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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, 2013

The board of directors (the “**Board**”) of Brilliance China Automotive Holdings Limited (the “**Company**”) announces the unaudited consolidated interim financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30th June, 2013. The unaudited consolidated interim financial statements have been reviewed by the audit committee of the Board.

CONDENSED CONSOLIDATED INCOME STATEMENT

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

		(Unaudited)	
		For the six months ended	
		30th June,	
		2013	2012
	Note	RMB'000	RMB'000
Revenue	4	2,572,057	2,810,302
Cost of sales		(2,296,071)	(2,449,006)
Gross profit		275,986	361,296
Other income		11,461	18,770
Interest income		23,902	36,840
Selling expenses		(246,141)	(200,869)
General and administrative expenses		(195,187)	(169,382)
Finance costs		(70,413)	(101,813)
Share of results of:			
Associates		96,787	61,674
Joint ventures		2,105,151	1,374,637
Profit before income tax expense	5	2,001,546	1,381,153
Income tax expense	6	(1,998)	(52,739)
Profit for the period		1,999,548	1,328,414

* For identification purposes only

CONDENSED CONSOLIDATED INCOME STATEMENT (Continued)*(Expressed in thousands of RMB except for per share amounts)*

		(Unaudited)	
		For the six months ended	
		30th June,	
		2013	2012
	Note	RMB'000	RMB'000
Attributable to:			
Equity holders of the Company		2,029,873	1,332,316
Non-controlling interests		(30,325)	(3,902)
		1,999,548	1,328,414
Dividends		398,790	–
Earnings per share			
	7		
– Basic		RMB0.40389	RMB0.26532
– Diluted		RMB0.40229	RMB0.26406

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) As at 30th June, 2013 <i>RMB'000</i>	(Audited) As at 31st December, 2012 <i>RMB'000</i>
	<i>Note</i>		
Non-current assets			
Intangible assets		475,437	361,509
Property, plant and equipment		1,401,974	1,441,592
Construction-in-progress		422,023	303,541
Land lease prepayments		61,782	62,511
Interests in associates		1,345,437	603,642
Interests in joint ventures		7,310,762	6,236,268
Prepayments for a long-term investment		600,000	600,000
Available-for-sale financial assets		16,715	19,900
Other non-current assets		10,060	11,234
		11,644,190	9,640,197
Current assets			
Cash and cash equivalents		957,226	836,511
Short-term bank deposits		11,960	57,556
Pledged short-term bank deposits		1,234,278	1,054,877
Inventories		936,614	838,393
Accounts receivable	8	604,551	509,296
Notes receivable		893,449	1,302,447
Other current assets		1,135,121	1,818,070
Income tax recoverable		179	209
		5,773,378	6,417,359
Current liabilities			
Accounts payable	9	2,586,093	3,119,993
Notes payable		1,749,345	1,708,160
Other current liabilities		879,638	874,122
Short-term bank borrowings		1,365,000	1,119,000
Income tax payable		33,439	35,909
		6,613,515	6,857,184

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	(Unaudited)	(Audited)
	As at	As at
	30th June,	31st December,
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Net current liabilities	(840,137)	(439,825)
Total assets less current liabilities	10,804,053	9,200,372
Non-current liabilities		
Deferred government grants	1,700	1,900
Net assets	10,802,353	9,198,472
Capital and reserves		
Share capital	395,877	395,877
Reserves	11,252,895	9,618,689
Total equity attributable to equity holders of the Company	11,648,772	10,014,566
Non-controlling interests	(846,419)	(816,094)
Total equity	10,802,353	9,198,472

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, 2012, 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 prepared on the basis that the Group is a going concern in view of the net current liabilities as at 30th June, 2013. As the results of the Group continue to improve as shown in the condensed consolidated income statement, management is confident that the Group will continue to generate profits and positive cash flows from its operating activities. Together with the continuing support from the Group's bankers and Huachen Automotive Group Holdings Company Limited ("Huachen"), which is a PRC state-owned enterprise and the major shareholder of the Company, as well as cash dividends from BMW Brilliance Automotive Ltd. ("BMW Brilliance"), the Group will have sufficient funds for the needs of working capital, investing and financing activities. Accordingly, it is appropriate to prepare these financial statements on a going concern basis.

