offer credit to customers following a financial assessment and an established payment record. Credit history and background of new customers and debtors are checked and security deposits are usually obtained from major customers. Credit limits with credit terms of 30 days to 90 days are set for customers and designated staff monitors accounts receivable and follows up collection with customers. Customers considered to be high risk are traded on cash basis or when bank guaranteed notes are received.

## 9. ACCOUNTS PAYABLE

An aging analysis of accounts payable is set out below:

|  | (Unaudited)<br>As at<br>30th June,<br>2009<br>RMB'000 | (Audited)<br>As at<br>31st December,<br>2008<br>RMB'000 |
|--|---|---|
| Less than six months                   | 2,982,115   | 2,207,738   |
| Between six months to one year         | 76,159  | 39,378  |
| Above one year but less than two years | 26,188  | 46,975  |
| Over two years                         | <u>36,387</u>   | <u>29,611</u>   |
|  | <u><u>3,120,849</u></u>                               | <u><u>2,323,702</u></u>                                 |

## 10. CONTINGENCIES

|  | (Unaudited)<br>As at<br>30th June,<br>2009<br>RMB'000 | (Audited)<br>As at<br>31st December,<br>2008<br>RMB'000 |
|--|---|---|
| Corporate guarantees for revolving bank loans and bank guaranteed notes drawn by affiliated companies of Shanghai Shenhua Holdings Co., Ltd.   | —   | 60,000  |
| Corporate guarantees for bank loans drawn by Shenyang JinBei Automotive Company Limited. Bank deposits of RMB214 million ( <i>At 31st December, 2008: RMB228 million</i> ) was pledged as collateral for the corporate guarantee | <u>200,000</u>  | <u>200,000</u>  |

## MANAGEMENT'S DISCUSSION & ANALYSIS

### Business Review

Unaudited consolidated net sales of the Company and its subsidiaries, including Shenyang Brilliance JinBei Automobile Co., Ltd. ("Shenyang Automotive"), Shenyang XingYuanDong Automobile Component Co., Ltd., Ningbo Yuming Machinery Industrial Co., Ltd., Ningbo Brilliance Ruixing Auto Components Co., Ltd., Mianyang Brilliance Ruian Automotive Components Co., Ltd., Shenyang Brilliance Dongxing Automotive Component Co., Ltd., Shenyang ChenFa Automobile Component Co., Ltd., Shenyang Jindong Development Co., Ltd., Shanghai Hidea Auto Design Co., Ltd. and Shenyang Brilliance Power Train Machinery Co., Ltd. for the first six months of 2009 were RMB5,398.2 million, representing a slight increase of 3.6% from RMB5,210.1 million for the same period in 2008. The increase in turnover was primarily due to an increase in the unit sales of Shenyang Automotive's minibuses and Zhonghua sedans during the period.

Shenyang Automotive sold 35,873 minibuses in the first half of 2009, representing a 7.0% increase from the 33,520 units sold during the same period in 2008. Of these vehicles sold, 29,914 were mid-priced minibuses, representing a 11.5% increase from 26,828 units sold during the first six months of 2008. On the other hand, unit sales of deluxe minibuses decreased by 11.0% from 6,692 units in the first half of 2008 to 5,959 units for the corresponding period in 2009. Shenyang Automotive recorded sale of 47,913 Zhonghua sedans in the first half of 2009, representing a 44.2% increase from 33,221 units sold during the corresponding period last year. The Zhonghua Zunchi and Junjie models recorded sales of 4,773 and 13,771 units, respectively, in the first six months of 2009, compared to 7,063 and 24,689 units sold, respectively, during the same period in 2008. The sales volume of Zunchi and Junjie had decreased by 32.4% and 44.2%, respectively, in the first six months of 2009 as compared to the same period last year. The Kubao model recorded sales of 180 units in the first six months of 2009, an 83.1% decrease compared to the 1,063 units sold during the same period in 2008. The Junjie FRV model, which was launched in June 2008, recorded sales of 406 units in the first half of 2008, compared to 28,196 units sold in the first six months of 2009. The new Junjie Cross and FSV models were introduced in the first half of the year, and recorded sales of 465 and 528 units, respectively, during the period.

