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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, 2015

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, 2015 as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st December

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

	Note	2015 RMB'000	2014 RMB'000
<b>Revenue</b>	3	<b>4,862,855</b>	5,514,804
Cost of sales		<b>(4,654,908)</b>	(4,952,332)
<b>Gross profit</b>		<b>207,947</b>	562,472
Other income		<b>81,383</b>	104,203
Interest income		<b>80,627</b>	53,607
Selling expenses		<b>(546,843)</b>	(585,192)
General and administrative expenses		<b>(394,248)</b>	(401,564)
Finance costs		<b>(146,889)</b>	(156,313)
Share of results of:			
Joint ventures		<b>3,822,934</b>	5,536,777
Associates		<b>219,887</b>	228,892
<b>Profit before income tax expense</b>	4	<b>3,324,798</b>	5,342,882
Income tax expense	5	<b>(44,529)</b>	(42,913)
<b>Profit for the year</b>		<b>3,280,269</b>	5,299,969

\* For identification purposes only

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)***For the year ended 31st December**(Expressed in thousands of RMB except for earnings per share amounts)*

	Note	2015 RMB'000	2014 RMB'000
<b>Attributable to:</b>			
Equity holders of the Company		3,494,733	5,403,434
Non-controlling interests		(214,464)	(103,465)
		<b>3,280,269</b>	5,299,969
<b>Earnings per share</b>			
	6		
– Basic		RMB0.69536	RMB1.07515
– Diluted		RMB0.69258	RMB1.07082

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

	2015 RMB'000	2014 RMB'000
<b>Profit for the year</b>	<b>3,280,269</b>	5,299,969
<b>Other comprehensive income (expense) that will be subsequently reclassified to statement of profit or loss, net of tax</b>		
Change in fair value of available-for-sale financial assets	25,361	12,308
Share of other comprehensive income of a joint venture	(103,055)	(1,062,536)
	<b>(77,694)</b>	(1,050,228)
<b>Total comprehensive income for the year</b>	<b>3,202,575</b>	4,249,741
<b>Attributable to:</b>		
Equity holders of the Company	3,417,039	4,353,206
Non-controlling interests	(214,464)	(103,465)
	<b>3,202,575</b>	4,249,741

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December

	Note	2015 RMB'000	2014 RMB'000
<b>Non-current assets</b>			
Intangible assets		1,423,193	995,780
Property, plant and equipment		2,042,114	1,960,155
Land lease prepayments		86,847	59,595
Interests in joint ventures		14,011,488	11,290,550
Interests in associates		1,577,712	1,473,546
Prepayments for long-term investments		600,000	1,040,000
Available-for-sale financial assets		57,349	31,988
Long-term loan receivables		85,417	–
Other non-current assets		13,170	10,522
<b>Total non-current assets</b>		<b>19,897,290</b>	<b>16,862,136</b>
<b>Current assets</b>			
Cash and cash equivalents		1,070,876	1,178,583
Short-term bank deposits		676,013	146,127
Pledged short-term bank deposits		1,325,528	1,201,122
Inventories		1,211,004	796,584
Accounts receivable	7	1,444,708	1,194,130
Notes receivable		312,486	769,674
Other current assets		1,134,369	1,058,573
<b>Total current assets</b>		<b>7,174,984</b>	<b>6,344,793</b>
<b>Current liabilities</b>			
Accounts payable	8	3,038,018	2,963,353
Notes payable		2,157,010	1,858,010
Other current liabilities		1,074,225	916,176
Short-term bank borrowings		1,585,000	1,365,000
Income tax payable		17,632	31,454
<b>Total current liabilities</b>		<b>7,871,885</b>	<b>7,133,993</b>
<b>Net current liabilities</b>		<b>(696,901)</b>	<b>(789,200)</b>
<b>Total assets less current liabilities</b>		<b>19,200,389</b>	<b>16,072,936</b>
<b>Non-current liabilities</b>			
Deferred government grants		136,708	119,003
<b>NET ASSETS</b>		<b>19,063,681</b>	<b>15,953,933</b>

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

	2015 RMB'000	2014 RMB'000
<b>Capital and reserves</b>		
Share capital	<b>395,877</b>	395,877
Reserves	<b>19,499,668</b>	16,535,456
Total equity attributable to equity holders of the Company	<b>19,895,545</b>	16,931,333
Non-controlling interests	<b>(831,864)</b>	(977,400)
<b>TOTAL EQUITY</b>	<b>19,063,681</b>	15,953,933

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 the manufacture and sale of minibuses and automotive components through its subsidiaries.

