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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 RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2013

The board of directors (the “**Board**”) of Brilliance China Automotive Holdings Limited (the “**Company**”) announces the consolidated financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31st December, 2013 as follows:

#### CONSOLIDATED INCOME STATEMENT

For the year ended 31st December

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

	Note	2013 RMB'000	2012 RMB'000
<b>Revenue</b>	3	<b>6,103,487</b>	5,915,991
Cost of sales		<b>(5,416,968)</b>	(5,219,806)
<b>Gross profit</b>		<b>686,519</b>	696,185
Other income		<b>96,204</b>	50,444
Interest income		<b>46,868</b>	74,343
Selling expenses		<b>(608,355)</b>	(539,159)
General and administrative expenses		<b>(399,396)</b>	(338,717)
Finance costs		<b>(138,568)</b>	(174,306)
Share of results of:			
Joint ventures		<b>3,448,343</b>	2,433,844
Associates		<b>193,114</b>	91,973
<b>Profit before income tax expense</b>	4	<b>3,324,729</b>	2,294,607
Income tax expense	5	<b>(8,370)</b>	(57,564)
<b>Profit for the year</b>		<b>3,316,359</b>	2,237,043

\* For identification purposes only

**CONSOLIDATED INCOME STATEMENT (Continued)***For the year ended 31st December**(Expressed in thousands of RMB except for per share amounts)*

	Note	2013 RMB'000	2012 RMB'000
<b>Attributable to:</b>			
Equity holders of the Company		<b>3,374,200</b>	2,301,022
Non-controlling interests		<b>(57,841)</b>	(63,979)
		<b>3,316,359</b>	2,237,043
<b>Earnings per share</b>			
	6		
– Basic		<b>RMB0.67138</b>	RMB0.45804
– Diluted		<b>RMB0.66870</b>	RMB0.45605

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***For the year ended 31st December*

	2013 RMB'000	2012 RMB'000
<b>Profit for the year</b>	<b>3,316,359</b>	2,237,043
<b>Other comprehensive (expense) income that will be subsequently reclassified to income statement, net of tax</b>		
Change in fair value of available-for-sale financial assets	<b>(220)</b>	4,566
Share of other comprehensive income of a joint venture	<b>20,445</b>	714,364
	<b>20,225</b>	718,930
<b>Total comprehensive income for the year</b>	<b>3,336,584</b>	2,955,973
<b>Attributable to:</b>		
Equity holders of the Company	<b>3,394,425</b>	3,019,952
Non-controlling interests	<b>(57,841)</b>	(63,979)
	<b>3,336,584</b>	2,955,973

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31st December

	Note	2013 RMB'000	2012 RMB'000
<b>Non-current assets</b>			
Intangible assets		669,912	361,509
Property, plant and equipment		1,685,758	1,745,133
Land lease prepayments		61,053	62,511
Interests in joint ventures		8,066,556	6,236,268
Interests in associates		1,351,686	603,642
Prepayments for a long-term investment		600,000	600,000
Available-for-sale financial assets		19,680	19,900
Other non-current assets		11,616	11,234
<b>Total non-current assets</b>		<b>12,466,261</b>	<b>9,640,197</b>
<b>Current assets</b>			
Cash and cash equivalents		903,263	836,511
Short-term bank deposits		173,934	57,556
Pledged short-term bank deposits		1,039,469	1,054,877
Inventories		769,435	838,393
Accounts receivable	7	834,460	509,296
Notes receivable		1,385,259	1,302,447
Other current assets		1,418,182	1,818,070
Income tax recoverable		-	209
<b>Total current assets</b>		<b>6,524,002</b>	<b>6,417,359</b>
<b>Current liabilities</b>			
Accounts payable	8	2,990,627	3,119,993
Notes payable		1,298,253	1,708,160
Other current liabilities		940,226	874,122
Short-term bank borrowings		1,528,200	1,119,000
Income tax payable		35,212	35,909
<b>Total current liabilities</b>		<b>6,792,518</b>	<b>6,857,184</b>
<b>Net current liabilities</b>		<b>(268,516)</b>	<b>(439,825)</b>
<b>Total assets less current liabilities</b>		<b>12,197,745</b>	<b>9,200,372</b>
<b>Non-current liabilities</b>			
Deferred government grants		56,400	1,900
<b>NET ASSETS</b>		<b>12,141,345</b>	<b>9,198,472</b>

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)***As at 31st December*

	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
<b>Capital and reserves</b>		
Share capital	<b>395,877</b>	395,877
Reserves	<b>12,619,403</b>	9,618,689
Total equity attributable to equity holders of the Company	<b>13,015,280</b>	10,014,566
Non-controlling interests	<b>(873,935)</b>	(816,094)
<b>TOTAL EQUITY</b>	<b>12,141,345</b>	9,198,472

*NOTES:*

**1. CORPORATE INFORMATION**

The Company was incorporated in Bermuda on 9th June, 1992 with limited liability. The Company's shares are traded on the Main Board of The Stock Exchange of Hong Kong Limited (the "**SEHK**").

