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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, 2014

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, 2014 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December

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

	Note	2014 RMB'000	2013 RMB'000
Revenue	3	5,514,804	6,103,487
Cost of sales		(4,952,332)	(5,416,968)
Gross profit		562,472	686,519
Other income		104,203	96,204
Interest income		53,607	46,868
Selling expenses		(585,192)	(608,355)
General and administrative expenses		(401,564)	(399,396)
Finance costs		(156,313)	(138,568)
Share of results of:			
Joint ventures		5,536,777	3,448,343
Associates		228,892	193,114
Profit before income tax expense	4	5,342,882	3,324,729
Income tax expense	5	(42,913)	(8,370)
Profit for the year		5,299,969	3,316,359

* For identification purposes only

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

	Note	2014 RMB'000	2013 RMB'000
Attributable to:			
Equity holders of the Company		5,403,434	3,374,200
Non-controlling interests		(103,465)	(57,841)
		5,299,969	3,316,359
Earnings per share			
	6		
– Basic		RMB1.07515	RMB0.67138
– Diluted		RMB1.07082	RMB0.66870

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

	2014 RMB'000	2013 RMB'000
Profit for the year	5,299,969	3,316,359
Other comprehensive (expense) income that will be subsequently reclassified to income statement, net of tax		
Change in fair value of available-for-sale financial assets	12,308	(220)
Share of other comprehensive income of a joint venture	(1,062,536)	20,445
	(1,050,228)	20,225
Total comprehensive income for the year	4,249,741	3,336,584
Attributable to:		
Equity holders of the Company	4,353,206	3,394,425
Non-controlling interests	(103,465)	(57,841)
	4,249,741	3,336,584

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31st December

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Intangible assets		995,780	669,912
Property, plant and equipment		1,960,155	1,685,758
Land lease prepayments		59,595	61,053
Interests in joint ventures		11,290,550	8,066,556
Interests in associates		1,473,546	1,351,686
Prepayments for long-term investments		1,040,000	600,000
Available-for-sale financial assets		31,988	19,680
Other non-current assets		10,522	11,616
Total non-current assets		16,862,136	12,466,261
Current assets			
Cash and cash equivalents		1,178,583	903,263
Short-term bank deposits		146,127	173,934
Pledged short-term bank deposits		1,201,122	1,039,469
Inventories		796,584	769,435
Accounts receivable	7	1,194,130	834,460
Notes receivable		769,674	1,385,259
Other current assets		1,058,573	1,418,182
Total current assets		6,344,793	6,524,002
Current liabilities			
Accounts payable	8	2,963,353	2,990,627
Notes payable		1,858,010	1,298,253
Other current liabilities		916,176	940,226
Short-term bank borrowings		1,365,000	1,528,200
Income tax payable		31,454	35,212
Total current liabilities		7,133,993	6,792,518
Net current liabilities		(789,200)	(268,516)
Total assets less current liabilities		16,072,936	12,197,745
Non-current liabilities			
Deferred government grants		119,003	56,400
NET ASSETS		15,953,933	12,141,345

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

	2014 RMB'000	2013 RMB'000
Capital and reserves		
Share capital	395,877	395,877
Reserves	16,535,456	12,619,403
Total equity attributable to equity holders of the Company	16,931,333	13,015,280
Non-controlling interests	(977,400)	(873,935)
TOTAL EQUITY	15,953,933	12,141,345

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 financial statements have been prepared in accordance with applicable 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 predecessor Hong Kong Companies Ordinance (Cap. 32). These financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules").

These financial statements have been prepared on the basis consistent with the accounting policies adopted in the 2013 financial statements, except for the adoption for the first time the following new and revised standards, amendments and interpretations (collectively "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's and the Company's financial statements for the annual financial year beginning on 1st January, 2014.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities
Amendments to HKAS 32	Amendments to HKAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Amendments to HKAS 36 Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets
Amendments to HKFRS 13 included in Annual Improvements 2010-2012 Cycle	Short-term Receivables and Payables

The adoption of these new 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 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 financial statements

As at 31st December, 2014, the Group had net current liabilities of approximately RMB789.2 million. Notwithstanding the Group's current liabilities exceeding its current assets as at 31st December, 2014, in preparing these financial statements, the directors have given careful consideration to the current and future liquidity of the Group and its ability to provide working capital for its operations.

