Brilliance Auto
华 晨 汽 车

# 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, 2011

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, 2011 as follows:

### CONSOLIDATED INCOME STATEMENT

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

| | Note | **2011 RMB'000** | 2010 RMB'000 |
|---|---|---|---|
| **Revenue** | 3 | **6,442,858** | 8,948,740 |
| Cost of sales | | **(5,587,321)** | (7,725,111) |
| **Gross profit** | | **855,537** | 1,223,629 |
| Other income | 3 | **48,037** | 92,216 |
| Interest income | 3 | **76,148** | 78,614 |
| Selling expenses | | **(387,744)** | (462,030) |
| General and administrative expenses | | **(360,906)** | (363,053) |
| Finance costs | | **(193,543)** | (170,771) |
| Share of results of: | | | |
| Associates | | **69,418** | 92,438 |
| Jointly controlled entities | | **1,842,465** | 973,860 |
| **Profit before income tax expense** | 4 | **1,949,412** | 1,464,903 |
| Income tax (expense) credit | 5 | **(58,010)** | 53,907 |
| **Profit for the year** | | **1,891,402** | 1,518,810 |

* *For identification purposes only*

| | Note | **2011** **RMB'000** | 2010 RMB'000 |
|---|---|---|---|
| **Attributable to:** | | | |
| Equity holders of the Company | | **1,812,286** | 1,270,926 |
| Non-controlling interests | | **79,116** | 247,884 |
| | | **1,891,402** | 1,518,810 |
| **Earnings per share** | 6 | | |
| – Basic | | **RMB0.36263** | RMB0.25452 |
| – Diluted | | **RMB0.35931** | RMB0.25219 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31st December*

| | 2011<br>RMB'000 | 2010<br>RMB'000 |
|---|---|---|
| **Profit for the year** | **1,891,402** | 1,518,810 |
| **Other comprehensive (loss) income, net of tax** | | |
| Change in fair value of available-for-sale financial assets | **(13,444)** | (8,922) |
| Share of other comprehensive (loss) income of a jointly controlled entity | **(606,713)** | 37,805 |
| | **(620,157)** | 28,883 |
| **Total comprehensive income for the year** | **1,271,245** | 1,547,693 |
| **Attributable to:** | | |
| Equity holders of the Company | **1,192,129** | 1,299,809 |
| Non-controlling interests | **79,116** | 247,884 |
| | **1,271,245** | 1,547,693 |

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
*As at 31st December*

| | Note | 2011 RMB'000 | 2010 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | | **197,524** | 185,279 |
| Property, plant and equipment | | **1,393,389** | 1,376,759 |
| Construction-in-progress | | **276,347** | 208,059 |
| Land lease prepayments | | **63,969** | 66,506 |
| Interests in associates | | **592,441** | 544,044 |
| Interests in jointly controlled entities | | **3,578,079** | 2,562,407 |
| Prepayments for a long-term investment | | **600,000** | 600,000 |
| Available-for-sale financial assets | | **15,334** | 28,778 |
| Receivable for disposal of discontinued operations | | **–** | 440,094 |
| Deferred tax assets | | **50,000** | 99,000 |
| Other non-current assets | | **11,947** | 11,010 |
| **Total non-current assets** | | **6,779,030** | 6,121,936 |
| **Current assets** | | | |
| Cash and cash equivalents | | **585,696** | 427,789 |
| Short-term bank deposits | | **99,928** | 120,946 |
| Pledged short-term bank deposits | | **1,183,064** | 2,075,801 |
| Inventories | | **737,338** | 790,838 |
| Accounts receivable | 7 | **101,064** | 120,400 |
| Accounts receivable from affiliated companies | | **344,887** | 1,352,273 |
| Notes receivable | | **430,398** | 430,043 |
| Notes receivable from affiliated companies | | **541,411** | 542,302 |
| Other receivables | | **462,916** | 573,084 |
| Dividends receivable from affiliated companies | | **76,173** | 128,673 |
| Prepayments and other current assets | | **166,048** | 251,597 |
| Income tax recoverable | | **293** | 178 |
| Other taxes recoverable | | **17,491** | 37,964 |
| Receivable for disposal of discontinued operations | | **466,500** | – |
| Amounts due from affiliated companies | | **818,416** | 246,304 |
| **Total current assets** | | **6,031,623** | 7,098,192 |