**2. PRINCIPAL ACCOUNTING POLICIES**

**(a) Statement of compliance**

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), collective terms of which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") 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 (Cap. 622). These consolidated financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules").

The amendments to the Listing Rules relating to financial information with reference to the requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) came into effect for the first time during the current financial year and the main impact is on the presentation and disclosure of certain information in these consolidated financial statements.

These consolidated financial statements have been prepared on the basis consistent with the accounting policies adopted in the 2014 financial statements, except for the adoption for the first time the following amendments to HKFRSs (collectively "Amended HKFRSs") issued by the HKICPA, which are relevant to and effective for the consolidated financial statements for the annual financial year beginning on 1st January, 2015.

Amendments to HKAS 19 (2011)	Amendments to HKAS 19 (2011) Employee Benefits – Defined Benefit Plans: Employee Contributions
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs

The adoption of these Amended HKFRSs did not result in substantial changes to the accounting policies of the Group and had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (b) Basis of measurement

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

### (c) Preparation of consolidated financial statements

As at 31st December, 2015, the Group had net current liabilities of approximately RMB697 million. Notwithstanding the Group's current liabilities exceeding its current assets as at 31st December, 2015, in preparing these consolidated 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.

As at 31st December, 2015, the Group had short-term bank borrowings of RMB1,585 million which are renewable on a yearly basis. Management is confident that these borrowings can be renewed upon their expiry.

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. With the support from Huachen together with the expected cash dividends from BMW Brilliance and the continuing support from bankers, the directors are of the view 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 consolidated financial statements on a going concern basis.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (d) Future changes in HKFRSs

As at the date of this announcement, the HKICPA has issued the following new standards and amendments which are not yet effective.

HKFRS 9	Financial Instruments <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>1</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>1</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception <sup>1</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>1</sup>
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements <sup>1</sup>
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2016

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2018

<sup>3</sup> Effective date to be determined by the International Accounting Standards Board

The directors of the Company anticipate that application of the new standards and amendments will have no material impact on the results and financial position of the Group.

### 3. REVENUE, OTHER INCOME AND SEGMENT INFORMATION

Revenue represents sale of minibuses and automotive components at invoice value, net of consumption tax, discounts and returns.

During the year, the Group had one (2014: one) major customer with aggregate revenue derived from it amounting to more than 10% of the Group's revenue, and the revenue from this customer amounted to RMB2,332,269,000 (2014: RMB2,484,668,000).

Although the minibuses and automotive components of the Group are primarily sold in the PRC, the Group is exploring the opportunities in the overseas markets and the sales by location of customers are as follows:

	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
PRC	<b>4,717,186</b>	4,639,247
Other Asian countries	<b>62,552</b>	45,526
Latin America	<b>39,683</b>	69,830
Middle East	<b>17,765</b>	468,051
Africa	<b>25,547</b>	291,678
Others	<b>122</b>	472
	<b>4,862,855</b>	5,514,804

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the directors and the chief operating decision makers for their decisions about resource allocation to the Group's business segments, which are determined by the Group's different brands of vehicles, and their respective performances.

The Group has identified the following reportable segments:

- (1) the manufacture and sale of minibuses and automotive components; and
- (2) the manufacture and sale of BMW vehicles.



### 3. REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

The measurement policies the Group adopts for reporting segment results under HKFRS 8 are the same as those used in its consolidated financial statements prepared under HKFRSs, except that the following items are not included in arriving at the operating results of the operating segments:

- expenses related to share-based payments;
- share of results of associates and joint ventures;
- interest income;
- finance costs;
- corporate income and expenses which are not directly attributable to the business activities of any operating segment; and
- income tax expense.

In addition, the operating results of the operating segments include completed segment results of the manufacture and sale of BMW vehicles, which are currently reported on the basis of the Group's share of equity interests in BMW Brilliance and included in the consolidated financial statements prepared under HKFRS.

Segment assets include all assets other than interests in joint ventures, interests in associates, available-for-sale financial assets, prepayments for long-term investments and advance to Shenyang Automobile Industry Asset Management Company Limited (“SAIAM”). In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

Segment liabilities include all liabilities other than corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment.

In addition, segment assets and segment liabilities include assets and liabilities of the “manufacture and sale of BMW vehicles” segment, which are currently reported on the basis of the Group's share of equity interests in BMW Brilliance included in the consolidated financial statements prepared under HKFRS.

