

Chairman's Statement

Dear Shareholders:

On behalf of the board of directors, I hereby present the annual report of Brilliance China Automotive Holdings Limited for the year ended 31st December, 2006.

During 2006, the operating environment in the Chinese auto sector has significantly improved. A total of 3.8 million sedans were sold domestically, representing a 36.9% increase from the previous year. This strong growth was mainly driven by the greater affordability of cars as a result of the several rounds of price cuts that occurred in the past few years, and the continually rising income levels. The robust demand for automobiles, coupled with the introduction of a new Zhonghua model Junjie, resulted in a remarkable expansion of Zhonghua sedan sales during the year. As a result, the Group achieved revenues of approximately RMB10.5 billion in 2006, representing a 91.7% increase from 2005. However, despite the sales volume growth, the Zhonghua line of products has yet to reach profitable levels. In addition, certain provisions were made for the changes in fair value of our convertible bonds as well as impairment in the goodwill value of one of our engine joint ventures. Therefore, the Group incurred a net loss attributable to shareholders of RMB398.4 million for the fiscal year 2006, which has substantially narrowed from the net loss of RMB649.6 million recorded in 2005.

In 2006, the Company continued to enhance the quality and diversity of its products. During the first half of the year, the Company successfully launched the new Zhonghua Junjie model, which targets the middle-income segment and was extremely well received by the market. The popularity of the Junjie model, which is recognized as having one of the best price-to-quality ratios in its segment, also helped to increase sales of the Zunchi model, allowing the overall Zhonghua brand to achieve much broader market recognition and increased market share. The Group sold 62,281 Zhonghua sedans in 2006, representing a 592.0% increase from approximately 9,000 vehicles sold in the previous year.

With respect to our minibus business, the Group continued to maintain its market leading position in 2006. Sales of the high-end premium minibus Granse were encouraging, with a 152.9% increase in volume during the year, whereas the traditional Hiace minibuses maintained steady sales.

As for the BMW Brilliance joint venture, it achieved continuing growth in sales volume in 2006. The increased contribution from the joint venture in 2006 was a testament to the commitment from both our joint venture partner and the Group to improve

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operational efficiency and profitability by increasing the domestic components ratio and launching new products in China, such as the new 5-Series long-wheelbase version. With even greater cooperation with our strategic partner planned for 2007, we believe the BMW Brilliance joint venture is well positioned to challenge the leading position in the premium sedan segment in China.

With the improved performance in 2006, the Group has strengthened the foundation on which to build its future business. Looking ahead to 2007, the Group's Zhonghua products are maintaining strong sales momentum, with over 28,000 vehicles sold in the first quarter, a year-on-year increase of over 500%. The Group will continue to enrich its product portfolio and heighten its brand recognition by introducing new products, such as the home-grown 1.8T-engine to be installed in our Zhonghua sedans. The Group will proactively seek to capture new market opportunities, while at the same time focusing on enhancing product quality and streamlining operations to improve production efficiency. The Group will continue to work closely with our strategic partners to increase sales volume and market share in all the segments in which we operate, while at the same time implementing further cost cutting measures, including the deepening of component localization for our BMW vehicles, with the ultimate goal of enhancing the profitability of our operations.

Finally, I would like to take this opportunity to express my sincere appreciation to our shareholders and staff for their continued dedication and commitment to the Group.



Wu Xiao An
(also known as Ng Siu On)
Chairman
20th April, 2007