| | Note | 2011 RMB'000 | 2010 RMB'000 |
|---|---|---|---|
| **Current liabilities** | | | |
| Accounts payable | 8 | **1,276,682** | 1,585,882 |
| Accounts payable to affiliated companies | | **1,188,856** | 1,201,965 |
| Notes payable | | **1,764,354** | 3,272,484 |
| Notes payable to affiliated companies | | **26,090** | 155,135 |
| Customer advances | | **109,530** | 270,955 |
| Other payables | | **547,940** | 770,654 |
| Accrued expenses and other current liabilities | | **66,884** | 95,667 |
| Short-term bank borrowings | | **1,296,630** | 165,000 |
| Income tax payable | | **31,716** | 34,158 |
| Other taxes payable | | **78,905** | 126,274 |
| Amounts due to affiliated companies | | **184,279** | 283,443 |
| **Total current liabilities** | | **6,571,866** | 7,961,617 |
| **Net current liabilities** | | **(540,243)** | (863,425) |
| **Total assets less current liabilities** | | **6,238,787** | 5,258,511 |
| **Non-current liabilities** | | | |
| Deferred government grants | | **1,600** | 2,000 |
| **NET ASSETS** | | **6,237,187** | 5,256,511 |
| **Capital and reserves** | | | |
| Share capital | | **394,931** | 393,857 |
| Reserves | | **6,594,371** | 5,931,469 |
| Total equity attributable to equity holders of the Company | | **6,989,302** | 6,325,326 |
| Non-controlling interests | | **(752,115)** | (1,068,815) |
| **TOTAL EQUITY** | | **6,237,187** | 5,256,511 |

*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 Stock Exchange of Hong Kong Limited (the "**SEHK**").

The Company is an investment holding company. The principal activities of the Company's subsidiaries are the manufacture and sale of minibuses and automotive components in the People's Republic of China (the "**PRC**"). In addition, the Group also has the principal activities of the manufacture and sale of BMW sedans in the PRC through its major jointly controlled entity, BMW Brilliance Automotive Ltd. ("**BMW Brilliance**").

The directors of the Company consider Huachen Automotive Group Holdings Company Limited ("**Huachen**") as the ultimate holding company of the Company.

## 2. PRINCIPAL ACCOUNTING POLICIES

### (a) Statement of compliance

These financial statements have been prepared in accordance with applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), collective term 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, 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 provisions 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 2010 financial statements, except for the adoption for the first time the following new HKFRSs, amendments to HKFRSs and interpretations:

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRS issued in 2010 except for the amendments to HKFRS 3 (as revised in 2008), HKAS 1 and HKAS 27 |
| HKAS 24 (Revised) | Related Party Disclosures |
| HKAS 32 (Amendment) | Classification of Rights Issues |
| HK(IFRIC)-Int 14 (Amendment) | Prepayments of a Minimum Funding Requirement |
| HK(IFRIC)-Int 19 | Extinguishing Financial Liabilities with Equity Instruments |

The adoption of these new and revised HKFRSs, amendments to HKFRSs and interpretations had no material effect on results and financial position of the Group for the current or prior years.

### (b) Basis of measurement

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

### (c) Preparation of financial statements

At 31st December, 2011, the Group had net current liabilities of approximately RMB540.2 million. Notwithstanding the Group's current liabilities exceeding its current assets at 31st December, 2011, 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 RMB1,296.6 million which are renewable on a yearly basis. Management is confident that these borrowings can be renewed on their expiry.