### 3. REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

#### Operating segments – 2015

	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 profit or loss RMB'000	Total RMB'000
Segment sales to external customers	4,862,855	92,179,364	(92,179,364)	4,862,855
Segment results	(626,894)	10,279,384	(10,279,384)	(626,894)
Unallocated costs net of unallocated income	-	-	-	(24,867)
Interest income	-	-	-	80,627
Finance costs	-	-	-	(146,889)
Share of results of:				
Joint ventures	(4,131)	3,827,065	-	3,822,934
Associates	219,887	-	-	219,887
Profit before income tax expense				3,324,798

#### Operating segments – 2014

	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 profit or loss RMB'000	Total RMB'000
Segment sales to external customers	5,514,804	94,545,204	(94,545,204)	5,514,804
Segment results	(279,061)	14,777,768	(14,777,768)	(279,061)
Unallocated costs net of unallocated income	-	-	-	(41,020)
Interest income	-	-	-	53,607
Finance costs	-	-	-	(156,313)
Share of results of:				
Joint ventures	781	5,535,996	-	5,536,777
Associates	228,892	-	-	228,892
Profit before income tax expense				5,342,882

### 3. REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

#### Operating Segments – 2015

	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	10,438,762	66,200,422	(66,200,422)	10,438,762
Interests in joint ventures	9,704	14,001,784	-	14,011,488
Interests in associates	1,577,712	-	-	1,577,712
Available-for-sale financial assets				57,349
Prepayments for long-term investments				600,000
Advance to SAIAM				300,000
Unallocated assets				86,963
<b>Total assets</b>				<b>27,072,274</b>
Segment liabilities	7,999,111	38,196,856	(38,196,856)	7,999,111
Unallocated liabilities				9,482
<b>Total liabilities</b>				<b>8,008,593</b>
<b>Other disclosures:</b>				
Capital expenditure	781,894	9,627,477	(9,627,477)	781,894
Depreciation of property, plant and equipment	136,422	2,312,276	(2,312,276)	136,422
Amortisation of land lease prepayments	1,554	37,693	(37,693)	1,554
Amortisation of intangible assets	43,443	140,616	(140,616)	43,443
Provision of inventories	14,754	311,099	(311,099)	14,754
Write-back of provision for inventories sold	12,631	15,011	(15,011)	12,631
Write-off of provision for inventories	-	290,181	(290,181)	-
Net impairment losses on assets	3,155	43,118	(43,118)	3,155
Income tax expense	44,529	2,623,111	(2,623,111)	44,529

### 3. REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Operating segments – 2014

	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	8,950,821	57,676,507	(57,676,507)	8,950,821
Interests in joint ventures	13,849	11,276,701	–	11,290,550
Interests in associates	1,473,546	–	–	1,473,546
Available-for-sale financial assets				31,988
Prepayments for long-term investments				1,040,000
Advance to SAIAM				300,000
Unallocated assets				120,024
<b>Total assets</b>				<b>23,206,929</b>
Segment liabilities	7,243,438	35,123,105	(35,123,105)	7,243,438
Unallocated liabilities				9,558
<b>Total liabilities</b>				<b>7,252,996</b>
Other disclosures:				
Capital expenditure	806,377	8,367,910	(8,367,910)	806,377
Depreciation of property, plant and equipment	108,215	1,740,503	(1,740,503)	108,215
Amortisation of land lease prepayments	1,458	27,211	(27,211)	1,458
Amortisation of intangible assets	29,653	115,690	(115,690)	29,653
Provision of inventories	23,618	224,098	(224,098)	23,618
Write-back of provision for inventories sold	76,089	19,975	(19,975)	76,089
Write-off of provision for inventories	–	67,259	(67,259)	–
Net impairment losses on assets	61,206	8,300	(8,300)	61,206
Income tax expense	42,913	3,705,776	(3,705,776)	42,913