As at 31st December, 2014, the Group had short-term bank borrowings of RMB1,365 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 financial statements on a going concern basis.

3. REVENUE, OTHER INCOME AND SEGMENT INFORMATION

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

During the year, the Group had one (2013: two) major customer with aggregate revenue derived from it amounting to more than 10% of the Group's revenue, or RMB2,484,668,000 (2013: RMB1,618,193,000 and RMB745,551,000 from each of the two major customers).

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

	2014 RMB'000	2013 RMB'000
PRC	4,639,247	5,430,292
Other Asian countries	45,526	51,221
Latin America	69,830	115,177
Middle East	468,051	378,146
Africa	291,678	128,092
Others	472	559
	5,514,804	6,103,487

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 based on 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.

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 Group's 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 a shareholder of a related party. 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. Corporate liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

In addition, segment assets and segment liabilities include completed 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 Group's financial statements prepared under HKFRS.

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 income statement 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

Operating segments – 2013

	Manufacture and sale of minibuses and automotive components RMB'000	Manufacture and sale of BMW vehicles RMB'000	Reconciliation to the Group's income statement RMB'000	Total RMB'000
Segment sales to external customers	6,103,487	73,172,504	(73,172,504)	6,103,487
Segment results	(167,935)	9,221,748	(9,221,748)	(167,935)
Unallocated costs net of unallocated income				(57,093)
Interest income				46,868
Finance costs				(138,568)
Share of results of:				
Joint ventures	13,050	3,435,293	-	3,448,343
Associates	193,114	-	-	193,114
Profit before income tax expense				3,324,729

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 a shareholder of a related party				300,000
Unallocated assets				120,024
Total assets				23,206,929
Segment liabilities	7,243,438	35,123,105	(35,123,105)	7,243,438
Unallocated liabilities				9,558
Total liabilities				7,252,996
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

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

Operating segments – 2013

	Manufacture and sale of minibuses and automotive components RMB'000	Manufacture and sale of BMW vehicles RMB'000	Reconciliation to the Group's statement of financial position RMB'000	Total RMB'000
Segment assets	8,504,915	46,138,315	(46,138,315)	8,504,915
Interests in joint ventures	13,315	8,053,241	–	8,066,556
Interests in associates	1,351,686	–	–	1,351,686
Available-for-sale financial assets				19,680
Prepayments for a long-term investment				600,000
Advance to a shareholder of a related party				300,000
Unallocated assets				147,426
Total assets				18,990,263
Segment liabilities	6,839,010	30,031,833	(30,031,833)	6,839,010
Unallocated liabilities				9,908
Total liabilities				6,848,918
Other disclosures:				
Capital expenditure	691,801	6,547,441	(6,547,441)	691,801
Depreciation of property, plant and equipment	100,332	1,056,850	(1,056,850)	100,332
Amortisation of land lease prepayments	1,458	17,997	(17,997)	1,458
Amortisation of intangible assets	37,375	80,515	(80,515)	37,375
Provision of inventories	46,842	54,637	(54,637)	46,842
Write-back of provision for inventories sold	10,397	66,462	(66,462)	10,397
Net impairment losses on assets	48,043	–	–	48,043
Income tax expense	8,370	2,351,162	(2,351,162)	8,370

4. PROFIT BEFORE INCOME TAX EXPENSE

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

	2014 RMB'000	2013 RMB'000
Charging:		
Impairment losses on:		
– Intangible assets (a)	–	1,844
– Property, plant and equipment	5,461	–
– Accounts receivable (b)	674	173
– Amounts due from affiliated companies (b)	36,173	40,000
– Other receivables (b)	18,967	6,034
	61,275	48,051
Staff costs	667,308	579,127
Amortisation of intangible assets (a)	29,653	37,375
Amortisation of land lease prepayments	1,458	1,458
Depreciation of property, plant and equipment	108,215	100,332
Cost of inventories (c)	5,003,702	5,380,523
Provision for inventories	23,618	46,842
Auditors' remuneration	2,904	3,086
Research and development costs (b)	6,519	3,715
Warranty provision (b)	36,758	27,944
Operating lease charges in respect of land and buildings	19,312	17,961
Exchange loss, net	5,695	32,404
Loss on disposal of property, plant and equipment	553	–
Crediting:		
Gross rental income from land and buildings	5,888	392
Write-back of provision for inventories sold	76,089	10,397
Gain on deemed disposal of a joint venture	–	9,961
Gain on disposal of property, plant and equipment	–	46,964
Write-back of provision for doubtful debts of other receivables	69	8

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

(b) included in general and administrative expenses.