In addition, Huachen has also agreed to provide adequate funds to the Group, if necessary, to meet its liabilities as they fall due. With the continuing profit generated from operations and the financial support from bankers and Huachen, and the decreasing net current liabilities, 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, OTHER INCOME AND SEGMENT INFORMATION

Revenue represents the invoiced value of goods, net of consumption tax, discounts and returns. Revenue and other income recognised by category are as follows:

| | **2011** | 2010 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| **Revenue** | | |
| Sale of minibuses and automotive components | **6,442,858** | 8,948,740 |
| **Other income** | | |
| Subsidy income from government grants | **400** | 22,688 |
| Others | **47,637** | 69,528 |
| | **48,037** | 92,216 |
| Interest income (Note 1) | **76,148** | 78,614 |
| | **6,567,043** | 9,119,570 |

Note 1: Included in interest income is implicit interest of RMB26,406,000 (2010: RMB24,911,000) on the receivable from Huachen with face value of RMB494,490,000 to be received in 2012 for the disposal of Zhonghua sedan business in 2009, and interest income of RMB3,389,000 (2010: Nil) for advances to Xinhua Investment Holdings Limited. The others are mainly bank interest income.

Note 2: During the year, the Group had one major customer with revenue derived from it amounting to 10% or more of the Group's revenue. Revenue derived from this customer during the year amounted to RMB1,962,173,000 (2010: RMB1,558,242,000).

**Operating segments – 2011**

| | Manufacture and sale of minibuses and automotive components RMB'000 | Manufacture and sale of BMW sedans RMB'000 | Reconciliation to the Group's income statement RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **Segment sales to external customers** | **6,442,858** | **37,531,814** | **(37,531,814)** | **6,442,858** |
| **Segment results** | **195,261** | **3,434,836** | **(3,434,836)** | **195,261** |
| **Impairment losses on assets** | **(51,309)** | **(156,484)** | **156,484** | **(51,309)** |
| **Unallocated costs net of unallocated income** | | | | **10,972** |
| **Interest income** | | | | **76,148** |
| **Finance costs** | | | | **(193,543)** |
| **Share of results of:** | | | | |
| **Associates** | **69,418** | **–** | **–** | **69,418** |
| **Jointly controlled entities** | **122,202** | **1,720,263** | **–** | **1,842,465** |
| **Profit before income tax expense** | | | | **1,949,412** |

Operating segments – 2010

| | Manufacture and sale of minibuses and automotive components RMB'000 | Manufacture and sale of BMW sedans RMB'000 | Reconciliation to the Group's income statement RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| Segment sales to external customers | 8,948,740 | 21,484,930 | (21,484,930) | 8,948,740 |
| Segment results | 568,535 | 2,116,892 | (2,116,892) | 568,535 |
| Impairment losses on assets | (32,546) | (67,970) | 67,970 | (32,546) |
| Unallocated costs net of unallocated income | | | | (45,227) |
| Interest income | | | | 78,614 |
| Finance costs | | | | (170,771) |
| Share of results of: | | | | |
| Associates | 92,438 | – | – | 92,438 |
| Jointly controlled entities | 77,869 | 895,991 | – | 973,860 |
| Profit before income tax credit | | | | 1,464,903 |

**Operating segments – 2011 (Continued)**

| | Manufacture and sale of minibuses and automotive components RMB'000 | Manufacture and sale of BMW sedans RMB'000 | Reconciliation to the Group's statement of financial position RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| Segment assets | 7,593,932 | 24,018,217 | (24,018,217) | 7,593,932 |
| Interests in associates | 592,441 | – | – | 592,441 |
| Interests in jointly controlled entities | 520,126 | 3,057,953 | – | 3,578,079 |
| Available-for-sale financial assets | | | | 15,334 |
| Prepayments for a long-term investment | | | | 600,000 |
| Advance to a shareholder of a related party | | | | 300,000 |
| Unallocated assets | | | | 130,867 |
| Total assets | | | | 12,810,653 |
| Segment liabilities | 6,562,108 | 17,902,311 | (17,902,311) | 6,562,108 |
| Unallocated liabilities | | | | 11,358 |
| Total liabilities | | | | 6,573,466 |
| Other disclosures: | | | | |
| Capital expenditure | 241,722 | 4,888,397 | (4,888,397) | 241,722 |
| Depreciation of property, plant and equipment | 105,387 | 445,631 | (445,631) | 105,387 |
| Amortisation of land lease prepayments | 2,537 | 11,094 | (11,094) | 2,537 |
| Amortisation of intangible assets | 29,638 | 47,675 | (47,675) | 29,638 |
| Provision of inventories | 6,925 | 123,525 | (123,525) | 6,925 |
| Write-back of provision for inventories sold | 21,533 | 36,849 | (36,849) | 21,533 |
| Write-back of provision for doubtful debts | 9,306 | – | – | 9,306 |