#### 4. PROFIT BEFORE INCOME TAX EXPENSE

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

	2015 RMB'000	2014 RMB'000
Charging:		
Impairment losses on:		
– Property, plant and equipment	–	5,461
– Accounts receivable (b)	368	674
– Loans receivable (b)	2,739	–
– Amounts due from affiliated companies (b)	–	36,173
– Other receivables (b)	48	18,967
	<b>3,155</b>	61,275
Staff costs	722,794	667,308
Amortisation of intangible assets (a)	43,443	29,653
Amortisation of land lease prepayments	1,554	1,458
Depreciation of property, plant and equipment	136,422	108,215
Cost of inventories (c)	4,686,137	5,003,702
Provision for inventories	14,754	23,618
Auditors' remuneration	2,987	2,904
Research and development costs (b)	8,126	6,519
Warranty provision (b)	25,466	36,758
Operating lease charges in respect of land and buildings	26,263	19,312
Exchange loss, net	–	5,695
Loss on disposal of property, plant and equipment	–	553
Crediting:		
Exchange gain, net	47,291	–
Gross rental income from land and buildings	–	5,888
Write-back of provision for inventories sold	12,631	76,089
Gain on disposal of property, plant and equipment	4,459	–
Write-back of provision for doubtful debts of other receivables	–	69

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

(b) included in general and administrative expenses.

(c) included government subsidies of RMB16,676,000 (2014: RMB18,945,000).

## 5. INCOME TAX EXPENSE

The income tax charged to the consolidated statement of profit or loss represents:

	2015 RMB'000	2014 RMB'000
<b>Current tax</b>		
PRC enterprise income tax		
– Current year	5,008	21,868
– Under provision in prior year	15,637	1,869
PRC withholding tax on dividend	23,884	19,176
Total income tax expense	44,529	42,913

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

	2015 RMB'000	2014 RMB'000
Profit before income tax expense	3,324,798	5,342,882
Calculated at a weighted average statutory taxation rate in the PRC of 27.64% (2014: 25.06%)	918,861	1,338,990
Effect of tax holiday	(307)	(974)
Non-taxable income net of expenses not deductible for taxation purpose	(1,066,030)	(1,415,235)
Unrecognised temporary differences	11,264	15,123
Unrecognised tax losses	165,104	103,140
Under provision in prior years	15,637	1,869
Tax expense for the year	44,529	42,913

## 6. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company of RMB3,495 million (2014: RMB5,403 million) by the weighted average number of ordinary shares as follows:

	Number of shares	
	2015 '000	2014 '000
Weighted average number of ordinary shares for calculating basic earnings per share	<b>5,025,769</b>	5,025,769
Weighted average number of ordinary shares deemed issued under the Company's share option scheme	<b>20,222</b>	20,283
Weighted average number of ordinary shares for calculating diluted earnings per share	<b>5,045,991</b>	5,046,052

## 7. ACCOUNTS RECEIVABLE

	2015 RMB'000	2014 RMB'000
Accounts receivable	<b>597,983</b>	839,171
Accounts receivable from affiliated companies	<b>846,725</b>	354,959
	<b>1,444,708</b>	1,194,130

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

	2015 RMB'000	2014 RMB'000
Less than six months	<b>235,945</b>	557,195
Six months to one year	<b>11,282</b>	196,499
Above one year but less than two years	<b>335,768</b>	81,899
Two years or above	<b>36,637</b>	24,859
	<b>619,632</b>	860,452
Less: provision for doubtful debts	<b>(21,649)</b>	(21,281)
	<b>597,983</b>	839,171

## 7. ACCOUNTS RECEIVABLE (Continued)

At 31st December, 2015, accounts receivable from third parties of approximately RMB401 million (2014: approximately RMB667 million) are substantially denominated in U.S. Dollar or Euro 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 to 90 days are set for PRC customers and customers considered to be high risk are traded on cash basis or when bank guaranteed notes or letters of credit are received. For overseas customers, since settlements must generally be made by letters of credit, credit periods up to one year are granted. Designated staff monitors accounts receivable and follow-up collection with customers.

## 8. ACCOUNTS PAYABLE

	2015 RMB'000	2014 RMB'000
Accounts payable	1,774,284	1,708,665
Accounts payable to affiliated companies	1,263,734	1,254,688
	<b>3,038,018</b>	2,963,353

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

	2015 RMB'000	2014 RMB'000
Less than six months	1,358,896	1,392,626
Six months to one year	222,421	138,875
Above one year but less than two years	63,462	108,980
Two years or above	129,505	68,184
	<b>1,774,284</b>	1,708,665

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

## 9. DIVIDENDS

On 21st August, 2015, a dividend of HK\$0.11 per share (2014: HK\$0.11 per share) totaling HK\$552,835,000, approximately RMB452,827,000, (2014: HK\$552,835,000, approximately RMB437,153,000) was declared by the directors and paid during the year.