(c) included government subsidies of RMB18,945,000 (2013: RMB70,369,000).

5. INCOME TAX EXPENSE

The income tax charged to the consolidated income statement represents:

	2014 RMB'000	2013 RMB'000
Current tax		
PRC enterprise income tax		
– Current year	41,044	8,154
– Under provision in prior year	1,869	216
Total income tax expense	42,913	8,370

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

	2014 RMB'000	2013 RMB'000
Profit before income tax expense	5,342,882	3,324,729
Calculated at a weighted average statutory taxation rate in the PRC of 25.06% (2013: 23.21%)	1,338,990	771,702
Effect of tax holiday	(974)	(796)
Non-taxable income net of expenses not deductible for taxation purpose	(1,415,235)	(820,245)
Unrecognised temporary differences	15,123	10,542
Unrecognised tax losses	103,140	46,951
Under provision in prior years	1,869	216
Tax expense for the year	42,913	8,370

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	
	2014	2013
	'000	'000
Weighted average number of ordinary shares for calculating basic earnings per share	5,025,769	5,025,769
Weighted average number of ordinary shares deemed issued under the Company's share option scheme	20,283	20,140
Weighted average number of ordinary shares for calculating diluted earnings per share	5,046,052	5,045,909

7. ACCOUNTS RECEIVABLE

	2014	2013
	RMB'000	RMB'000
Accounts receivable	839,171	507,625
Accounts receivable from affiliated companies	354,959	326,835
	1,194,130	834,460

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

	2014	2013
	RMB'000	RMB'000
Less than six months	557,195	464,541
Six months to one year	196,499	39,093
Above one year but less than two years	81,899	133
Two years or above	24,859	24,465
	860,452	528,232
Less: provision for doubtful debts	(21,281)	(20,607)
	839,171	507,625

7. ACCOUNTS RECEIVABLE (Continued)

As at 31st December, 2014, accounts receivable from third parties of approximately RMB667 million (2013: approximately RMB401 million) are substantially denominated in U.S. Dollar and the rest are denominated in Renminbi. The Group's credit policy is to offer credit to customers following a financial assessment and an established payment record. In order to minimise credit risk, credit history and background of new customers and debtors are checked and security deposits are usually obtained from major customers. For customers in the PRC, credit limits with credit terms of 30 to 90 days are set. Customers considered to be high risk are traded on cash basis or when bank guaranteed notes are received. For overseas customers, since generally settlements must be made by letters of credit, credit periods up to one year are granted. Designated staff monitors accounts receivable and follow-up collections with customers.

8. ACCOUNTS PAYABLE

	2014 RMB'000	2013 RMB'000
Accounts payable	1,708,665	1,650,088
Accounts payable to affiliated companies	1,254,688	1,340,539
	2,963,353	2,990,627

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

	2014 RMB'000	2013 RMB'000
Less than six months	1,392,626	1,413,042
Six months to one year	138,875	135,882
Above one year but less than two years	108,980	34,024
Two years or above	68,184	67,140
	1,708,665	1,650,088

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 19th August, 2014, a dividend of HK\$0.11 per share totalling RMB437,153,000 (2013: RMB393,711,000) was declared by the directors and paid during the year.

The directors did not recommend any dividend payment at the board meeting held on 26th March, 2015 in respect of the Group's 2014 annual results (2013: Nil).

10. CONTINGENCIES

On 17th December, 2013, 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 (2013: RMB600 million) for the period from 1st January, 2014 to 31st December, 2014. As at 31st December, 2014, under this agreement, JinBei and its subsidiaries had outstanding bank loans and other banking facilities totalling RMB586.5 million (As at 31st December, 2013: RMB526.5 million) of which RMB200 million (As at 31st December, 2013: RMB200 million) and RMB386.5 million (As at 31st December, 2013: RMB326.5 million) were supported by the Group’s bank deposits pledged to and corporate guarantee provided to the banks, respectively. On 12th November, 2014, 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, 2015 to 31st December, 2015.