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

**2. PRINCIPAL ACCOUNTING POLICIES**

**(a) Statement of compliance**

These financial statements have been prepared in accordance with applicable Hong Kong Financial Reporting Standards, collective terms of which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the SEHK (the "**Listing Rules**").

These financial statements have been prepared on the basis consistent with the accounting policies adopted in the 2012 financial statements, except for the adoption for the first time the new and revised standards, amendments and interpretations (collectively "**new HKFRSs**") issued by the HKICPA, which are relevant to and effective for the Group's and the Company's financial statements for the annual financial year 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.

**(b) Basis of measurement**

The measurement basis used in the preparation of the financial statements is historical cost, except for financial instruments classified as available-for-sale financial assets which are measured at fair value.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (c) Preparation of financial statements

At 31st December, 2013, the Group had net current liabilities of approximately RMB269 million. Notwithstanding that the Group's current liabilities exceeded its current assets at 31st December, 2013, in preparing these financial statements, the directors have given careful consideration to current and future liquidity of the Group and its ability to provide working capital for its operations.

At the reporting date, the Group had short-term bank borrowings of RMB1,528 million which are renewable on a yearly basis. Management is confident that these borrowings can be renewed on their expiry.

As shown in the financial statements, the profits and net liabilities situation of the Group have been improving. In addition, Huachen Automotive Group Holdings Company Limited ("**Huachen**"), which is a PRC state-owned enterprise and the major shareholder of the Company, has also agreed to provide adequate funds to the Group, if necessary, to meet its liabilities as they fall due. Together with the expected continuing cash dividends from BMW Brilliance and the continuing financial support from bankers, the directors consider that the Group will have sufficient cash resources to satisfy its future working capital needs and other financing requirements. Accordingly, the directors are of the opinion that it is appropriate to prepare the financial statements on a going concern basis.

## 3. REVENUE AND SEGMENT INFORMATION

Revenue represents the invoiced value of goods, net of consumption tax, discounts and returns.

	2013	2012
	RMB'000	RMB'000
<b>Revenue</b>		
Sale of minibuses and automotive components	<b>6,103,487</b>	5,915,991

*Note:* During the year, the Group had two major customers with aggregate revenue derived from them amounting to more than 10% of the Group's revenue, and each of these two customers amounted to RMB1,618,193,000 and RMB745,551,000 (2012: Nil and RMB3,098,572,000).

### 3. REVENUE AND SEGMENT INFORMATION (Continued)

Although the minibuses and automotive components of the Group are primarily sold in the PRC, the sales in overseas markets are increasing and the distribution of sales in the PRC and overseas markets are as follows:

	2013 RMB'000	2012 RMB'000
PRC	5,430,292	5,318,817
Other Asian countries	51,221	122,449
Southern America	115,177	241,811
Middle East	378,146	144,182
Africa	128,092	88,582
Others	559	150
	<b>6,103,487</b>	<b>5,915,991</b>

#### Operating segments – 2013

	Manufacture and sale of minibuses and automotive components RMB'000	Manufacture and sale of BMW vehicles RMB'000	Reconciliation to the Group's income statement RMB'000	Total RMB'000
Segment sales to external customers	6,103,487	73,172,504	(73,172,504)	6,103,487
Segment results	(119,892)	9,703,736	(9,703,736)	(119,892)
Impairment losses on assets	(48,051)	-	-	(48,051)
Unallocated costs net of unallocated income				(57,085)
Interest income				46,868
Finance costs				(138,568)
Share of results of:				
Joint ventures	13,050	3,435,293	-	3,448,343
Associates	193,114	-	-	193,114
Profit before income tax expense				<b>3,324,729</b>