The directors did not recommend any dividend payment at the board meeting held on 24th March, 2016 in respect of the Group's 2015 annual results (2014: Nil).



## 10. CONTINGENCIES

On 12th November, 2014, a member of the Group and Shenyang JinBei Automotive Co., Ltd. (“**JinBei**”) entered into an agreement for the provision of cross guarantees in respect of each other’s banking facilities in the maximum amount of RMB600 million (2014: RMB600 million) for the period from 1st January, 2015 to 31st December, 2015. As at 31st December, 2015, under this agreement, JinBei and its subsidiaries had outstanding bank loans and other banking facilities totalling RMB530 million (As at 31st December, 2014: RMB586.5 million) of which RMB200 million (As at 31st December, 2014: RMB200 million) and RMB330 million (As at 31st December, 2014: RMB386.5 million) were supported by the Group’s bank deposits pledged to and corporate guarantee provided to the banks, respectively. On 10th November, 2015, an agreement was entered into by both parties to provide cross guarantees for the same amount to each other for the period from 1st January, 2016 to 31st December, 2016.

In addition, the Group had provided a corporate guarantee in the maximum amount of RMB60 million (As at 31st December, 2014: RMB100 million) from 1st January, 2015 to 31st December, 2015 for revolving bank loans and bank guaranteed notes to Shanghai Shenhua Holdings Co., Ltd. (“**Shanghai Shenhua**”). As at 31st December, 2015, RMB60 million (As at 31st December, 2014: RMB60 million) of this corporate guarantee was utilised by Shanghai Shenhua.

## OVERVIEW AND PROSPECTS

In 2015 China’s economic growth decelerated for the first time in recent years, with GDP growing at a reduced rate of 6.9%. As a result, growth in China’s automobile sector was negatively affected, registering total industry sales volume of 24.6 million units for the year, or an increase of 4.7% over the previous year, according to the China Association of Automobile Manufacturers. Of these, 21.1 million units were passenger vehicles, representing a growth rate of 7.3% for this segment compared to the previous year. The premium passenger vehicle segment in China had also realized a low single-digit growth rate during the year, which was significantly below the double-digit growth that it had experienced in prior years.

During 2015, normalisation of the China premium auto market growth had transpired faster than forecasted. Despite this rapid slowdown, our BMW Brilliance joint venture (the “**JV**”) managed to record sales of 287,073 BMW vehicles during the year, representing an increase of 3.1% when compared to the previous year. Both the 5-series and 3-series continued to show growth in this challenging market, while the X1 had lagged behind due to life cycle and the pending introduction of the new and improved next generation model this year.

The rapid change in market condition has called for a comprehensive review of the JV’s product portfolio, investment plans, long-term strategy, and the evolving themes of new energy and digitalization which have also become increasingly relevant. This is necessary in order to ensure proper alignment of our ongoing business model with potential future challenges. The JV continues to be confident about the long-term growth prospects of the Chinese premium auto industry, and believes the new products to be introduced over the next few years will broaden and also better tailor our product portfolio to the Chinese consumers’ increasing preference for smaller and more fuel efficient vehicles, as well as alternative energy products. Concurrently, there will also be additional concentration on cost reduction, streamlining of operation, sales volume enhancement, deepening of component localization, and further integration of our JV into the BMW network via potential exports of vehicles and components from China.

## OVERVIEW AND PROSPECTS (Continued)

The capacity expansion project at the Tiexi plant has recently completed with the addition of an all-new front-wheel-drive production platform. Together with the Dadong plant, the JV has now reached total annual production capacity of over 400,000 units providing for products of different architectures. The new engine plant in Tiexi has also commenced operation in January this year, enabling local production of the brand new 3 and 4-cylinder BMW engines by the JV. Completion of these facilities will support the rollout of the multiple product launches planned over the next few years, starting with the new 2-series active tourer and the next generation X1 long-wheelbase in 2016.

The JV continued to expand its dealer network which had reached 520 outlets nationwide as at 31st December, 2015. During the year the JV has implemented a wide range of measures across its sales organization in an effort to strengthen the profitability of both the JV and the dealers. In addition, extra efforts have been placed on dealer relationship development, brand value enhancement and the introduction of new features to modernize and expand its sales channels. Our JV's sales activities will continue to be supported by the BMW auto finance company which has been contributing increasing profits to the JV so far.