In addition, the Group had provided a corporate guarantee in the maximum amount of RMB100 million (As at 31st December, 2013: RMB100 million) for the period from 1st January, 2014 to 31st December, 2014 for revolving bank loans and bank guaranteed notes to Shanghai Shenhua Holdings Co., Ltd. (“**Shanghai Shenhua**”). As at 31st December, 2014, RMB60 million (As at 31st December, 2013: RMB60 million) of this corporate guarantee was utilised by Shanghai Shenhua.

BUSINESS REVIEW AND PROSPECTS

Against a backdrop of moderate economic growth and tightening of regulatory scrutiny, growth of China’s automobile sector had slowed down during 2014, with total sales volume of 23.5 million units, or an increase of only 6.9% over the previous year, according to the China Association of Automobile Manufacturers. Of these, 19.7 million units were passenger vehicles, reflecting a growth of 9.9% for this segment compared to the previous year. In spite of the relatively slow industry growth, the premium passenger vehicle segment in China has maintained strong growth momentum and continued to outperform other segments, recording a growth of approximately 22% during the period.

The year 2014 had been another successful year for the Group. Our BMW joint venture, BMW Brilliance, continued to achieve record sales and profits. Despite the tough market environment, BMW Brilliance delivered impressive results for the year 2014 with a 61.2% increase in profit contribution in conjunction with a 34.7% increase in sales volume. The capacity expansion projects have progressed according to schedule during the year, which will provide for production capacity of up to 400,000 vehicles in our two vehicle production plants, as well as the production of the new three and four-cylinder petrol engines in the new engine plant, starting in 2016. In terms of new products, the joint venture had reached another milestone by introducing the very first China-produced BMW new energy vehicle (“**NEV**”), the 5-series long-wheelbase plug-in hybrid (“**PHEV**”) model, at the end of the year. In addition, three new BMW products to be locally produced in the future have also been confirmed, which will double the joint venture’s locally produced product portfolio from three models currently to six over time. As for the Zinoro NEV business, sales of the 1E model commenced in early 2014 via a rental arrangement and has received positive market reception so far. Both the Zinoro 1E and the 5-series PHEV models demonstrate BMW Brilliance’s capability in mastering the latest NEV technology in the areas of product development, testing and production. It is also an important part of the joint venture’s strategy to continue to deepen its local roots in China, which further underpins BMW Brilliance’s commitment to long-term success and to the future of local R&D and NEV development in China.

BUSINESS REVIEW AND PROSPECTS (Continued)

Over the past 12 years, BMW Brilliance has achieved remarkable performance by leveraging on the dynamic growth of the Chinese economy, and has successfully built up BMW as one of the most desirable premium auto brands in China while establishing a world-class production base in Shenyang. With the recent slowdown of GDP growth and the normalization of the Chinese auto industry, coupled with a much larger base effect, the very high rates of growth experienced in the past years will likely not be repeated for our existing model portfolio. The vehicle model mix will also undergo a change, as a new middle class with a particular interest in small and mid-sized models develops in China. Despite these market developments and new challenges, we are confident that our joint venture will continue to deliver solid growth with the support of our extensive dealer network. In light of the recent market changes, BMW Brilliance has agreed new targets and bonus systems with our dealers, which is based not only on sale volume but also on other important aspects such as customer satisfaction, sustainable business development, and the establishment of new business areas in aftersales, financial services and used cars which will further open up, offering great potential for both the joint venture and its dealers. At the same time, BMW Brilliance is also actively providing training workshops to all its dealers to further enhance their competences and competitiveness in capturing business opportunities in this transforming market. The joint venture's sales activities will also continue to be supported by the BMW auto finance company which has been contributing increasing profits to the joint venture.

