



BRILLIANCE CHINA AUTOMOTIVE HOLDINGS LIMITED

(華晨中國汽車控股有限公司)*

(incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2002

The board of directors (the "Board") of Brilliance China Automotive Holdings Limited (the "Company") is pleased to announce the unaudited interim financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30th June, 2002. The unaudited interim financial results have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2002

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

		Six months ended 30th June, 2002 (unaudited)	2001 (unaudited)
Turnover	3	2,886,027	3,264,627
Cost of sales		(2,022,566)	(2,274,583)
Gross profit		863,461	990,044
Other revenues	3	19,510	15,084
Selling expenses		(153,529)	(180,372)
General and administrative expenses		(358,181)	(133,949)
Other operating expenses		(13,008)	(23,288)
Operating profit		358,253	667,519
Interest income	3	25,818	51,114
Interest expense		(73,266)	(47,417)
Share of profits less losses of associated companies		26,084	25,493
Profit before taxation and minority interests		336,889	696,709
Taxation	4	(47,264)	(77,939)
Profit after taxation and before minority interests		289,625	618,770
Minority interests		(72)	(129,327)
Net profit attributable to shareholders		289,553	489,443
Proposed dividends	5	15,544	15,544
Basic earnings per share	6	Rmb0.0790	Rmb0.1438
Fully diluted earnings per share	6	N/A	Rmb0.1438

NOTES TO THE CONDENSED ACCOUNTS

(Amounts expressed in Rmb unless otherwise stated)

1. Organization and operations

The Company was incorporated in Bermuda on 9th June, 1992 with limited liability. The Company's ADSs and shares are traded on The New York Stock Exchange Inc. and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), respectively.

2. Basis of preparation and accounting policies

These unaudited condensed consolidated accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants.

These condensed consolidated accounts should be read in conjunction with the 2001 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed consolidated accounts are consistent with those used in the annual accounts for the year ended 31st December, 2001 except that the Group has changed certain of its accounting policies following the adoption of the following Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants, which are effective for accounting periods commencing on or after 1st January, 2002:

SSAP 1 (revised):	Presentation of financial statements
SSAP 11 (revised):	Foreign currency translation
SSAP 15 (revised):	Cash flow statements
SSAP 25 (revised):	Interim financial reporting
SSAP 33:	Discontinuing operations
SSAP 34:	Employee benefits

Other than those disclosed in the respective notes to the accounts, the Group considers that the adoption of or the consequential changes made to the above SSAPs do not have a material impact on the accounts of the Group.

3. Turnover, other revenue and segment information

The Group was principally engaged in the manufacturing and sale of minibuses and automotive components in the People's Republic of China (the "PRC") during the period ended 30th June, 2002.

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

	Unaudited For the six months ended 30th June, 2002 RMB'000		2001 RMB'000
Turnover:			
Sales of minibuses	2,799,427		3,042,223
Sales of automotive components	86,600		222,404
	2,886,027		3,264,627
Other revenues:			
Interest income	25,818		51,114
Other revenues	19,510		15,084
	45,328		66,198
Total revenues	2,931,355		3,330,825

No business or geographical segmentation analysis is provided as less than 10% of the consolidated turnover and less than 10% of the consolidated operating profit of the Group are attributed to business segments other than manufacturing and sale of minibuses or markets outside the PRC.

4. Taxation

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at rates of taxation prevailing in the jurisdictions in which the companies of the Group operate.

The amount of taxation charged to the consolidated income statement represents:

	Unaudited Six months ended 30th June, 2002 RMB'000		2001 RMB'000
Current taxation:			
PRC enterprise income tax	86,493		75,281
Share of current taxation attributable to associated companies	3,102		2,658
Deferred taxation:			
PRC enterprise income tax	(42,331)		—
	47,264		77,939

5. Dividends

	Unaudited Six months ended 30th June, 2002 RMB'000		2001 RMB'000
2001 Final dividend, declared of HK\$0.005 (2000: HK\$0.005) per ordinary share (Note (a))	19,605		17,912
Interim, proposed of HK\$0.004 (2001: HK\$0.004) per ordinary share (Note (b))	15,544		15,544
	35,149		33,456

Note:

(a) At a shareholders' meeting held on 28th June, 2002, a final dividend of HK\$0.005 per ordinary share for the year ended 31st December, 2001 was declared. The declared dividends were not paid as at 30th June, 2002 but were subsequently paid on 3rd July, 2002.

(b) At a meeting held on 19th September, 2002 the directors declared an interim dividend of HK\$0.004 per share for the six months ended 30th June, 2002.

6. Earnings per share

The calculation of basic and diluted earnings per share are based on the Group's profit attributable to shareholders of RMB289,553,000 (2001: RMB489,443,000).