Operating segments – 2010 (Continued)

| | Manufacture and sale of minibuses and automotive components RMB'000 | Manufacture and sale of BMW sedans RMB'000 | Reconciliation to the Group's statement of financial position RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| Segment assets | 9,078,824 | 14,668,487 | (14,668,487) | 9,078,824 |
| Interests in associates | 544,044 | – | – | 544,044 |
| Interests in jointly controlled entities | 418,004 | 2,144,403 | – | 2,562,407 |
| Available-for-sale financial assets | | | | 28,778 |
| Prepayments for a long-term investment | | | | 600,000 |
| Advance to a shareholder of a related party | | | | 300,000 |
| Unallocated assets | | | | 106,075 |
| Total assets | | | | 13,220,128 |
| Segment liabilities | 7,952,790 | 10,379,681 | (10,379,681) | 7,952,790 |
| Unallocated liabilities | | | | 10,827 |
| Total liabilities | | | | 7,963,617 |
| Other disclosures: | | | | |
| Capital expenditure | 449,213 | 1,882,959 | (1,882,959) | 449,213 |
| Depreciation of property, plant and equipment | 106,831 | 426,718 | (426,718) | 106,831 |
| Amortisation of land lease prepayments | 2,538 | 905 | (905) | 2,538 |
| Amortisation of intangible assets | 30,088 | 46,224 | (46,224) | 30,088 |
| Provision of inventories | 16,310 | 36,118 | (36,118) | 16,310 |
| Write-back of provision for inventories sold | 12,136 | 13,506 | (13,506) | 12,136 |
| Write-back of provision for doubtful debts | 4,845 | – | – | 4,845 |

## 4. PROFIT BEFORE INCOME TAX EXPENSE

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

| | **2011** **RMB'000** | 2010 RMB'000 |
|---|---|---|
| Charging: | | |
| Impairment losses on: | | |
| – Intangible assets | **–** | 772 |
| – Property, plant and equipment | **–** | 1,496 |
| – Accounts receivable | **3,644** | – |
| – Amounts due from affiliated companies | **29,198** | 14,000 |
| – Other receivables | **18,467** | 16,278 |
| | **51,309** | 32,546 |
| Loss on deemed disposal of interest in a jointly controlled entity (b) | **22,951** | – |
| Staff costs | **412,464** | 427,836 |
| Amortisation of intangible assets (a) | **29,638** | 30,088 |
| Amortisation of land lease prepayments | **2,537** | 2,538 |
| Depreciation of property, plant and equipment | **105,387** | 106,831 |
| Cost of inventories | **5,608,235** | 8,244,681 |
| Provision for inventories | **6,925** | 16,310 |
| Auditors' remuneration | **2,069** | 4,359 |
| Research and development costs (b) | **838** | 891 |
| Training expenses | **1,782** | 849 |
| Operating lease charges in respect of land and buildings | **16,701** | 35,280 |
| Exchange loss, net (c) | **20,769** | 5,046 |
| Loss on disposal and write-off of property, plant and equipment | **–** | 168 |
| Crediting: | | |
| Gross rental income from land and buildings | **3,421** | 2,743 |
| Write back of provision for inventories sold | **21,533** | 12,136 |
| Gain on disposal of a subsidiary | **382** | – |
| Gain on disposal of property, plant and equipment | **852** | – |
| Write-back of impairment losses on property, plant and equipment | **–** | 168 |
| Write-back of provision for doubtful debts of: | | |
| – Accounts receivable | **1,808** | – |
| – Accounts receivable from affiliated companies | **6,289** | – |
| – Amounts due from affiliated companies | **1,209** | 4,845 |

(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 in other income.