These interim financial statements are unaudited and do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31st December, 2012.

3. ADOPTION OF NEW OR AMENDED HKFRSs

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

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

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

4. SEGMENT INFORMATION

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

The Group has identified the following reportable segments:

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

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

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

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

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

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

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

4. SEGMENT INFORMATION (Continued)

Revenue, results by reportable segments and reconciliation of segment results to profit before income tax expense for the period – for the six months ended 30th June, 2012

	(Unaudited)			
	Manufacture and sale of minibuses and automotive components <i>RMB'000</i>	Manufacture and sale of BMW vehicles <i>RMB'000</i>	Reconciliation to the Group's condensed income statements <i>RMB'000</i>	Total <i>RMB'000</i>
Segment sales	2,810,302	26,107,509	(26,107,509)	2,810,302
Segment results	41,611	3,537,792	(3,537,792)	41,611
Unallocated costs net of unallocated revenue				(24,781)
Impairment losses on assets				(7,015)
Interest income				36,840
Finance costs				(101,813)
Share of results of:				
Associates	61,674	–	–	61,674
Joint ventures	64,114	1,310,523	–	1,374,637
Profit before income tax expense				1,381,153

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

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

4. SEGMENT INFORMATION (Continued)

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

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

5. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is stated after charging and crediting the following:

	(Unaudited)	
	For the six months ended	
	30th June,	
	2013	2012
	RMB'000	RMB'000
Charging:		
Impairment losses on:		
– Intangible assets (a)	1,129	–
– Accounts receivable (b)	–	3,470
– Other receivables (b)	2,845	3,546
– Amounts due from affiliated companies (b)	40,000	–
Write-off of other receivables	–	1,442
Cost of inventories	2,255,536	2,436,635
Amortisation of intangible assets (a)	19,257	14,585
Depreciation of property, plant and equipment	49,185	50,867
Amortisation of land lease prepayments	729	729
Staff costs (including directors' emoluments)	325,357	272,574
Research and development costs (b)	128	670
Provision for inventories	42,296	21,457
Provision for warranty	14,315	8,307
Loss on disposal of property, plant and equipment	–	768
Operating lease charges for land and buildings	20,324	10,491
Operating lease charges for machinery and equipment	869	6
	<hr/>	<hr/>
Crediting:		
Gain on disposal of property, plant and equipment	2,434	–
Gain on deemed disposal of interest in a joint venture	9,961	–
Gross rental income from land and buildings	–	56
Write back of provision for inventories sold	1,761	9,087
	<hr/>	<hr/>

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

(b) included in general and administrative expenses.

6. INCOME TAX EXPENSE

	(Unaudited)	
	For the six months ended	
	30th June,	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax	1,998	2,739
Deferred tax in respect of tax losses	–	50,000
	<u>1,998</u>	<u>52,739</u>

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

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

	(Unaudited)	
	For the six months ended	
	30th June,	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Reversal of previously recognised tax losses	–	46,700
Utilisation of tax losses	–	3,300
	<u>–</u>	<u>50,000</u>

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

8. ACCOUNTS RECEIVABLE

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

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

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

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

9. ACCOUNTS PAYABLE

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

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

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

10. 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 in the maximum amount of RMB600 million for each (*As at 31st December, 2012: RMB600 million*). As at 30th June, 2013, under this agreement, JinBei had outstanding bank loans and other banking facilities in a total amount of RMB537 million (*As at 31st December, 2012: RMB579 million*) of which RMB200 million (*As at 31st December, 2012: RMB200 million*) was supported by the Group’s bank deposits pledged to and RMB337 million (*As at 31st December, 2012: RMB379 million*) was supported by corporate guarantee provided to the banks.