The basic earnings per share is based on the weighted average of 3,666,052,900 (2001: 3,402,517,000) ordinary shares in issue during the period. No diluted earnings per share for the six months ended 30th June, 2002 has been presented as the effect of the assumed conversion of the potential ordinary shares outstanding is anti-dilutive. The diluted earnings per share for the six months ended 30th June, 2001 is based on 3,403,263,000 ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average of 746,000 ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

7. Comparison of US GAAP and HK GAAP

The Group has prepared a separate set of accounts for the six months ended 30th June, 2002 in accordance with generally accepted accounting principles in the United States of America ("US GAAP").

Differences between HK GAAP and US GAAP give rise to differences in the reported balances of assets, liabilities and net profit of the Group. The financial effect of the material differences between HK GAAP and US GAAP are summarized and explained as follows:

	Unaudited Six months ended 30th June, 2002 RMB'000		30th June, 2001 RMB'000
Net profit reported under HK GAAP	289,553		489,443
Stock-based compensation (Note a)	—		(15,461)
Amortization of goodwill (Note c)	11,148		—
Others	—		882
Net profit reported under US GAAP	300,701		474,864
	Unaudited	Audited	
	As of	As of	
	30th June, 2002	31st December, 2001	
	RMB'000	RMB'000	
Net assets reported under HK GAAP	5,682,651		5,412,703
Effect of interest capitalization (Note b)	13,114		13,114
Effect of goodwill amortization (Note c)	11,148		—
Others	(6,014)		(6,014)
Net assets reported under US GAAP	5,700,899		5,419,803

Notes:

(a) On 2nd June, 2001, share options were granted to certain directors and employees of the Group entitling them to subscribe for a total of 31,800,000 shares of the Company at a discount of 20% of the average closing price of the shares as quoted on the Stock Exchange for the five business days immediately preceding the date of grant.

US GAAP requires that discounts granted to employees under a compensatory share option scheme be recognized as compensation and charged to expense over the periods expected to be benefited, to the extent that the fair value of the equity instrument exceeds the exercise price of the option on the date of grant. Since the options granted by the Company vested immediately upon grant, compensation expense amounting to Rmb15.5 million associated with the share options was charged to the income statement for the six months ended 30th June, 2001.

Under HK GAAP, there is no specific accounting standard to account for the compensation element in share options. Issuance of shares under such scheme will be recorded like normal share issue transactions.

(b) Under HK GAAP, the amount of borrowing costs eligible for capitalization includes the actual borrowing costs incurred on that borrowing less any investment income earned on the temporary investment of funds pending their expenditure on the qualified assets. Under US GAAP, temporary investment income earned is ignored. As a result, the amount of the net interest capitalized under HK GAAP is lower than that under US GAAP.

(c) Under HK GAAP, goodwill is amortized on a straight-line basis over the expected future economic life, being the shorter of 40 years or the remaining life of the respective joint ventures.

Under US GAAP, the Group adopted SFAS No. 142 since 1st January, 2002 and goodwill amortization was ceased as of that date.

BUSINESS REVIEW

Unaudited consolidated net sales of the Company and its operating subsidiaries, Shenyang JinBei Passenger Vehicle Manufacturing Company Limited ("Shenyang Automotive"), Shenyang XingYuanDong Automotive Component Co., Ltd., Ningbo Yuming Machinery Industrial Company Ltd., Ningbo Brilliance Ruixing Auto Components Co., Ltd., Mianyang Brilliance Ruian Automotive Components Co., Ltd., Shenyang Brilliance Dongxing Automotive Component Co., Ltd. and Shenyang Xingchen Automotive Seats Co., Ltd. (together the "Group") for the first six months of 2002 were Rmb2,886.0 million, representing an 11.6% decrease from Rmb3,264.6 million for the same period in 2001. The decrease in sales was primarily due to the decrease in the unit selling prices and the unit sales of Shenyang Automotive's Mid-priced Minibus and Deluxe Minibus.

Shenyang Automotive sold a total of 29,491 minibuses in the first half of 2002, representing a 7.8% decrease from the 32,000 minibuses sold during the same period in 2001. Shenyang Automotive sold 25,716 of its Mid-priced Minibuses for the first six months of 2002, representing a decrease of 5.4% from the 27,193 units sold during the same period in 2001. Unit sales of the Deluxe Minibus decreased by 21.5% from 4,807 units in the first six months of 2001 to 3,775 units for the same period in 2002.

Unaudited cost of sales decreased by 11.1% from Rmb2,274.6 million in the first six months of 2001 to Rmb2,022.6 million for the same period in 2002. This decrease was primarily due to the decrease in the unit sales and a reduction in costs of the domestic components and parts of minibuses in the first six months of 2002. Cost of sales as a percentage of sales was 70.1% for the first half of 2002, compared to 69.7% for the first half of 2001. The gross profit margin of the Group remained stable at approximately 30% for the first half of both 2001 and 2002.