As for the minibus business, the new premium MPV model under the new brand Huasong has commenced sales in March 2015. The initial market response was lukewarm, and further efforts are still required in promoting brand recognition and re-evaluating market opportunities. At the same time, the Group continues to produce facelift versions of its existing minibus and MPV models in order to make them more competitive. However, the year 2016 will remain challenging for this business, and it is likely that the minibus and MPV operation will continue to create a negative impact to the Group's overall financial performance for the coming year.

Brilliance-BEA Auto Finance Co., Ltd, the Company's new auto finance joint venture in China together with Bank of East Asia and CaixaBank, commenced business operation in April 2015 and achieved profit breakeven for the year. This new auto finance joint venture will focus on supporting the Group's sales of its minibus and MPVs and our major shareholder Huachen's sedan products for both wholesale and retail, and expand into finance & insurance as well as multi-brand businesses over time.

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

## BUSINESS 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, 2015 was RMB4,862.9 million, representing a 11.8% decrease from RMB5,514.8 million for the year ended 31st December, 2014. The decrease in net sales was mainly caused by a reduction in the quantity of minibuses sold.

Shenyang Automotive sold 58,023 minibuses and MPVs in 2015, which was 25.3% below the 77,710 minibuses sold in 2014. Of the minibuses sold, 44,896 were Haise minibuses, representing a 34.8% decrease from the 68,816 units sold in 2014. Similarly, the unit sales of Granse minibuses decreased by 30.0% from 8,894 units in 2014 to 6,229 units in 2015. The decrease in minibus sales volume in 2015 was primarily a result of the weak economic condition in China during the year, and reduced export volume in light of political risks in certain overseas markets. In addition to the minibus products, Shenyang Automotive also launched the new Huasong 7 MPV in March 2015, which has recorded sales of 6,898 units during the year.

## **BUSINESS DISCUSSION & ANALYSIS (Continued)**

Cost of sales decreased by 6.0% from RMB4,952.3 million in 2014 to RMB4,654.9 million in 2015. The percentage decrease in cost of sales was lower than the percentage decrease in revenue because of increased staff costs and higher depreciation of moulds and machinery during the year. The lower minibus production volume in 2015 also led to a higher average unit cost of production. As a result, the gross profit margin of the Group has dropped from 10.2% in 2014 to 4.3% in 2015.

Other income decreased by 21.9% from RMB104.2 million in 2014 to RMB81.4 million in 2015. The decrease was due to a decrease in the sale of scrap materials as a result of lower minibus production volume, as well as a decrease in government grants as the government grants in 2014 included a one-off grant for the relocation of a subsidiary.

Interest income increased by 50.4% from RMB53.6 million in 2014 to RMB80.6 million in 2015. The increase was mainly due to increases in short-term bank deposits and pledged short-term deposits during the year.

Selling expenses decreased by 6.6% from RMB585.2 million in 2014 to RMB546.8 million in 2015. The decrease in selling expenses was due to the decrease in minibus sales in general, but the decrease was partly offset by an increase in advertising expense to maintain overall market exposure of the products of the Group. Selling expenses as a percentage of revenue has increased slightly from 10.6% in 2014 to 11.2% for 2015.

Tightening cost control measures over general expenses resulted in a slight decrease in general and administrative expenses by 1.8% from RMB401.6 million in 2014 to RMB394.2 million in 2015.

Finance costs decreased by 6.0% from RMB156.3 million in 2014 to RMB146.9 million in 2015 due to slightly lower interest rates for bank borrowings in 2015, and a lower amount of bank guaranteed notes utilised during the year.

The Group's share of results of joint ventures decreased by 31.0% from RMB5,536.8 million in 2014 to RMB3,822.9 million in 2015. This was primarily attributable to the decreased profits contributed by BMW Brilliance, the Group's 50% indirectly owned joint venture.

Net profits contributed to the Group by BMW Brilliance decreased by 30.9% from RMB5,536.0 million in 2014 to RMB3,828.1 million in 2015. The BMW joint venture achieved sales of 287,073 BMW vehicles in 2015, an increase of 3.1% as compared to 278,529 BMW vehicles sold in 2014. The 2015 sales volumes of the locally produced 3-series, 5-series and X1 were 98,625 units, 147,200 units and 41,248 units, respectively, translating into growth rates of 5.3%, 6.4% and -11.4%, respectively, compared to 2014. The decrease in BMW Brilliance's profit during the year 2015 was caused by higher selling costs incurred as a result of the slowdown in the growth of the Chinese economy and the automotive industry, as well as project related costs in preparation for the launch of new models and new production facilities in the near future.