## 5. INCOME TAX EXPENSE (CREDIT)

The income tax charged (credited) to the consolidated income statement represents:

| | 2011<br>RMB'000 | 2010<br>RMB'000 |
|---|---|---|
| **Current tax** | | |
| PRC enterprise income tax | | |
| – Current year | **7,275** | 34,582 |
| – Under provision in prior year | **1,735** | 10,511 |
| | **9,010** | 45,093 |
| Deferred tax expense (credit) in respect of tax losses | **49,000** | (99,000) |
| Total income tax expense (credit) | **58,010** | (53,907) |

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 (credit) and accounting profit using the weighted average taxation rate of the companies within the Group is as follows:

| | 2011<br>RMB'000 | 2010<br>RMB'000 |
|---|---|---|
| Profit before income tax expense | **1,949,412** | 1,464,903 |
| Calculated at a weighted average statutory taxation rate in the PRC of 23.24% (2010: 23.96%) | **453,055** | 351,057 |
| Effect of tax holiday | **(2,009)** | (15,956) |
| Non-taxable income net of expenses not deductible for taxation purpose | **(421,954)** | (246,421) |
| Unrecognised temporary differences | **36,599** | 28,814 |
| Recognition of previously unrecognised tax losses | **(11,224)** | (99,000) |
| Utilisation of previously unrecognised tax losses | **–** | (82,912) |
| Unrecognised tax losses | **1,808** | – |
| Under provision in prior years | **1,735** | 10,511 |
| Tax expense (credit) for the year | **58,010** | (53,907) |

## 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 | |
|---|---|---|
| | **2011** | 2010 |
| | **'000** | '000 |
| Weighted average number of shares of ordinary shares | | |
| Issued ordinary shares at 1 January, | **4,993,969** | 4,985,519 |
| Effect of share options exercised | **3,626** | 7,825 |
| Weighted average number of ordinary shares for calculating basic earnings per share | **4,997,595** | 4,993,344 |
| Weighted average number of ordinary shares deemed issued under the Company's share option scheme | **46,172** | 46,247 |
| Weighted average number of ordinary shares for calculating diluted earnings per share | **5,043,767** | 5,039,591 |

## 7. ACCOUNTS RECEIVABLE

An aging analysis of accounts receivable is set out below:

| | **2011** | 2010 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Less than six months | **90,145** | 93,363 |
| Six months to one year | **3,599** | 14,680 |
| Above one year but less than two years | **998** | 12,651 |
| Two years or above | **23,286** | 14,834 |
| | **118,028** | 135,528 |
| Less: provision for doubtful debts | **(16,964)** | (15,128) |
| | **101,064** | 120,400 |

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

## 8. ACCOUNTS PAYABLE

An aging analysis of accounts payable is set out below:

| | **2011** | 2010 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Less than six months | **1,151,622** | 1,413,364 |
| Six months to one year | **63,011** | 113,237 |
| Above one year but less than two years | **20,718** | 26,524 |
| Two years or above | **41,331** | 32,757 |
| | **1,276,682** | 1,585,882 |

Accounts payable with balances denominated in currencies other than Renminbi are considered not significant.

## 9. CONTINGENCIES

(a) On 10th November, 2010, 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 (2010: RMB600 million) from 1st January, 2011 to 31st December, 2011. As at 31st December, 2011, RMB446.5 million (2010: RMB366.5 million) of these guarantees was drawn by JinBei for its revolving bank loans together with the support of the pledge of the Group's bank deposits of RMB214 million (2010: RMB214 million).

(b) On 10th November, 2010, a member of the Group and Huachen entered into an agreement for the provision of cross guarantees in respect of each other's banking facilities in the maximum amount of RMB1,500 million (2010: RMB1,500 million) from 1st January, 2011 to 31st December, 2011. As at 31st December, 2011, RMB465 million (2010: RMB1,001 million) of these guarantees was drawn by Huachen for its revolving bank loans.

(c) The Group had provided corporate guarantees for revolving bank loans and bank guaranteed notes to affiliated companies of Shanghai Shenhua Holdings Co., Ltd. ("**Shanghai Shenhua**") and Shenyang Xinguang Brilliance Automobile Engine Co., Ltd. ("**Xinguang Brilliance**"). At 31st December, 2011, RMB60 million (2010: RMB60 million) of these corporate guarantees was drawn by Shanghai Shenhua for these respective banking facilities utilised and none was drawn by Xinguang Brilliance (2010: RMB15 million).