Unaudited cost of sales increased by 8.1% from RMB4,920.8 million in the first six months of 2008 to RMB5,319.4 million for the same period in 2009. The increase was primarily due to the increase in unit sales of Zhonghua sedans.

The unaudited gross profit margin of the Group decreased to 1.5% for the first half of 2009 from 5.6% in the same period in 2008. Despite an increase in the sales volume of Zhonghua sedans in the first half of 2009, there was a change in product mix as over 60% of the units sold were products from the new but yet to be profitable Junjie FRV platform.

Unaudited other revenue increased by 31.1% from RMB105.3 million in the first six months of 2008 to RMB138.0 million for the same period in 2009. The increase was primarily due to the increase in scrap metal sales and subsidy income, and an exchange gain of RMB14.8 million recognized during the period.

Unaudited selling expenses increased by 36.4% from RMB226.7 million in the first half of 2008 to RMB309.3 million for the same period in 2009. The increase was mainly due to the increase in advertising expense as well as transportation costs for finished products resulting from the increase in sales volume of Zhonghua sedans during the period under review. Selling expenses as a percentage of turnover increased from 4.4% in the first half of 2008 to 5.7% for the same period in 2009 as a result of increased promotional expenses for the Junjie FRV platform products in the first half of 2009.

Unaudited general and administrative expenses increased by 74.1% from RMB202.3 million in the first six months of 2008 to RMB352.2 million for the same period in 2009, mainly as a result of higher R&D expenses and provision for certain doubtful receivables in 2009.

Unaudited other operating expenses decreased by 30.0% from RMB68.6 million in the first six months of 2008 to RMB48.0 million for the same period in 2009, resulting mainly from the lack of exchange losses for the first six months of 2009 as compared to a loss of RMB20.5 million recorded in the first half of 2008.

Unaudited impairment loss of RMB302.5 million related to certain intangible assets of the Zhonghua sedans was recognized in the first half of the year as there has been shrinkage in the sales volume of some models during the period.

Unaudited interest income decreased by 13.9% from RMB50.9 million in the first six months of 2008 to RMB43.8 million for the same period in 2009 due to decreases in interest rates on bank deposits. Unaudited finance costs increased by 174.8% from RMB46.9 million in the first six months of 2008 to RMB128.9 million for the same period in 2009, resulting mainly from the lack of exchange gains in relation to the convertible bonds in the first half of 2009, which was recorded in the same period in 2008.

In the first half of 2008, the Group recognized a gain of RMB215.0 million on the change in fair value of the embedded derivative components of the convertible bonds in accordance with Hong Kong Financial Reporting Standards. No such gain was recorded in the first half of 2009 as the Company had repurchased and redeemed almost all of the outstanding convertible bonds during the period.

The Group's unaudited share of operating results of associates and jointly controlled entities decreased by 4.8% from RMB129.2 million in the first half of 2008 to RMB123.0 million for the same period in 2009. This was mainly attributable to the losses incurred by all of the Group's associates and some of its jointly controlled entities other than BMW Brilliance, the Group's 49.5% indirectly owned jointly controlled entity, in the first half of 2009.

Unaudited net profits contributed to the Group by BMW Brilliance increased by 5.9% from RMB109.6 million in the first half of 2008 to RMB116.1 million for the same period this year. The BMW joint venture achieved sales of 20,758 BMW sedans in the first six months of 2009, an increase of 25.5% as compared to 16,543 BMW sedans for the same period in 2008. The increased net profits contributed to the Group in the first half of 2009 was mainly a result of the increase in units sold during the period.