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

MANAGEMENT'S DISCUSSION & ANALYSIS

Business Review

The unaudited consolidated net sales of the Group (which comprised primarily those derived from the minibus business operated under our major operating subsidiaries such as Shenyang Brilliance JinBei Automobile Co., Ltd. (“**Shenyang Automotive**”) and Shenyang XingYuanDong Automobile Component Co., Ltd.) for the first six months of 2013 was RMB2,572.1 million, representing a decrease of 8.5% from RMB2,810.3 million for the same period in 2012. The decrease in revenue was primarily due to a decrease in the sales volume of minibuses.

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

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

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

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

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

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

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

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

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

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

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

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

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

Prospects

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

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

Concurrently, the joint venture has embarked on a journey to excellence program to improve both the processes and the people at the joint venture in order to drive productivity improvements and to uplift the competitiveness of its operations and products over time. As for new products, the new China-only 5-series long-wheelbase facelift model and an additional 3-series variant the 316i will both be introduced into the market in the second half of 2013. Similarly, the new local brand, Zinoro, will also see its first new energy vehicle come to the market by the

end of the year. Additional new BMW products to be localized in the future are also under planning with an aim to enrich the joint venture's product portfolio and widen its segment reach in China. The strong sales momentum of our products will continue to be supported by the rapid rollout of our dealer network, which had exceeded 380 outlets nationwide as at 30th June, 2013. With such a vast distribution network, BMW Brilliance will be redirecting additional resources and focus on dealer network management and refinement of sales strategy. Our joint venture's sales activities are also supported by the BMW auto finance company which is expected to continue to contribute profits to the joint venture.

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

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

Liquidity and Financial Resources

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

Contingent Liabilities

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

Gearing Ratio

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

Foreign Exchange Risks

The Group considers that exchange rate fluctuations only have an insignificant effect on the overall financial performance of the Group in the future. The Group may consider entering into hedging transactions through exchange contracts in order to minimise foreign exchange risks, if and when necessary. There were no outstanding hedging transactions as at 30th June, 2013 (*30th June, 2012: Nil*).

Employees and Remuneration Policy

The Group employed approximately 6,400 employees as at 30th June, 2013 (*30th June, 2012: Approximately 6,400*). Employee costs amounted to approximately RMB325.4 million for the six months ended 30th June, 2013 (*Six months ended 30th June, 2012: Approximately RMB272.6 million*). The Group will endeavour to ensure that the salary levels of its employees are in line with industry practices and prevailing market conditions and that employees' remuneration is based on performance. In addition, employees are eligible for share options under the share option scheme adopted by the Company.

INTERIM DIVIDEND

The Board is pleased to declare an interim dividend of HK\$0.1 per ordinary share for the six months ended 30th June, 2013 to shareholders whose names appear on the register of members of the Company as at 18th October, 2013 (*Six months ended 30th June 2012: Nil*). The dividend is expected to be paid on or about 28th October, 2013.

CLOSURE OF REGISTER OF MEMBERS

The Hong Kong branch register of members of the Company will be closed from Wednesday, 16th October, 2013 to Friday, 18th October, 2013, both dates inclusive, during which period no transfer of shares will be registered. The record date for the interim dividend is Friday, 18th October, 2013. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 15th October, 2013.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June, 2013.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Maintaining an effective corporate governance framework is one of the priorities of the Company. The Company has complied with the code provisions set out in Corporate Governance Code in Appendix 14 to the Listing Rules throughout the six months ended 30th June, 2013.

There have not been material changes to the information disclosed in the Company's 2012 annual report in respect of our corporate governance practices. Major updates since the 2012 annual report are summarised in the 2013 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, 2013.

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

BOARD OF DIRECTORS

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

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

Hong Kong, 13th August, 2013