Unaudited consolidated operating profit for the first six months of 2002 was Rmb358.3 million, representing a 46.3% decrease from Rmb667.5 million for the same period in 2001. The decrease was primarily due to the increase in general and administrative expenses for the first six months of 2002. The increase in the general and administrative expenses was mainly due to the additional depreciation and amortization expenses, pre-operating expenses and R&D expenditure in relation to the "Zhonghua" sedan project. Unaudited profit before taxation and minority interests decreased by 51.6% to Rmb336.9 million for the first half of 2002 from Rmb696.7 million for the first half of 2001.

Unaudited net profit attributable to shareholders decreased by 40.8% to Rmb289.6 million for the first half of 2002 from Rmb489.4 million for the first half of 2001. Unaudited basic earnings per share were Rmb0.0790 for the first half of 2002, compared with that of Rmb0.1438 for the first half of 2001.

INTERIM DIVIDEND

The Board is pleased to declare an interim dividend of HK\$0.004 per ordinary share for the six months ended 30th June, 2002 to shareholders whose names appear on the Register of Members as at 16th October, 2002. The dividend will be paid to shareholders by on or before 31st October, 2002.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Friday, 11th October, 2002 to Wednesday, 16th October, 2002, both dates inclusive, during which no transfers of shares will be effected. In order to qualify for the interim dividend, all transfer documents, accompanied by the relevant shares 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 by no later than 4:00 p.m. on Thursday, 10th October, 2002.

USE OF PROCEEDS

As at 30th June, 2002, the Company had used approximately Rmb70 million of the proceeds from the share placement completed on 8th June, 2001 for the expansion of new production facilities and the balance of approximately Rmb140 million for general working capital purposes.

PROSPECTS

During the first quarter of 2002, the Group faced challenging marketing conditions. Being the first year after China's accession to the World Trade Organization, competition in the PRC automotive industry has intensified with the decrease in import tariffs and the increase in license quotas for imported vehicles. In the first quarter of 2002, the unit sales of the Group's minibuses decreased as compared to the same period in 2001 and difficult market conditions have contributed to pricing pressures for some of the Group's minibuses. However, there has been a recovery in the unit sales of the Company's minibuses since April 2002. By focusing on market trends and introducing upgraded models, the Group obtained better operating results in the second quarter of this year. The management anticipates that with (i) the continued improving demand for its minibuses; (ii) the stabilization of the unit selling prices; and (iii) the reduction in the costs of components used in the production of its minibuses in the coming months, the performance of the Group's minibus operation for the second half of 2002 will be improved.

The Year 2002 so far has not only been an important year for the Chinese automotive industry, but also an important milestone year for the Group. In May 2002, Shenyang Automotive obtained the final approval from the Chinese Government to produce and sell its "Zhonghua" brand passenger sedan and thus marked the beginning of a new era for the Group. The "Zhonghua" brand sedan was successfully introduced to the market on 20th August, 2002 with positive initial response from the market.

Significant progress was also achieved in the establishment of the joint venture company with BMW AG ("BMW") of Germany. In July 2002, the Chinese Central Government approved the proposal for the establishment of a joint venture with BMW to produce and sell the latest BMW "3" and "5" series models in China. The joint venture with BMW is expected to have an annual production capacity of 30,000 vehicles per annum and is scheduled to begin production in the second half of 2003. The management believes that the "Zhonghua" brand sedan together with the approval for the establishment of the joint venture with BMW allow Shenyang Automotive to capitalize on its expertise in the minibus sector to further expand into the growing sedan market.

The management believes that with its established market position, solid track record and well-defined growth strategies, the Group is well-positioned to capture the market opportunities and navigate through the challenges ahead. To further strengthen the Group's competitive advantages, the management has formulated the following strategies for the Group:

- Maintain leadership in the minibus industry in the PRC by (i) continuing to deliver high quality minibuses at competitive prices; and (ii) increasing the market share by introducing new and upgraded minibus models;
- Improve operation efficiency by (i) implementing cost reduction programs, (ii) streamlining production, operational and financial reporting systems and (iii) improving the efficiency of the domestic sales and distribution networks;
- Build up the brand image and increase the market share of our "Zhonghua" brand sedan by (i) expanding the domestic sales and distribution and after-sales services networks, (ii) improving product quality while maintaining price competitiveness; and (iii) upgrading the standard model by introducing new functions and options;
- Capitalize on our established relationships with BMW and Toyota to introduce new products and develop new markets in China.

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 for the six months ended 30th June, 2002.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial report matters, including the unaudited interim accounts for the six months ended 30th June, 2002.

CODE OF BEST PRACTICE

In the opinion of the directors of the Company, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange throughout the six months ended 30th June, 2002, except that 1) an executive director of the Company failed to observe the notification procedures as set out in Appendix 10.B.5 of the Listing Rules in relation to his personal dealings in securities of the Company in June 2002, and 2) the independent non-executive directors of the Company are not appointed for specific terms and are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's by-laws.

PUBLICATION OF FINANCIAL INFORMATION

The Group's 2002 interim report containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

By Order of the Board
Wu Xiao An
Chairman

Hong Kong, 19th September, 2002

* For identification purposes only