### 3. REVENUE AND SEGMENT INFORMATION (Continued)

Operating segments – 2012

	Manufacture and sale of minibuses and automotive components RMB'000	Manufacture and sale of BMW vehicles RMB'000	Reconciliation to the Group's income statement RMB'000	Total RMB'000
Segment sales to external customers	5,915,991	56,150,601	(56,150,601)	5,915,991
Segment results	(49,971)	7,073,411	(7,073,411)	(49,971)
Impairment losses on assets	(30,904)	–	–	(30,904)
Unallocated costs net of unallocated income				(50,372)
Interest income				74,343
Finance costs				(174,306)
Share of results of:				
Joint ventures	108,658	2,325,186	–	2,433,844
Associates	91,973	–	–	91,973
Profit before income tax expense				2,294,607



### 3. REVENUE AND SEGMENT INFORMATION (Continued)

#### Operating segments – 2013

	Manufacture and sale of minibuses and automotive components RMB'000	Manufacture and sale of BMW vehicles RMB'000	Reconciliation to the Group's statement of financial position RMB'000	Total RMB'000
Segment assets	8,504,915	46,138,315	(46,138,315)	8,504,915
Interests in associates	1,351,686	-	-	1,351,686
Interests in joint ventures	13,315	8,053,241	-	8,066,556
Available-for-sale financial assets				19,680
Prepayments for a long-term investment				600,000
Advance to a shareholder of a related party				300,000
Unallocated assets				<u>147,426</u>
<b>Total assets</b>				<u><b>18,990,263</b></u>
Segment liabilities				6,839,010
Unallocated liabilities				<u>9,908</u>
<b>Total liabilities</b>				<u><b>6,848,918</b></u>
<b>Other disclosures:</b>				
Capital expenditure	691,801	6,547,441	(6,547,441)	691,801
Depreciation of property, plant and equipment	100,332	1,056,850	(1,056,850)	100,332
Amortisation of land lease prepayments	1,458	17,997	(17,997)	1,458
Amortisation of intangible assets	37,375	80,515	(80,515)	37,375
Provision of inventories	46,842	54,637	(54,637)	46,842
Write-back of provision for inventories sold	10,397	66,462	(66,462)	10,397
Write-back of provision for doubtful debts	8	-	-	8

### 3. REVENUE AND SEGMENT INFORMATION (Continued)

Operating segments – 2012

	Manufacture and sale of minibuses and automotive components RMB'000	Manufacture and sale of BMW vehicles RMB'000	Reconciliation to the Group's statement of financial position RMB'000	Total RMB'000
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				132,346
<b>Total assets</b>				<b>16,057,556</b>
Segment liabilities	6,848,318	21,486,920	(21,486,920)	6,848,318
Unallocated liabilities				10,766
<b>Total liabilities</b>				<b>6,859,084</b>
Other disclosures:				
Capital expenditure	400,649	5,888,117	(5,888,117)	400,649
Depreciation of property, plant and equipment	99,468	871,025	(871,025)	99,468
Amortisation of land lease prepayments	1,458	14,751	(14,751)	1,458
Amortisation of intangible assets	39,234	65,023	(65,023)	39,234
Provision of inventories	45,665	132,823	(132,823)	45,665
Write-back of provision for inventories sold	10,416	63,005	(63,005)	10,416
Write-back of provision for doubtful debts	2,520	–	–	2,520

#### 4. PROFIT BEFORE INCOME TAX EXPENSE

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

	2013 RMB'000	2012 RMB'000
Charging:		
Impairment losses on:		
– Intangible assets (a)	1,844	20,699
– Accounts receivable (b)	173	3,470
– Amounts due from affiliated companies (b)	40,000	–
– Other receivables (b)	6,034	6,735
	<b>48,051</b>	30,904
Staff costs	579,127	531,294
Amortisation of intangible assets (a)	37,375	39,234
Amortisation of land lease prepayments	1,458	1,458
Depreciation of property, plant and equipment	100,332	99,468
Cost of inventories (c)	5,380,523	5,185,281
Provision for inventories	46,842	45,665
Auditors' remuneration	3,086	2,660
Research and development costs (b)	3,715	5,007
Operating lease charges in respect of land and buildings	17,961	18,068
Exchange loss, net	32,404	5,118
Loss on disposal and write-off of property, plant and equipment	–	1,066
Crediting:		
Gross rental income from land and buildings	392	448
Write-back of provision for inventories sold	10,397	10,416
Gain on deemed disposal of a joint venture	9,961	–
Gain on disposal of property, plant and equipment	46,964	–
Write-back of provision for doubtful debts of other receivables	8	2,520

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

(b) included in general and administrative expenses.