## BUSINESS REVIEW AND PROSPECTS

Trailing on the impressive growth of 2010, the year 2011 had started on a positive note with the Chinese auto market forecasted to grow another 10% to 15% for the year by the China Association of Automobile Manufacturers (CAAM). However, as the governmental stimulus measures came to an end and the nation's economic expansion showed signs of slowing down during 2011, the year had closed with an overall growth of only 2.5%. Total auto sales in China reached 18.5 million units in 2011, with passenger vehicles accounting for 14.4 million or an increase of 5.2% compared to the previous year.

Despite the slowdown in market growth, 2011 had been a successful year for the Group. Contributions from the BMW joint venture had risen by 92% driven by a 53.5% increase in sales volume and cost savings achieved through scale and continuous localization effort. As for the minibus business, the sales volume of our minibus products had dropped by 13.3% compared to the previous year as a result of severe tightening of credit and purchase restrictions in Beijing which had deterred purchases. The increased profits of the BMW joint venture were more than sufficient to offset the effect of reduced contribution from the minibus business, thus resulting in an overall 42.6% increase in net profits attributable to our shareholders.

Looking into 2012, CAAM had forecasted at the beginning of the year that auto sales and production in China will grow at a moderate pace of 8%. However, Premier Wen Jiabao this month had forecasted that China's GDP will expand 7.5% this year, the lowest since 2004. Therefore, there are downside risks and uncertainties from an overall industry development standpoint.

This year our BMW joint venture will enter a new era. Our new second production plant in Tiexi has commenced production earlier this year and will increase production capacity by an additional 200,000 units by the end of 2013. Production capacity at our original plant in Dadong will also be expanded from the current 100,000 units to reach 160,000 units in 2013. Along with the new capacity addition, the joint venture has recently expanded its product portfolio by introducing a third BMW product, the locally-made X1 SUV, before the launch of the brand new 3-series long wheelbase sedan in the second half of this year to meet Chinese market demand. In addition, we have also commenced this month the assembly of BMW engines in China, which will go into all models produced by the joint venture, to allow for further localization of key components. Moreover, the joint venture is also developing a local Chinese brand of new energy vehicles to comply with the Chinese government's requirements and to capture growth of a new segment for the joint venture's future development. This will necessitate the establishment of certain R&D competences within the joint venture for the development of China-specific new energy vehicles under the new local brand, as well as to facilitate further localization of components in China.

We continue to extend our sales network coverage and aftersales service support into new cities in order to expand our reach and provide the best services to our customers. We have also developed various campaigns for marketing and brand building to increase market share. We are continuously reviewing our long range plan in terms of market trends, new product roadmap and the associated capacity needs in order to satisfy the country's insatiable demand for premium vehicles.

As for the minibus business, we have been working with our strategic partner on the development of a new platform of MPVs to be launched by the end of 2013. Our goal is to enrich our product portfolio and to strengthen our brand name by introducing higher end products so as to increase volume and market share. We are also developing a new minibus model, the H2, to replace the existing Haise mid-price products which will be gradually phased out.

Aside from the BMW joint venture and the minibus operation, we continue to seek both upstream and downstream expansion opportunities along the auto value chain, in an effort to enhance sales of our existing products and establish another income source for the Group. Furthermore, we are also contemplating other strategic moves to capitalize on the growth of our Group companies to better position ourselves as a strong player in the auto industry in China.

**MANAGEMENT'S DISCUSSION & ANALYSIS**

The consolidated net sales of the Group (which represent primarily those derived from our 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, 2011 was RMB6,442.9 million, representing a 28.0% decrease from RMB8,948.7 million for the year ended 31st December, 2010. The decrease in turnover was primarily due to a change in the business model of Shenyang ChenFa Automobile Component Co., Ltd. ("**ChenFa**") which provides value added services to auto components for the Zhonghua sedans operated by the Group's major shareholder Huachen. ChenFa used to record in its revenue the value of these components together with the revenue from provision of its value added services on these components. However, starting from 2011, ChenFa only records the revenue generated from its value added services as these components are considered directly sold to Huachen. As a result, the revenue of ChenFa for 2011 decreased by 73.2% to RMB358.0 million from RMB1,334.6 million recorded in last year. In addition to the decrease in revenue of ChenFa, the decrease in the Group's turnover in 2011 was also due to a drop in minibus sales volume and unit prices.