The Group recorded an unaudited loss before taxation of RMB757.2 million in the first half of 2009 compared to an unaudited pre-tax profit of RMB244.3 million for the same period in 2008. Unaudited taxation increased by 21.5% from RMB24.6 million in the first half of 2008 to RMB29.9 million for the same period in 2009, resulting mainly from additional taxes paid by some of the Group's subsidiaries after tax rates have been adjusted to the standard 25%.

As a result, the Group recorded an unaudited loss attributable to equity holders of the Company of RMB386.0 million for the first half of 2009 as compared to an unaudited profit of RMB282.9 million for the same period in 2008. Unaudited basic loss per share for the six months ended 30th June, 2009 amounted to RMB0.09729 against an unaudited basic profit per share of RMB0.07710 for the same period in 2008.

## **Prospects**

During the first half of 2009, the Chinese auto market had shown exceptional resilience in terms of maintaining its growth momentum, primarily as a result of the support from the Chinese government via implementation of various market stimulus measures and policies. Although the Group's Junjie FRV had benefited from such policies, sales volume of Zhonghua sedans overall did not reach breakeven level during the period as a result of a change in product mix, since the newly introduced and yet to be profitable Junjie FRV accounted for over 60% of total Zhonghua sales volume. The Group has also decided to write off certain intangible assets relating to the Zhonghua sedans. Furthermore, since the Company had repurchased and redeemed almost all of its outstanding convertible bonds during the period, no gains were realized from the change in fair value of the embedded derivative components as in the same period last year. As a result, the Group recorded a loss for the first half of 2009.

Looking into the second half of the year, the operating environment for the domestic brand sedan segment in particular will be difficult as competitive pressure continues to intensify. The recent launches of additional models and continuous changes in product mix will be challenging for the Group's Zhonghua sedan business to reach sustainable profit in the short run. However, over the longer term, the Group will continue to increase volume of our existing products and introduce new ones, such as upgraded versions of the Zunchi and Junjie models, new products under the smaller FRV platform, as well as next-generation brand new series to broaden our product portfolio. This will allow the Group to enjoy economies of scale and further cost reduction. In addition, the Group has been exploring various ways of streamlining the operations and restructuring the assets of its Zhonghua business, with the ultimate aim to improve the overall performance of the Group.

We will continue to work diligently with our joint venture partner BMW to reduce costs of our BMW vehicles, and to roll out next phase capacity expansion and new product introduction. Similarly, for the minibus business we will continue to explore ways to deepen our cooperation with Toyota in the introduction of new and upgraded models in order to increase sales and maintain our market leading position in this segment. The Group will also continue to seek opportunities for further business diversification beyond the existing automobile and components manufacturing business for its continuing development.

## **Liquidity and Financial Resources**

As at 30th June, 2009, the Group had RMB964.2 million in cash and cash equivalents, RMB761.9 million in short-term bank deposits and RMB3,298.1 million in pledged short-term bank deposits. The Group had notes payable of RMB5,083.4 million and outstanding short-term bank borrowings of RMB866.0 million, but had no long-term bank borrowings outstanding as at 30th June, 2009.

On 7th June, 2006, the Company, through its wholly owned subsidiary, Brilliance China Finance Limited ("Brilliance Finance"), issued the zero coupon guaranteed convertible bonds due 2011 (the "Convertible Bonds") with a principal amount of US\$182,678,000. None of the Convertible Bonds had been converted into ordinary shares of the Company. As of 8th July, 2009, all the Convertible Bonds

have been repurchased or redeemed by Brilliance Finance. Total consideration for the repurchase and redemption amounted to approximately US\$218.6 million. The Convertible Bonds have been cancelled and were delisted from The Singapore Exchange Securities Trading Limited on 14th July, 2009.

### **Contingent Liabilities**

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

### **Gearing Ratio**

As at 30th June, 2009, the gearing ratio, computed by dividing total liabilities by total equity attributable to equity holders of the Company, was approximately 1.99 (*31st December, 2008: 1.89*). The increase of the ratio was primarily due to the need for more financing from bankers and related parties to finance the development and operation of the new Junjie FRV platform models.