(c) included government subsidies of RMB70,369,000 in 2013.

## 5. INCOME TAX EXPENSE

The income tax charged to the consolidated income statement represents:

	2013 RMB'000	2012 RMB'000
<b>Current tax</b>		
PRC enterprise income tax		
– Current year	8,154	7,177
– Under provision in prior year	216	387
	<b>8,370</b>	7,564
Deferred tax expense in respect of tax losses	–	50,000
	<b>8,370</b>	57,564

PRC enterprise income tax expense on profits arising in the PRC has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates.

Reconciliation between tax expense and accounting profit using the weighted average taxation rate of the companies within the Group is as follows:

	2013 RMB'000	2012 RMB'000
Profit before income tax expense	3,324,729	2,294,607
Calculated at a weighted average statutory taxation rate in the PRC of 23.21% (2012: 24.33%)	771,702	558,239
Effect of tax holiday	(796)	(676)
Non-taxable income net of expenses not deductible for taxation purpose	(820,245)	(607,713)
Unrecognised temporary differences	10,542	20,985
Write-off of deferred tax asset in respect of tax losses	–	50,000
Utilisation of previously unrecognised tax losses	–	(145)
Unrecognised tax losses	46,951	36,487
Under provision in prior years	216	387
	<b>8,370</b>	57,564

## 6. 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:

	Number of shares	
	2013	2012
	'000	'000
<hr/>		
<i>Weighted average number of ordinary shares</i>		
Issued ordinary shares at 1st January,	5,025,769	5,010,769
Effect of share options exercised	-	12,884
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Weighted average number of ordinary shares for calculating basic earnings per share	5,025,769	5,023,653
Weighted average number of ordinary shares deemed issued under the Company's share option scheme	20,140	21,881
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Weighted average number of ordinary shares for calculating diluted earnings per share	5,045,909	5,045,534
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## 7. ACCOUNTS RECEIVABLE

	2013	2012
	RMB'000	RMB'000
<hr/>		
Accounts receivable	507,625	205,462
Accounts receivable from affiliated companies	326,835	303,834
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	834,460	509,296
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## 7. ACCOUNTS RECEIVABLE (Continued)

An aging analysis of accounts receivable is set out below:

	2013 RMB'000	2012 RMB'000
Less than six months	464,541	196,920
Six months to one year	39,093	3,706
Above one year but less than two years	133	1,972
Two years or above	24,465	23,298
	<b>528,232</b>	225,896
Less: provision for doubtful debts	<b>(20,607)</b>	(20,434)
	<b>507,625</b>	205,462

At the reporting date, accounts receivable from third parties of RMB401 million (2012: RMB148 million) are mainly denominated in U.S. Dollar and the rest are denominated in Renminbi. The Group's credit policy is to offer credit to customers following a financial assessment and an established payment record. In order to minimise credit risk, credit history and background of new customers and debtors are checked and security deposits or letters of credit 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 follow-up collection with customers. Customers considered to be high risk are traded on cash basis or when bank guaranteed notes or letters of credit are received.

## 8. ACCOUNTS PAYABLE

	2013 RMB'000	2012 RMB'000
Accounts payable	1,650,088	1,495,021
Accounts payable to affiliated companies	1,340,539	1,624,972
	<b>2,990,627</b>	3,119,993

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

	2013 RMB'000	2012 RMB'000
Less than six months	1,413,042	1,341,372
Six months to one year	135,882	82,783
Above one year but less than two years	34,024	21,764
Two years or above	67,140	49,102
	<b>1,650,088</b>	1,495,021

Accounts payable with balances denominated in currencies other than Renminbi are considered not significant. All these amounts are payable within one year.

## 9. CONTINGENCIES

On 8th November, 2012, a member of the Group and Shenyang JinBei Automotive Co., Ltd. (“**JinBei**”) entered into an agreement for the provision of cross guarantee in respect of each other’s banking facilities in the maximum amount of RMB600 million (2012: RMB600 million) from 1st January, 2013 to 31st December, 2013. As at 31st December, 2013, under this agreement, JinBei and its subsidiaries had outstanding bank loans and other banking facilities totalling RMB526.5 million (As at 31st December, 2012: RMB578.5 million) of which RMB200 million (As at 31st December, 2012: RMB200 million) and RMB326.5 million (As at 31st December, 2012: RMB378.5 million) were supported by the Group’s bank deposits pledged to and corporate guarantee provided to the banks, respectively. On 17th December, 2013, an agreement was entered into by both parties to provide cross guarantee for the same amount to each other from 1st January, 2014 to 31st December, 2014.