As for the minibus business, the year 2014 was a challenging one for the existing minibus products. The minibus operation had a negative financial impact to the Group's overall performance for the year. The new premium MPV model, under the new brand Huasong which was co-developed with our strategic partners and external consultants, was launched to the market at the end of 2014 and will commence sales in the second quarter of 2015. In addition, the Group is also studying various options to augment our minibus portfolio over time.

During the 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, has started building up its management team while undergoing the regulatory approval process. This auto finance company is expected to receive final approval for business commencing in the second quarter of 2015. The initial focus of the new auto finance joint venture will be on supporting the Group's sales of its minibus and MPVs and our major shareholder Huachen's sedan products, with potential to expand to other third party business over time.

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

MANAGEMENT'S DISCUSSION & ANALYSIS

The consolidated net sales of the Group (which represent primarily those derived from the minibus business and major operating subsidiaries such as Shenyang Brilliance JinBei Automobile Co., Ltd. ("**Shenyang Automotive**") and Shenyang XingYuanDong Automobile Component Co., Ltd. ("**Xing Yuan Dong**")) for the year ended 31st December, 2014 was RMB5,514.8 million, representing a 9.6% decrease from RMB6,103.5 million for the year ended 31st December, 2013. The decrease in net sales was mainly caused by a change in the minibus sales mix during the year, as well as a drop in their average selling prices.

Shenyang Automotive sold 77,710 minibuses in 2014, which was 7.2% below the 83,747 minibuses sold in 2013. Of these minibuses sold, 68,816 units were Haise minibuses, representing a slight 2.0% decrease from the 70,211 units sold in 2013. The unit sales of Granse minibuses decreased by 34.3% from 13,536 units in 2013 to 8,894 units in 2014. The decrease in Granse minibus sales volume in 2014 was primarily the result of intensive competition as well as reduced production due to periodic plant closures for equipment and machinery overhaul during the year in preparation for the production of the new Huasong MPV model in 2015.

MANAGEMENT'S DISCUSSION & ANALYSIS (Continued)

Cost of sales decreased by 8.6% from RMB5,417.0 million in 2013 to RMB4,952.3 million in 2014. The decrease in cost of sales was in line with the percentage decrease in net sales. The gross profit margin of the Group has dropped from 11.2% in 2013 to 10.2% in 2014 primarily due to the change in sales mix with a deeper decline in the sales volume of the higher margin Granse products, as well as an increase in production costs including staff costs during the year.

Other income increased by 8.3% from RMB96.2 million in 2013 to RMB104.2 million in 2014. The increase was due to an increase in government grants recognised in 2014 which was partially offset by a decrease in income generated from the sale of scrap materials.

Interest income increased by 14.3% from RMB46.9 million in 2013 to RMB53.6 million in 2014. The increase was mainly due to an increase in cash deposited into interest-bearing bank accounts during the year.

Selling expenses decreased by 3.8% from RMB608.4 million in 2013 to RMB585.2 million in 2014. The decrease in selling expense was due to a decrease in transportation cost as a result of the lower sales volume, and a decrease in advertising spending on the promotion of existing minibus models in 2014. Selling expenses as a percentage of turnover has increased slightly from 10.0% in 2013 to 10.6% for 2014.

General and administrative expenses has stayed relatively stable with a slight increase of only 0.6% from RMB399.4 million in 2013 to RMB401.6 million in 2014.

Finance costs increased by 12.8% from RMB138.6 million in 2013 to RMB156.3 million in 2014 due to the higher borrowing level during the year.

The Group's share of results of joint ventures increased by 60.6% from RMB3,448.3 million in 2013 to RMB5,536.8 million in 2014. This was primarily attributable to the increased profits contributed by BMW Brilliance, the Group's 50% indirectly owned joint venture.

Net profits contributed to the Group by BMW Brilliance increased by 61.2% from RMB3,435.3 million in 2013 to RMB5,536.0 million in 2014. The BMW joint venture achieved sales of 278,529 BMW vehicles in 2014, an increase of 34.7% as compared to 206,729 BMW vehicles sold in 2013. The 2014 sales volumes of the locally produced 3-series, 5-series and X1 were 93,679 units, 138,287 units and 46,563 units, respectively, compared to 60,954 units, 123,463 units and 22,312 units, respectively, for 2013.