The Group's share of results of associates decreased by 3.9% from RMB228.9 million in 2014 to RMB219.9 million in 2015. This was primarily attributable to a decrease in the contribution from Xincheng China Power Holdings Limited.

The Group's profit before income tax expense decreased by 37.8% from RMB5,342.9 million in 2014 to RMB3,324.8 million in 2015. Income tax expense increased slightly by 3.8% from RMB42.9 million for 2014 to RMB44.5 million for 2015, primarily due to increase in dividend withholding tax paid by the Company for dividend received from a subsidiary.

As a result of the above, the Group recorded net profit attributable to equity holders of the Company of RMB3,494.7 million for the year 2015, representing a decrease of 35.3% from the RMB5,403.4 million realized in 2014. Basic earnings per share in 2015 amounted to RMB0.69536, compared to RMB1.07515 in 2014.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31st December, 2015, the Group had RMB1,070.9 million in cash and cash equivalents (As at 31st December, 2014: RMB1,178.6 million), RMB676 million in short-term bank deposits (As at 31st December, 2014: RMB146.1 million) and RMB1,325.5 million in pledged short-term bank deposits (As at 31st December, 2014: RMB1,201.1 million). As at 31st December, 2015, the Group had notes payable in the amount of RMB2,157 million (As at 31st December, 2014: RMB1,858 million).

As at 31st December, 2015, the Group had outstanding short-term bank borrowings of RMB1,585 million (As at 31st December, 2014: RMB1,365 million) and did not have any long-term bank borrowings outstanding (As at 31st December, 2014: Nil).

All short-term bank borrowings as at 31st December, 2015 were due within one year, being repayable from 13th January, 2016 to 10th November, 2016 (As at 31st December, 2014: repayable from 9th January, 2015 to 7th November, 2015). As at 31st December, 2015, these borrowings were at fixed interest rates and were denominated in Renminbi (As at 31st December, 2014: Same).

## **CAPITAL STRUCTURE AND FUNDING POLICIES**

As at 31st December, 2015, the Group's total assets was RMB27,072.3 million (As at 31st December, 2014: RMB23,206.9 million), which was funded by the following: (a) share capital of RMB395.9 million (As at 31st December, 2014: RMB395.9 million), (b) reserves of RMB19,499.7 million (As at 31st December, 2014: RMB16,535.5 million), (c) total liabilities of RMB8,008.6 million (As at 31st December, 2014: RMB7,253 million) and (d) negative contribution from non-controlling interests of RMB831.9 million (As at 31st December, 2014: RMB977.4 million).

As at 31st December, 2015, 90.3% (As at 31st December, 2014: 74.04%) of the Group's cash and cash equivalents (comprising cash on hand, bank balances and demand deposits within 3 months of maturity when acquired) were denominated in Renminbi, whereas 7.32% (As at 31st December, 2014: 24.48%) were denominated in U.S. Dollar. The remaining balance of 2.38% (As at 31st December, 2014: 1.48%) were denominated in other currencies.

Apart from the borrowings, banking facilities have been put in place for contingency purposes. As at 31st December, 2015, the Group's total available banking facilities for its daily operations amounted to RMB268.4 million (As at 31st December, 2014: RMB921.6 million) without any committed banking facilities.

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

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

## **CAPITAL EXPENDITURE AND COMMITMENTS**

In 2015, the Group incurred capital expenditure of RMB781.9 million (2014: RMB806.4 million) mainly for acquisition of land use rights, tools and moulds, machinery and equipment, and development costs for minibus.

As at 31st December, 2015, the Group's capital commitments, including those authorised but not yet contracted for, amounted to RMB321.6 million (As at 31st December, 2014: RMB875.1 million). Among such, contracted capital commitments amounted to RMB261.8 million (As at 31st December, 2014: RMB528.5 million), which was primarily related to the capital expenditure in respect of construction projects and acquisition of plant and machinery.

## **NEW BUSINESS AND NEW PRODUCTS**

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

The new premium MPV model, under the new brand Huasong which was co-developed with our strategic partners and external consultants, commenced sales in March 2015.

## **SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

There were no significant investments held, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31st December, 2015.