In addition, the Group had provided a corporate guarantee in the maximum amount of RMB100 million (As at 31st December, 2012: RMB100 million) from 1st January, 2013 to 31st December, 2013 for revolving bank loans and bank guaranteed notes to Shanghai Shenhua Holdings Co., Ltd. (“**Shanghai Shenhua**”). As at 31st December, 2013, RMB60 million (As at 31st December, 2012: RMB60 million) of this corporate guarantee was utilised by Shanghai Shenhua.

## BUSINESS REVIEW AND PROSPECTS

Despite a gentle easing of the national economic growth in the year 2013, China's automobile sector growth accelerated, realising total sales volume of 21.98 million units, or an increase of 13.9% over the previous year, according to the China Association of Automobile Manufacturers. Of these, 17.9 million units were passenger vehicles, reflecting growth of 15.7% for this segment compared to 2012. The luxury passenger vehicle segment in China has maintained its growth momentum and continued to outperform, registering a growth of approximately 20% during the year.

The year 2013 continued to be a busy but fruitful year for the Group. Our BMW joint venture, BMW Brilliance, celebrated its 10th year anniversary in July 2013. In 2013, BMW Brilliance again delivered impressive results with a 47.7% increase in profit contribution in conjunction with a 28.5% increase in sales volume. The BMW joint venture also continued with its production capacity expansion which allows for production of up to 400,000 vehicles annually. The highly advanced Tiexi plant has been designed to provide maximum production flexibility in terms of further capacity expansion as well as adjustments between products. In terms of new products, the new China-only 5-series long-wheelbase facelift model and an additional 3-series variant the 316i were both introduced into the market in the second half 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 broaden 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 reached 420 outlets nationwide as at the end of 2013. With such a vast distribution network, BMW Brilliance is redirecting additional resources and focus on the cultivation of competencies in dealer network management and aftersale service provision. 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.

In addition, in November 2013, BMW Brilliance also marked a new milestone on its course of localization with the launch of ZINORO 1E, the first product under the joint venture’s new local brand, which was well received by the market. This new product is the first new energy vehicle (“**NEV**”) developed by a Chinese premium manufacturer. It demonstrates BMW Brilliance’s capability in mastering the latest NEV technology in the areas of product development, testing and production. It is also an important part of the joint venture’s strategy to continually deepen its local roots in China, and it further underpins BMW Brilliance’s commitment to long-term success and to the future of local R&D and NEV development in China.

Over the past 10 years, BMW Brilliance has achieved remarkable performance by riding on the dynamic growth of the Chinese economy, and 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 continued to refine its business model and product strategy to cater to the needs of the Chinese consumers, leveraging on the strong support and amicable cooperation of its shareholders. However, BMW Brilliance is not complacent with its achievements so far. In preparation for further competition in the premium segment, the joint venture is currently implementing various operational measures and changes, while the shareholders are reviewing potential future opportunities for further growth of BMW Brilliance, all in an effort to attain long-term sustainability and to properly position the joint venture to meet future market changes and challenges.

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

Apart from the above, the Group continues to look for ways to further streamline our operation and to strengthen our corporate structure as our operations continue to grow. The Group is also on the lookout for new business opportunities as a means to further expand our income base.

## **MANAGEMENT'S DISCUSSION & ANALYSIS**

The consolidated net sales of the Group (which represent primarily those derived from the minibus business and major operating subsidiaries such as Shenyang Brilliance JinBei Automobile Co., Ltd. ("**Shenyang Automotive**") and Shenyang XingYuanDong Automobile Component Co., Ltd.) for the year ended 31st December, 2013 was RMB6,103.5 million, representing a 3.2% increase from RMB5,916.0 million for the year ended 31st December, 2012. The slight increase in net sales was primarily due to an increase in automotive components sales while the sales of minibus products remained relatively stable. Component sales accounted for 18.7% of revenue for the year ended 31st December, 2013 as compared to 15.9% in 2012.