Shenyang Automotive sold 82,491 minibuses in 2011, representing a 13.3% decrease from 95,180 minibuses sold in 2010. Of these minibuses sold, 63,745 were mid-priced minibuses, representing a 17.1% decrease from 76,870 units sold in 2010. On the other hand, unit sales of deluxe minibuses increased slightly by 2.4% from 18,310 units in 2010 to 18,746 units in 2011. The decrease in minibus sales volume in 2011 was primarily due to purchase restrictions in Beijing and credit tightening in China which had deterred purchases.

Cost of sales decreased by 27.7% from RMB7,725.1 million in 2010 to RMB5,587.3 million in 2011. The decrease is in line with the corresponding decrease in net sales during the period. The gross profit margin of the Group has dropped slightly from 13.7% in 2010 to 13.3% in 2011 due to lower selling prices to combat intensified competitive pressure.

Other income decreased by 47.9% from RMB92.2 million in 2010 to RMB48.0 million in 2011. The decrease was primarily due to decreases in government grants and scrap sales as a result of lower number of minibuses produced.

Interest income decreased slightly by 3.1% from RMB78.6 million in 2010 to RMB76.1 million in 2011. The decrease was due to a decrease in short-term bank deposits and pledged short-term deposits.

Selling expenses decreased by 16.1% from RMB462.0 million in 2010 to RMB387.7 million in 2011. The decrease was driven by the decrease in the sales volume of minibuses. Selling expenses as a percentage of turnover has increased to 6.0% for 2011 from 5.2% in 2010 which was caused by the effect of the decrease in unit prices of minibuses sold outweighing the effect from reduced selling expenses.

General and administrative expenses have remained relatively stable, having decreased by 0.6% from RMB363.1 million in 2010 to RMB360.9 million in 2011.

Finance costs increased by 13.3% from RMB170.8 million in 2010 to RMB193.5 million in 2011 primarily due to an increase in interest rates on bank borrowings.

The Group's share of operating results of associates and jointly controlled entities increased by 79.3% from RMB1,066.3 million in 2010 to RMB1,911.9 million in 2011. This was attributable to the increased profits contributed by BMW Brilliance Automotive Ltd. ("**BMW Brilliance**"), the Group's 50% indirectly owned jointly controlled entity.

Net profits contributed to the Group by BMW Brilliance increased by 92.0% from RMB896.0 million in 2010 to RMB1,720.3 million in 2011. The BMW joint venture achieved sales of 108,189 BMW sedans in 2011, an increase of 53.5% as compared to 70,488 BMW sedans sold in 2010.

The Group recorded profit before taxation of RMB1,949.4 million in 2011, which represent a 33.1% increase compared to RMB1,464.9 million for 2010.

Income tax expense was RMB58.0 million for 2011. An income tax credit was recorded for 2010 due to the recognition of certain deferred tax assets in 2010.

For the year 2011, the net income attributable to equity holders of the Company was RMB1,812.3 million, representing a 42.6% increase from RMB1,270.9 million for 2010. Basic earnings per share in 2011 amounted to RMB0.36263 compared to RMB0.25452 in 2010.

**Liquidity and Financial Resources**

As at 31st December, 2011, the Group had RMB585.7 million in cash and cash equivalents, RMB99.9 million in short-term bank deposits and RMB1,183.1 million in pledged short-term bank deposits. The Group had notes payable of RMB1,790.4 million and outstanding short-term bank borrowings of RMB1,296.6 million, but had no long-term bank borrowings outstanding as at 31st December, 2011.

**Contingent Liabilities**

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

**Gearing Ratio**

As at 31st December, 2011, the gearing ratio, computed by dividing total liabilities by total equity attributable to equity holders of the Company, was approximately 0.94 (31st December, 2010: 1.26). The decrease in the gearing ratio was primarily due to the decrease in notes payable in 2011 as compared to the last year.