The Group's share of results of associates increased by 18.5% from RMB193.1 million in 2013 to RMB228.9 million in 2014. This was primarily attributable to an increase in the contribution from Shenyang Aerospace Mitsubishi Motors Engine Manufacturing Co., Ltd. during the year.

The Group's profit before income tax expense increased by 60.7% from RMB3,324.7 million in 2013 to RMB5,342.9 million in 2014. Income tax expense has increased by 412.7% from RMB8.4 million for 2013 to RMB42.9 million for 2014, due to the recognition of PRC dividend withholding tax on dividends distributed by Xing Yuan Dong, and an increase in PRC enterprise tax for one of our subsidiary companies as a result of an increase in its profits.

As a result of the above, the Group recorded net profit attributable to equity holders of the Company in the amount of RMB5,403.4 million for the year 2014, representing an increase of 60.1% from RMB3,374.2 million realized in 2013. Basic earnings per share in 2014 amounted to RMB1.07515, compared to RMB0.67138 in 2013.

MANAGEMENT'S DISCUSSION & ANALYSIS (Continued)

Liquidity and Financial Resources

As at 31st December, 2014, the Group had RMB1,178.6 million in cash and cash equivalents (31st December, 2013: RMB903.3 million), RMB146.1 million in short-term bank deposits (31st December, 2013: RMB173.9 million) and RMB1,201.1 million in pledged short-term bank deposits (31st December, 2013: RMB1,039.5 million). As at 31st December, 2014, the Group had notes payable in the amount of RMB1,858 million (31st December, 2013: RMB1,298.3 million) and outstanding short-term bank borrowings of RMB1,365 million (31st December, 2013: RMB1,528.2 million). The Group did not have any long-term bank borrowings outstanding as at 31st December, 2014 (31st December, 2013: Nil).

Contingent Liabilities

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

Gearing Ratio

As at 31st December, 2014, the gearing ratio, computed by dividing total liabilities by total equity attributable to equity holders of the Company, was approximately 0.43 (31st December, 2013: 0.53). The decrease in the gearing ratio was primarily due to (a) the increase in total equity attributable to equity holders of the Company as a result of a significant increase in profits attributable to equity holders of the Company this year, and (b) the relatively stable total liabilities in 2014, as compared to last year.

Foreign Exchange Risks

As the overseas sales of the Group increases, 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, 2014 (31st December, 2013: Nil).

Employees and Remuneration Policy

The Group employed approximately 6,800 employees as at 31st December, 2014 (31st December, 2013: approximately 6,600). Employee costs amounted to approximately RMB667.3 million for the year ended 31st December, 2014 (31st December, 2013: approximately RMB579.1 million). The Group will endeavour to ensure that the salary levels of its employees are in line with industry practices and prevailing market conditions and that employees' remuneration is based on performance. In addition, employees are eligible for share options under the share option scheme adopted by the Company.

DIVIDENDS

During the year under review, the directors have declared 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 17th October, 2014 (2013: HK\$0.10). The dividend was paid on 28th October, 2014.

The directors did not recommend any dividend payment at the board meeting held on 26th March, 2015 in respect of the Group's 2014 annual results (2013: Nil).

CLOSURE OF REGISTER OF MEMBERS

The Company's forthcoming annual general meeting will be held on Tuesday, 2nd June, 2015 at 9:00 a.m. (the "2015 AGM").

The Hong Kong branch register of members of the Company will be closed from Friday, 29th May, 2015 to Tuesday, 2nd June, 2015, both days inclusive, during which no transfer of shares will be registered. The record date for the 2015 AGM is Tuesday, 2nd June, 2015. Only shareholders of the Company whose names appear on the register of members of the Company on Tuesday, 2nd June, 2015 or their proxies or duly authorised corporate representatives are entitled to attend the 2015 AGM. In order to qualify for attending the 2015 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 Thursday, 28th May, 2015.

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 2014.

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, 2014, the Group has complied with all code provisions which were in effect in the financial year ended 31st December, 2014.

There have been no material changes to the information disclosed in the Company's 2013 annual report in respect of our corporate governance practices. Major updates since the 2013 annual report are summarized in the 2014 annual report to be sent to shareholders of the Company in April 2015.

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, 2014.

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, 2014 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 2014 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, 26th March, 2015