Shenyang Automotive sold 83,747 minibuses in 2013, which was at a similar level to the 82,506 minibuses sold in 2012. Of these minibuses sold, 70,211 units were Haise minibuses, representing a slight 1.7% decrease from the 71,461 units sold in 2012. On the other hand, unit sales of Granse minibuses increased by 22.6% from 11,045 units in 2012 to 13,536 units in 2013. The increase in Granse minibus sales volume in 2013 was primarily due to favorable impact from advertising campaigns held during the year.

Cost of sales increased by 3.8% from RMB5,219.8 million in 2012 to RMB5,417.0 million in 2013 which is slightly higher than the increase in net sales due to higher material and manufacturing costs in 2013. The gross profit margin of the Group has dropped from 11.8% in 2012 to 11.2% in 2013 due to higher costs and pricing pressure caused by intense competition in the minibus segment, the effect of which was partially offsetted by RMB70.4 million of government subsidies recorded during the year.

Other income increased by 90.9% from RMB50.4 million in 2012 to RMB96.2 million in 2013. The increase was primarily due to gains realised from the disposals of certain property, plant and equipment during the year.

Interest income decreased by 36.9% from RMB74.3 million in 2012 to RMB46.9 million in 2013. The decrease was mainly due to the settlement in 2013 of the balance due from Huachen for the disposal of Zhonghua business. There was an imputed interest of RMB28 million from this due from Huachen balance in 2012.



## MANAGEMENT'S DISCUSSION & ANALYSIS (Continued)

Selling expenses increased by 12.8% from RMB539.2 million in 2012 to RMB608.4 million in 2013. Selling expenses as a percentage of turnover has increased to 10.0% for 2013 from 9.1% in 2012. The increase was driven mainly by increases in the costs of transportation and advertising during the year.

General and administrative expenses increased by 17.9% from RMB338.7 million in 2012 to RMB399.4 million in 2013. The increase was primarily driven by an impairment provision of RMB40 million provided for the amount due from an affiliated company and exchange loss of RMB32 million.

Finance costs decreased by 20.5% from RMB174.3 million in 2012 to RMB138.6 million in 2013 primarily due to decreased financing from discounting bank guaranteed notes during the year.

The Group's share of results of joint ventures increased by 41.7% from RMB2,433.8 million in 2012 to RMB3,448.3 million in 2013. This was primarily attributable to the increased profits contributed by BMW Brilliance, the Group's 50% indirectly owned joint venture.

Net profits contributed to the Group by BMW Brilliance increased by 47.7% from RMB2,325.2 million in 2012 to RMB3,435.3 million in 2013. The BMW joint venture achieved sales of 206,729 BMW vehicles in 2013, an increase of 28.5% as compared to 160,849 BMW vehicles sold in 2012. The 2013 sales volumes of the locally produced 3-series, 5-series and X1 were 60,954 units, 123,463 units and 22,312 units, respectively, compared to 34,766 units, 105,600 units and 20,483 units, respectively, for 2012.

The Group's share of results of associates increased by 109.9% from RMB92.0 million in 2012 to RMB193.1 million in 2013. This was primarily attributable to the reclassification of Xinchun China Power Holdings Limited from a joint venture to an associate after its listing on the Stock Exchange of Hong Kong in March 2013.

The Group recorded profit before taxation of RMB3,324.7 million in 2013, which represents a 44.9% increase compared to RMB2,294.6 million for 2012.

Income tax expense was RMB8.4 million for 2013, which represents a 85.4% decrease from the RMB57.6 million recorded for 2012. The significant decrease was due to the reversal of deferred tax assets of RMB50 million in 2012.

For the year 2013, the net income attributable to equity holders of the Company was RMB3,374.2 million, representing a 46.6% increase from RMB2,301.0 million for 2012. Basic earnings per share in 2013 amounted to RMB0.67138, compared to RMB0.45804 in 2012.

## **MANAGEMENT'S DISCUSSION & ANALYSIS (Continued)**

### **Liquidity and Financial Resources**

As at 31st December, 2013, the Group had RMB903.3 million in cash and cash equivalents (31st December, 2012: RMB836.5 million), RMB173.9 million in short-term bank deposits (31st December, 2012: RMB57.6 million) and RMB1,039.5 million in pledged short-term bank deposits (31st December, 2012: RMB1,054.9 million). The Group had notes payable of RMB1,298.3 million (31st December, 2012: RMB1,708.2 million) and outstanding short-term bank borrowings of RMB1,528.2 million (31st December, 2012: RMB1,119.0 million), but no long-term bank borrowings outstanding as at 31st December, 2013 (31st December, 2012: Nil).