**Foreign Exchange Risks**

The Group considers that exchange rate fluctuations only have an insignificant effect on the overall financial performance of the Group in the future. The Group may consider entering into hedging transactions through exchange contracts in order to minimise foreign exchange risks, if and when necessary. There were no outstanding hedging transactions as at 31st December, 2011.

**Employees and Remuneration Policy**

The Group employed approximately 6,200 employees as at 31st December, 2011 (31st December, 2010: approximately 6,300). Employee costs amounted to approximately RMB412.5 million for the year ended 31st December, 2011 (31st December, 2010: approximately RMB427.8 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.

## DIVIDEND

The directors did not recommend the payment of any dividend in respect of the year ended 31st December, 2011 (2010: Nil).

## CLOSURE OF REGISTER OF MEMBERS

The Company's forthcoming annual general meeting will be held on Friday, 18th May, 2012 at 9:00 a.m. A special general meeting will also be held on Friday, 18th May, 2012 at 9:30 a.m. (or immediately after the closing of the abovementioned annual general meeting) for the purpose of considering and, if thought fit, approving the proposed amendments to the bye-laws and adoption of the new bye-laws of the Company.

The Hong Kong branch register of members of the Company will be closed from Wednesday, 16th May, 2012 to Friday, 18th May, 2012, both days inclusive, during which period no transfer of shares will be registered. Only shareholders of the Company whose names appear on the register of members of the Company on Friday, 18th May, 2012 or their proxies or duly authorised corporate representatives are entitled to attend the annual general meeting and the special general meeting to be held on Friday, 18th May, 2012. In order to qualify for attending the annual general meeting and the special general meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 15th May, 2012.

## 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 2011.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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 "Code on Corporate Governance Practices (the "**CG Code**") set out in Appendix 14 to the Listing Rules. The Group has considered the CG Code and the revisions to the CG Code, coming into effect on 1st January, 2012 or 1st April, 2012 and has put in place corporate governance practices to meet the code provisions. Throughout the accounting year ended 31st December, 2011, except for deviation from code provision A.4.1 which is described below, the Group has complied with all code provisions, and with effect on 28th March, 2012, the Group has also complied with code provision A.4.1.

Under code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. At present, all the non-executive directors (including the independent non-executive directors) of the Company do not have a specific term of appointment. As the appointment of non-executive directors is subject to the retirement by rotation provisions in the bye-laws of the Company, the Board considers that it is not necessary to appoint the non-executive directors for a specific term. Pursuant to bye-law 99, at every annual general meeting, one-third of the directors for the time being, or if their number is not three or in a multiple of three, the number nearest to but not greater than one-third, shall retire from office by rotation. In addition, in compliance with code provision A.4.2, all directors, including those appointed for a specific term, are subject to retirement by rotation at least once every three years.

On 28th March, 2012, the Company signed a formal letter of appointment with each director (except for Mr. Wu Xiao An and Mr. Qi Yumin who have already entered into service agreements with the Company for a term of three years commencing from 1st January, 2012) with specific term of appointment. All directors of the Company are subject to the retirement by rotation provisions in the bye-laws of the Company and are subject to the retirement by rotation at least once every three years. On 28th March, 2012, the Company has also established a nomination committee with specific written terms of reference for reviewing the Board composition, developing the relevant procedures for nomination and appointment of directors and assessing the independence of the independent non-executive directors to ensure that the Board has a balance of expertise, skills and experience and formulating succession plans for executive directors and senior executives. In addition, the Company has adopted a shareholders' communication policy and procedures for nominating candidate(s) by shareholders to stand for election as director at general meeting. The Board has also revised the terms of reference of the audit committee and remuneration committee and other necessary corporate governance documents in the light of the recent amendments to the Listing Rules in respect of corporate governance practices and has taken other necessary actions for compliance with the revised CG Code. Major updates since the 2010 annual report are summarized in the 2011 annual report to be sent to shareholders of the Company in April 2012.

## 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, 2011.

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

## 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, 2011 have been compared by Grant Thornton Jingdu Tianhua, 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 2011 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, 28th March, 2012