### **Use of Proceeds**

The subscription of 1,313,953,488 new shares of the Company by Huachen, the controlling shareholder of the Company, at a price of HK\$0.43 per share was completed on 21st May, 2009 (the “Subscription”). The proceeds from the Subscription were approximately RMB500 million. After deducting expenses relating to the Subscription, the net proceeds in the amount of approximately RMB494 million have been used to fund the redemption of the Convertible Bonds.

### **Foreign Exchange Risks**

The Group considers that exchange rate fluctuations may have a material effect on the overall financial performance of the Group in the future, and may consider entering into hedging transactions through exchange contracts in order to minimise foreign exchange risks, if and when necessary. There were no outstanding hedging transactions as at 30th June, 2009.

### **Employees and Remuneration Policy**

The Group employed approximately 11,800 employees as at 30th June, 2009 (*30th June, 2008: approximately 11,600*). Employee costs amounted to approximately RMB277.6 million for the six months ended 30th June, 2009 (*six months ended 30th June, 2008: approximately RMB253.1 million*). The Group will endeavour to ensure that the salary levels of its employees are in line with industry practices and prevailing market conditions and that employees’ remuneration is based on performance. In addition, employees are eligible for share options under the share option scheme adopted by the Company.

### **INTERIM DIVIDEND**

The Board resolved not to declare any interim dividend for the six months ended 30th June, 2009 (*six months ended 30th June, 2008: nil*).

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

During the six months ended 30th June, 2009, Brilliance Finance has repurchased the Convertible Bonds in an aggregate principal amount of US\$46,325,000 via private arrangements. The consideration for the repurchase amounted to approximately US\$54,734,000. The repurchases have been financed by the Company through its internal resources.

With regard to redemption, on 7th June, 2009, an aggregate principal amount of US\$125,032,000 of the Convertible Bonds was redeemed by Brilliance Finance at the option of the holders of the Convertible Bonds at a price of approximately US\$153,697,000. Subsequently on 8th July, 2009, Brilliance Finance redeemed all the then outstanding Convertible Bonds in the principal amount of US\$1,321,000 at a price of approximately US\$1,633,000 pursuant to the terms of the Convertible Bonds.

All of the repurchased/redeemed Convertible Bonds have been cancelled. As at the date of this results announcement, no Convertible Bonds remain outstanding.

Saved as disclosed above, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities for the six months ended 30th June, 2009.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

Maintaining an effective corporate governance framework is one of the top priorities of the Company. The Company has complied with the code provisions of the "Code on Corporate Governance Practices" (the "CG Code") set out in Appendix 14 to the Listing Rules throughout the six months ended 30th June, 2009, except for deviations from code provision A.4.1 that are described below.

Under code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. At present, all the non-executive directors (including the independent non-executive directors) of the Company do not have a specific term of appointment. As the appointment of non-executive directors is subject to the retirement by rotation provisions in the bye-laws of the Company, the Board considers that it is not necessary to appoint the non-executive directors for a specific term. At every annual general meeting, one-third of the directors for the time being, or if their number is not three or in a multiple of three, the number nearest to but not greater than one-third, shall retire from office by rotation according to the bye-laws of the Company. All directors, including those appointed for a fixed term, are subject to the retirement by rotation provision in the bye-laws of the Company.

There have been no material changes to the information disclosed in the Company's 2008 annual report in respect of our corporate governance practices. Major update since the 2008 annual report is summarised in the 2009 interim report to be sent to shareholders of the Company by the end of September 2009.

## **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, 2009. At present, the Audit Committee comprises Mr. Xu Bingjin, Mr. Song Jian and Mr. Jiang Bo, all of whom are independent non-executive directors. Mr. Xu Bingjin is the chairman of the Audit Committee.

## **BOARD OF DIRECTORS**

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

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

Hong Kong, 18th September, 2009

\* *For identification purposes only*