## **EMPLOYEES AND REMUNERATION POLICY, AND TRAINING PROGRAMMES**

The Group employed approximately 7,410 employees as at 31st December, 2015 (As at 31st December, 2014: Approximately 7,220). Employee costs amounted to approximately RMB722.8 million for the year ended 31st December, 2015 (For the year ended 31st December, 2014: approximately RMB667.3 million). The Group will endeavour to ensure that the salary levels of its employees are in line with industry practices and prevailing market conditions, and that employees' remuneration is based on performance. In addition, employees are eligible for share options under the share option scheme adopted by the Company.

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



## **CHARGE ON ASSETS**

As at 31st December, 2015, bank borrowings of RMB110 million (As at 31st December, 2014: RMB65 million) were secured by the Group's buildings with net book values of approximately RMB110.2 million (As at 31st December, 2014: RMB54.5 million).

In addition, as at 31st December, 2015, the Group pledged short-term bank deposits of RMB1,115 million (As at 31st December, 2014: RMB990.6 million) for issue of bank guaranteed notes to trade creditors, and RMB210.5 million (As at 31st December, 2014: RMB210.5 million) to secure bank loans granted to a related party of the Group.

As at 31st December, 2015, the Group had also pledged bank guaranteed notes receivable from third parties and affiliated companies of approximately RMB66.5 million (As at 31st December, 2014: Approximately RMB115.3 million) for issue of bank guaranteed notes.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR ADDITIONS OF CAPITAL ASSETS**

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

## **GEARING RATIO**

As at 31st December, 2015, the gearing ratio, computed by dividing total liabilities by total equity attributable to equity holders of the Company, was approximately 0.40 (As at 31st December, 2014: 0.43). The decrease in the gearing ratio was primarily due to continuing profit attributable to equity holders generated during 2015.

## **FOREIGN EXCHANGE RISKS**

Despite a decrease in the overseas sales of the Group, the Group considers that exchange rate fluctuations may have some effect on the overall financial performance of the Group but it is still at a manageable level. The Group will continue to monitor the situation and may consider entering into hedging arrangements in order to minimise foreign exchange risks, if and when necessary. There were no outstanding hedging transactions as at 31st December, 2015 (As at 31st December, 2014: Nil).

## **CONTINGENT LIABILITIES**

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

## **DIVIDENDS**

During the year under review, the directors have declared a dividend of HK\$0.11 per ordinary share of the Company to shareholders whose names appeared on the register of members of the Company as at 16th October, 2015 (2014: HK\$0.11 per ordinary share). The dividend was paid on 28th October, 2015.

The directors did not recommend any dividend payment at the board meeting held on 24th March, 2016 in respect of the Group's 2015 annual results (2014: Nil).

## **CLOSURE OF REGISTER OF MEMBERS**

The Company's forthcoming annual general meeting will be held on Friday, 3rd June, 2016 at 9:00 a.m. (the "2016 AGM").

The Hong Kong branch register of members of the Company will be closed from Wednesday, 1st June, 2016 to Friday, 3rd June, 2016, both days inclusive, during which period no transfer of shares will be registered. The record date for the 2016 AGM is Friday, 3rd June, 2016. Only shareholders of the Company whose names appear on the register of members of the Company on Friday, 3rd June, 2016 or their proxies or duly authorised corporate representatives are entitled to attend the 2016 AGM. In order to qualify for attending the 2016 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, 31st May, 2016.

## **IMPORTANT EVENTS AFFECTING THE GROUP THAT HAVE OCCURRED SINCE THE END OF THE FINANCIAL YEAR**

Save as disclosed, so far as is known to the directors of the Company, no important events affecting the Group have occurred since the end of the financial year.

## **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 2015.

## **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 financial year ended 31st December, 2015, the Group has complied with all code provisions which were in effect in the financial year ended 31st December, 2015.

There have been no material changes to the information disclosed in the Company's 2014 annual report in respect of our corporate governance practices. Major updates since the 2014 annual report are summarized in the 2015 annual report to be sent to shareholders of the Company in April 2016.

## **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, 2015.

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, 2015 have been agreed 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. The work performed by the Auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Auditors on the preliminary announcement.

## PUBLICATION OF ANNUAL REPORT

The 2015 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 three executive directors: Mr. Wu Xiao An (also known as Mr. Ng Siu On) (*Chairman*), Mr. Qi Yumin (*Chief Executive Officer*) and Mr. Wang Shiping; one non-executive director: Mr. Lei Xiaoyang; and three independent non-executive directors: Mr. Xu Bingjin, Mr. Song Jian and Mr. Jiang Bo.

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

Hong Kong, 24th March, 2016