### **Contingent Liabilities**

Details of the contingent liabilities are set out in note 9 to this results announcement.

### **Gearing Ratio**

As at 31st December, 2013, the gearing ratio, computed by dividing total liabilities by total equity attributable to equity holders of the Company, was approximately 0.53 (31st December, 2012: 0.68). The decrease in the gearing ratio was primarily due to (a) the increase in total equity attributable to equity holders of the Company as a result of a significant increase of profit attributable to equity holders of the Company this year, and (b) the relatively stable total liabilities in 2013, as compared to last year.

### **Foreign Exchange Risks**

As the overseas sales of the Group increases, the Group considers that exchange rate fluctuations have started to have some effect on the overall financial performance of the Group but it is at a manageable level. In the future, the Group may consider entering into hedging transactions through exchange contracts in order to minimise foreign exchange risks, if and when necessary. There were no outstanding hedging transactions as at 31st December, 2013 (31st December, 2012: Nil).

### **Employees and Remuneration Policy**

The Group employed approximately 6,600 employees as at 31st December, 2013 (31st December, 2012: approximately 6,400). Employee costs amounted to approximately RMB579.1 million for the year ended 31st December, 2013 (31st December, 2012: approximately RMB531.3 million). The Group will endeavour to ensure that the salary levels of its employees are in line with industry practices and prevailing market conditions and that employees' remuneration is based on performance. In addition, employees are eligible for share options under the share option scheme adopted by the Company.

## **DIVIDENDS**

During the year under review, the directors have declared an interim dividend of HK\$0.1 per ordinary share of the Company for the six months ended 30th June, 2013 to shareholders whose names appeared on the register of members of the Company as at 18th October, 2013 (Six months ended 30th June, 2012: Nil). The interim dividend was paid on 28th October, 2013.

The directors did not recommend the payment of a final dividend in respect of the year ended 31st December, 2013 (31st December, 2012: Nil).

## **CLOSURE OF REGISTER OF MEMBERS**

The Company's forthcoming annual general meeting will be held on Friday, 30th May, 2014 at 9:00 a.m. (the "2014 AGM").

The Hong Kong branch register of members of the Company will be closed from Wednesday, 28th May, 2014 to Friday, 30th May, 2014, both days inclusive, during which period no transfer of shares will be registered. The record date for the 2014 AGM is Friday, 30th May, 2014. Only shareholders of the Company whose names appear on the register of members of the Company on Friday, 30th May, 2014 or their proxies or duly authorised corporate representatives are entitled to attend the 2014 AGM. In order to qualify for attending the 2014 AGM, 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, 27th May, 2014.

## **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 in 2013.

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

The Company is committed to achieving and maintaining the highest standards of corporate governance consistent with the needs and requirements of the business and its shareholders, and consistent with the "Corporate Governance Code" set out in Appendix 14 to the Listing Rules. Throughout the accounting year ended 31st December, 2013, the Group has complied with all code provisions which were in effect in the accounting year ended 31st December, 2013.

On 27th March, 2013, taking into account the amendments in the Listing Rules which came into effect on 1st September, 2013, the Board has revised the terms of reference of the nomination committee. In addition, amendments have been made to the code for securities transactions by employees to reflect the introduction of "inside information" to the Listing Rules. The Board has also reviewed and made certain format changes and minor amendments to the terms of reference of the audit/remuneration committee, the memorandum on respective functions of the Board and the management, the shareholders' communication policy and other necessary corporate governance documents.

In addition, in light of the requirement of code provision A.5.6 of Appendix 14 to the Listing Rules which came into effect on 1st September, 2013, the nomination committee adopted a board diversity policy on 13th August, 2013.

Major updates since the 2012 annual report are summarized in the 2013 annual report to be sent to shareholders of the Company in April 2014.

## 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 report matters, including the consolidated financial statements of the Group for the year ended 31st December, 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.

## SCOPE OF WORK OF THE AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31st December, 2013 have been compared by Grant Thornton Hong Kong Limited, the Company's auditors (the "**Auditors**"), to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by the Auditors in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the Auditors on this announcement.

## PUBLICATION OF ANNUAL REPORT

The 2013 annual report of the Company containing the information required by the Listing Rules will be published on the websites of the SEHK and the Company in due course.

## 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, 27th March, 2014